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**Foreign
Relations**
of the
**United
States**



1946

Volume V

**THE BRITISH
COMMONWEALTH;
WESTERN AND
CENTRAL EUROPE**

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**Department of State
Washington**

acc 7/7/69
Philip S. Mosely

Foreign Relations
of the
United States
1946

Volume V

The British Commonwealth;
Western and Central Europe



United States
Government Printing Office
Washington : 1969

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PREFACE

This volume was prepared under the direct supervision of S. Everett Gleason, Chief of the Foreign Relations Division, with the assistance of Fredrick Aandahl and former staff member N. O. Sappington.

The compilations on the British Commonwealth countries were the joint work of Mr. Sappington and John P. Glennon. Mr. Sappington also compiled the documentation on Portugal, Spain, and Denmark. Together with Howard M. Smyth, Mr. Sappington was responsible for the compilations on Italy. He and Mr. Aandahl compiled the documentation on American policy on France.

Mr. Glennon was responsible for the documentation on United States involvement in the multilateral and regional problems of Europe as well as for that concerning United States policies on Germany. The compilation on Austria was the work of former staff member George O. Kent.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of this volume.

WILLIAM M. FRANKLIN
*Director, Historical Office
Bureau of Public Affairs*

MARCH 15, 1969

PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the current regulation is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all docu-

ments needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

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LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES

EDITOR'S NOTE.—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

- Abwehr**, the Foreign Intelligence Service of the High Command of the German Armed Forces, dealing with counterintelligence
- A-C**, Assistant Secretary of State for Economic Affairs, Department of State
- AC**, Allied Council; Allied Commission
- ACA**, Allied Control Authority; Allied Commission for Austria
- ACC**, Allied Control Council; Allied Control Commission
- ACI**, Advisory Council for Italy
- AEG**, *Allgemeine Elektrizitäts Gesellschaft* (Universal Electricity Company in Germany)
- AFHQ**, Allied Force Headquarters
- AFL**, American Federation of Labor
- AGWar**, Adjutant General, War Department
- AICC**, All India Congress Committee
- Alcom**, Allied Commission
- AMG**, Allied Military Government
- AMVat**, American Mission Vatican
- AP**, Associated Press
- APO**, Army Post Office
- ATC**, Air Transport Command
- AV**, Aviation Division, Department of State
- BOAC**, British Overseas Airways Corporation
- CAA**, Civil Aeronautics Administration; Civil Aeronautics Authority
- CAB**, Civil Aeronautics Board
- CAD**, Civil Affairs Division, War Department
- CCAC**, Combined Civil Affairs Committee
- CCS**, Combined Chiefs of Staff
- CDU**, *Christlich-Demokratische Union* (Christian Democratic Union), a German political party
- CE**, Division of Central European Affairs, Department of State
- CFM**, Council of Foreign Ministers
- CG**, Commanding General
- CGT**, *Confédération Générale du Travail* (General Confederation of Labor, French)
- CIC**, Counter Intelligence Corps, U.S. Army
- CIO**, Congress of Industrial Organizations
- cirtel**, circular telegram
- CMF**, Central Mediterranean Force (British)
- ComGenMed**, Commanding General, Mediterranean Theater of Operations (U.S.)
- Comintern**, (Third) Communist International
- CORC**, Coordinating Committee (Allied Control Council for Germany)
- CP**, Communist Party
- CP**, Division of Commercial Policy, Department of State
- CRC**, Central Rhine Commission
- CSU**, *Christlich-Soziale Union* (Christian Social Union); a German political party centered in Bavaria
- DDSG**, *Donau Dampfschiffahrts Gesellschaft* (Danubian Steamship Company)
- Delsec**, indicator for telegrams from the United States Delegation to the Council of Foreign Ministers, or the Paris Peace Conference, at times headed by the Secretary of State

- Deptel**, Department's telegram
- DDL**, *Decreto legge luogotenenziale* (Decree Law of Lieutenant General of the Realm)
- DP**, Displaced Person
- DPD**, *Deutsche Presse Dienst* (German Press Service, British Zone)
- ECEFP**, Executive Committee on Economic Foreign Policy
- ECITO**, European Central Inland Transport Organization
- ECO**, European Coal Organization
- ECOSOC**, Economic and Social Council (UN)
- ED**, Division of Investment and Economic Development, Department of State
- EE**, Division of Eastern European Affairs, Department of State
- EECE**, Emergency Economic Committee, Europe
- ESC**, Central Secretariat of the Secretary of State's Staff Committee
- ESP**, Office of Economic Security Policy, Department of State
- EUR**, Office of European Affairs, Department of State
- Fan**, military communications indicator
- FAO**, Food and Agriculture Organization (UN)
- f.a.s.**, free alongside ship
- FBI**, Federal Bureau of Investigation
- FDGB**, *Freier Deutscher Gewerkschaftsbund* (Free German Trade Union Association)
- FLC**, Foreign Liquidation Commissioner
- FN**, Division of Financial Affairs, Department of State
- FonOff**, Foreign Office
- G-2**, Intelligence section of the general staff of a large unit
- G-5**, Civil affairs section of the general staff of a large unit
- GA**, Division of German and Austrian Economic Affairs, Department of State
- GA**, General Assembly (UN)
- GOI**, Government of India
- GSC**, General Staff Corps
- IA & C**, Internal Affairs and Communications Directorate, Allied Control Council for Germany
- IARA**, Inter-Allied Reparation Agency
- IATA**, International Air Transport Association
- ICAO**, International Civil Aviation Organization (UN)
- IEFC**, International Emergency Food Council
- IGC**, Intergovernmental Committee on Refugees
- ILO**, International Labor Organization
- IMAS**, Italian Military Affairs Section, AFHQ
- INS**, International News Service
- IRNA**, International Rhine Navigation Administration
- IRO**, International Refugee Organization
- IRWC**, International Rhine Working Committee
- ITP**, Office of International Trade Policy, Department of State
- IWT**, Inland Water Transport
- JCS**, Joint Chiefs of Staff
- JDC**, Joint Distribution Committee (American Jewish)
- JIOA**, Joint Intelligence Objectives Agency
- KPD**, *Kommunistische Partei Deutschlands* (German Communist Party)
- KRN**, *Krajowa Rada Narodowa* (Polish National Council of the Homeland)
- L of C**, Lines of Communication
- LDP**, *Liberal-Demokratische Partei* (German Liberal Democratic Party)
- MEA**, Mission for Economic Affairs (London)
- MG**, Military Government
- MMIA**, Military Mission to the Italian Army
- MRP**, *Mouvement Républicain Populaire* (French political party)
- MTOUSA**, Mediterranean Theater of Operations, U.S. Army
- mytel**, my telegram

- NAC**, National Advisory Council on International Monetary and Financial Matters
- Naf**, Communications indicator for messages from the Supreme Allied Commander, Mediterranean, to the Combined Chiefs of Staff
- NARS**, National Archives and Records Service
- NHA**, National Housing Agency
- Niact**, Communications indicator requiring attention by the recipient at any time of the day or night
- NSDAP**, *Nationalsozialistische Deutsche Arbeiterpartei* (National Socialist German Workers Party)
- NWFP**, North West Frontier Province (India)
- ODT**, Office of Defense Transportation
- OFLC**, Office of Foreign Liquidation Commissioner
- OMGUS**, Office of Military Government of the United States for Germany
- OPD**, Operations Division, War Department
- OSS**, Office of Strategic Services
- ourtel**, our telegram
- PAA**, Pan American Airways
- Paperclip**, code name referring to interim program for the short-term exploitation in the United States of selected German and Austrian specialists in science and technology
- PICAO**, Provisional International Civil Aviation Organization
- PW**, Prisoner of War
- RAF**, Royal Air Force (Great Britain)
- RCA**, Radio Corporation of America
- RDR**, Reparation, Deliveries, and Restitution Directorate of the Allied Control Council for Germany
- refDeptel**, reference Department's telegram
- RFC**, Reconstruction Finance Corporation
- RIN**, Royal Indian Navy
- RIWC**, Rhine Interim Working Committee
- SACMED**, Supreme Allied Commander, Mediterranean
- SAG**, *Sowjetische Aktiengesellschaften* (Soviet Industrial Corporations or Trusts)
- SC**, Security Council (UN)
- SD**, *Sicherheitsdienst* (Security Service of the National Socialist Elite Guard in Germany)
- Secdel**, indicator for telegrams to the United States Delegation to the Council of Foreign Ministers, or the Paris Peace Conference, at times headed by the Secretary of State
- SED**, *Sozialistische Einheitspartei Deutschlands* (German Socialist Unity Party)
- SEPD**, *Sozialistische Einheitspartei Deutschlands* (German Socialist Unity Party), usually designated **SED**
- SfAmb**, Secret for the Ambassador
- SHAEF**, Supreme Headquarters, Allied Expeditionary Force
- SNCF**, *Société Nationale des Chemins de Fer* (French National Railroad Authority)
- SPD**, *Sozialdemokratische Partei Deutschlands* (German Social Democratic Party)
- SPD**, Special Projects Division, Department of State
- SS**, *Schutzstaffeln* (National Socialist Elite Guard of Germany)
- SSU**, Strategic Services Unit
- SWNCC**, State-War-Navy coordinating Committee
- SYG**, Secretary General (UN)
- Tam**, military communications indicator
- Tass**, Telegraph Agency of the Soviet Union, official communication agency of the Soviet Government
- TU**, Trade Union
- TVA**, Tennessee Valley Authority
- UNO**, United Nations Organization
- UP**, United Press
- UNRRA**, United Nations Relief and Rehabilitation Administration
- urad**, your radiogram
- urtel**, your telegram
- USAFE**, United States Army Forces, Europe

USFA, United States Forces in Austria

USFET, United States Forces, European Theater

USPolAd, United States Political Adviser (for Germany)

V-E Day, the day of Allied victory in Europe

V-J Day, the day of Japanese capitulation

VKF, *Vereinigte Kugellagerfabriken* A.G. (United Ball Bearing Factories, A[ktien] G[esellschaft] Incorporated)

WarCAD, War Department, Civil Affairs Division

WDSCA, War Department Staff Civil Affairs

WDGS, War Department General Staff

THE BRITISH COMMONWEALTH OF NATIONS

UNITED STATES INTEREST IN THE ACQUISITION OF BASE RIGHTS IN BRITISH COMMONWEALTH AREAS AND IN ARRANGEMENTS FOR DEFENSE OF SUCH AREAS IN THE SOUTHWEST PACIFIC ¹

811.24590/1-2646 : Telegram

The Chargé in Australia (Minter) to the Secretary of State

RESTRICTED

CANBERRA, January 26, 1946—11 a. m.

[Received January 26—7:37 a. m.]

12. Following is text of a note dated January 24 from the Minister for External Affairs: ²

"I have the honor to refer to conversations between your Government and the Government of the United Kingdom in reference to the granting of long term military base rights in territories in the Pacific.³

"Australia and New Zealand, because of their geographical position, are directly interested in security and welfare arrangements in the whole Pacific area. The Australian Govt considers that both countries should participate in any talks which are held on this subject and be represented at all stages of any discussions. This view has been conveyed to the United Kingdom Government and it would be greatly appreciated if you would convey this view to your Government."

MINTER

890.0146/2-2046 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

TOP SECRET

LONDON [undated].

US URGENT

[Received February 20, 1946—8:53 a. m.]

2090. McIntosh of New Zealand ⁴ has wished to discuss Pacific Islands with Dunn ⁵ preparatory to conversations which he and Prime

¹ For previous documentation on representations of the United States to the United Kingdom for support in obtaining overseas bases, see *Foreign Relations*, 1945, vol. vi, pp. 204 ff.

² Herbert V. Evatt.

³ For documentation relating to United States policy regarding establishment of International Trusteeship system under United Nations Charter, see volume i.

⁴ A. D. McIntosh, Secretary for External Affairs.

⁵ James Clement Dunn, Assistant Secretary of State and Deputy for the Secretary of State at the Council of Foreign Ministers at London.

Minister Fraser expect to have with Dept this coming Saturday ⁶ or Monday. Arrangements had been made Monday and again yesterday for Dunn to meet McIntosh at Colonial Office but Dunn was unable to keep either appointment owing to meetings of Deputies. Yesterday he asked Allison ⁷ and Achilles ⁸ to substitute for him. Meeting was held in Gater's ⁹ office. McIntosh, Mason of Foreign Office, and Robinson of Dominions Office were present. Gater began by saying he was not empowered to discuss our claims to sovereignty of disputed islands but that British Government would appreciate clarification concerning what we had in mind and why we had broached the matter at this particular time.

We replied that Dept had long had in mind seeking at appropriate time mutually satisfactory agreement concerning these American islands to which the British also asserted claim, that before the war the Dept had tentatively suggested discussions but had met the British desire that discussion be postponed until after the war since no question had arisen as to use of the islands for war purposes. Now that the war was over and active consideration was being given to security requirements in the Pacific area it seemed appropriate to seek a solution.

Gater inquired whether our interest arose solely from security point of view. If so, he felt that satisfactory arrangements could be made for these as well as other islands if the question of sovereignty were not raised. We replied that the principle importance of the islands was undoubtedly strategic, although they might possibly have some use in connection with civil aviation, but that the question of sovereignty remained to be determined since both Governments claimed it.

Gater remarked that he considered the British claim unassailable and that an American claim to the islands came as somewhat of a surprise.

He inquired as to the basis of our claims. We replied that we were not empowered to discuss the merits of the case but that full information on the American position would undoubtedly be given in the Washington talks.

McIntosh stated that American claims to the seven islands under New Zealand administration had come as a surprise to them, particularly that with respect to the Cook Islands which they considered an integral part of New Zealand. He hoped that a full statement of the basis for our claims would be given Mr. Fraser in Washington this

⁶ February 23.

⁷ John Moore Allison, First Secretary of Embassy in the United Kingdom.

⁸ Theodore C. Achilles, First Secretary of Embassy in the United Kingdom.

⁹ George Gater, Permanent Under Secretary of State in the British Colonial Office.

weekend. He also expressed hope that we would this weekend furnish as specific information as possible as to our wishes in regard to a base in Samoa, as this would affect the trusteeship arrangement for Samoa on which the New Zealand Government was working, and which it hoped to lay before the Assembly in September. New Zealand would prefer to have the Samoa trusteeship arrangement come under the Trusteeship Council rather than the Security Council.

Gater again stated that if the question of sovereignty were not raised it should be easier to reach a mutually satisfactory security arrangement. We again replied that we of course had no authority even to discuss the waiving of claims to American territory.

Mason indicated that the UK Government were not yet prepared to discuss either the question of sovereignty over the disputed islands or bases elsewhere in the Pacific with US, but that they hoped to be shortly. Gater indicated that it would be difficult for them to discuss the question of sovereignty unless they knew in advance the basis for our claims.

It is hoped that the Dept will be in a position to hold discussions with Fraser and McIntosh on February 23 or 25. They will not be accompanied by military advisers. They would appreciate a definite appointment being made and the New Zealand Legation being advised.

WINANT

811.24590/3-1446

*Draft Agreement Between the United States and New Zealand*¹⁰

TOP SECRET

The Governments of the United States and New Zealand, taking note of the expressed intention of the Government of New Zealand to take appropriate steps for placing the mandated territory of Western Samoa within the trusteeship system in accordance with Article 77 of the United Nations Charter, and deeming it desirable in the interests of international peace and security that the Government of the United States should share jointly with New Zealand the rights and obligations specified in Annex A of this agreement with respect to military bases and facilities in Western Samoa agree:

1. That under the terms of the Trusteeship agreement to be negotiated by the states directly concerned in accordance with Articles 79 and 81 of the Charter, New Zealand shall be designated as administering authority of the trust territory and that New Zealand shall have authority to establish and erect such military installations on Upolu

¹⁰ This draft was presented to the New Zealand Prime Minister, Peter Fraser, the latter part of February 1946, when he was in Washington.

Island as may be agreed upon by the Governments of New Zealand and the United States, to establish and maintain elsewhere in Western Samoa facilities for defense in agreement with the United States, to make provision for the security of such installations and facilities, and to conclude such agreements with the United States as may be necessary for the exercise by the United States of the rights and obligations specified in Annex A of this agreement.

2. That under the terms of such Trusteeship agreement the area defined in paragraph 1 of Annex A shall be declared a strategic area; the bases and facilities therein, and any facilities constructed elsewhere in Western Samoa in agreement with the United States may be made available to the Security Council by New Zealand as administering authority, with the approval of the United States in each instance, in accordance with any agreement or agreements New Zealand may make under Article 43 of the United Nations Charter.

3. That the New Zealand Government will expedite the negotiation of such Trusteeship agreement.¹¹

4. That the Government of the United States, in view of its direct concern, will take such steps as may be appropriate to further the prompt conclusion of such Trusteeship agreement.

5. That the two Governments will reach agreement on the terms of such Trusteeship agreement, and, having done so, will agree not to consent to the termination, alteration, or amendment of such Trusteeship agreement without prior agreement between themselves.

6. That the present agreement shall enter into force upon ratification by the United States and New Zealand in accordance with their respective constitutional processes, and shall continue in force for 99 years and for such further time as may be mutually agreed upon, unless previously altered, amended, or terminated by mutual consent.

Annex A

In order that the United States and New Zealand may share responsibility for the defense of Upolu Island and for the establishment, utilization and maintenance of military bases thereon and for the establishment of other military facilities elsewhere in Western Samoa, it is mutually agreed between the two Governments that:

1. Upolu Island is to be declared a strategic area; the geographic limits of such area are:

¹¹ During the talks at Washington the New Zealanders handed to the Department on an informal basis a copy of draft trusteeship agreement for Western Samoa; this draft apparently had been prepared ahead of the Washington talks. For documentation on the formal United States-New Zealand talks on a draft trusteeship agreement for Western Samoa beginning in July, see volume I.

2. Except as provided in paragraph 2 of this agreement, the area defined in paragraph 1 of Annex A and the facilities thereon and any military facilities established elsewhere in Western Samoa shall not be made available to the armed forces of another government without the consent of New Zealand and the United States.

3. The United States, jointly with New Zealand, possesses rights

(a) to occupy, maintain, improve, operate and control a military air base for landplanes and seaplanes at Faleola, and military bases at such other sites in the strategic area defined in paragraph 1 of Annex A as may be mutually agreed upon.

(b) to install, maintain, operate and control at locations elsewhere in Western Samoa to be mutually agreed upon, such facilities for defense, including warning systems, weather reporting, communication and aids to navigation as may be mutually agreed upon.

(c) to operate military craft, including aircraft, vessels, and vehicles into, through, over, and away from the strategic area defined in paragraph 1 of Annex A, and the localities elsewhere in Western Samoa containing facilities for defense established in agreement with the United States without restriction except as mutually agreed upon; and

(d) to utilize such port, transportation and communication facilities in Western Samoa as may be required in the exercise of the rights accorded, and to install and improve such as may be mutually agreed upon.

4. The United States possesses rights

(a) to import, station, store in or remove from Western Samoa, personnel, material and supplies required in the exercise of the rights accorded, free of customs, duties, taxes, and imposts of any kind.

(b) to have exclusive jurisdiction over United States military personnel present in Western Samoa in the exercise of the rights accorded. [In the United States view, this point would be covered by the United States rights under international law, but the inclusion of this specific provision might be desirable.]²²

5. With respect to the already existing military installations in Western Samoa which have been built by the United States with the approval of the New Zealand Government at the expense of the United States, the New Zealand Government undertakes to maintain such of these existing military installations as are necessary in the opinion of the appropriate military authorities of the two countries; with respect to any additional military installations and facilities in the strategic area defined in paragraph 1 of Annex A and such military facilities as may be established elsewhere in Western Samoa in agreement with the United States, the two Governments undertake to establish and maintain any such installations and facilities in accordance with plans

²² Brackets appear in the Draft Agreement printed here.

mutually agreed upon, the costs of establishment and maintenance to be borne by the Government proposing the construction of the installation or facility concerned, except as otherwise agreed upon.

6. The Government of the United States shall have the right, if in its judgment conditions at the time make such action necessary, to assume control upon due notification to the New Zealand authorities, of any or all of the military installations and facilities in the strategic area defined in paragraph 1 of Annex A, and any or all of the military facilities established elsewhere in Western Samoa in agreement with the United States, such control to continue for such time as the United States considers necessary; the United States undertakes to pay the expense of the maintenance of such installations and facilities during such periods of temporary control by the United States.

7. The United States is not hereby committed to maintain facilities in the strategic area defined in paragraph 1 of Annex A or elsewhere in Western Samoa when in its judgment such military facilities are not necessary.

811.24546M/2-2646

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[WASHINGTON,] February 26, 1946.

Participants: Prime Minister of New Zealand, Peter Fraser;
Minister of New Zealand, Mr. C. A. Berendsen;
Secretary Byrnes

The Prime Minister of New Zealand, Mr. Fraser, accompanied by Minister Berendsen, called this morning at his request.

After a preliminary discussion of developments at the recent meeting of the General Assembly in London, the Secretary brought up the question of Pacific bases. The Prime Minister stated that he had had a very good discussion with our men on yesterday and that there now remained merely the matter of adjustment, adding that "we were both after the same thing". He said that it was just a matter now of arranging details. The Secretary went on to say that we ought to get together and determine the kind of agreement we wanted and get the matter disposed of.

The Secretary told the Prime Minister that it would be impossible for our military to maintain all the places in question in the Pacific. It would be far too costly. The Prime Minister concurred in this.

The Prime Minister said that back in 1944 when he had spoken with General Marshall¹³ about the Pacific Islands, he had asked General Marshall if, when the war was over, we would be in full control of these

¹³ Gen. George C. Marshall, Chief of Staff of the United States Army.

islands. General Marshall had replied that the Prime Minister sounded very generous, adding that when the war was over he hoped reductions might be made in this regard.

The Secretary said that people like those of his country and of New Zealand are not a military people. The sentiment in this country appears to be against universal training. Today or tomorrow the Army and Navy plans to submit to Congress a report recommending an increase in pay in the services as an inducement to getting men since we are not able to get them in sufficient number.

The Prime Minister said that the same conditions prevailed in Great Britain and that the Army there was considering the matter of an increase in the bonus.

The Secretary said that he thought that the terrible lesson of unpreparedness would remain but he was deceived in this. He said that he was going to deliver an address this coming Thursday¹⁴ to try to impress the people of the country along these lines. He said he could not conceive of another disaster of such a character that we would have a year and a half to two years time to prepare. Things move too quickly now.

The Secretary said that he had been advised that a few places in the Pacific should be kept. Christmas Island and Canton were of importance. The rest of the islands the people of the country just would not want to maintain.

The Prime Minister said that they would take care of the maintenance of Western Samoa.

The Prime Minister said that the first thing to do was to make the arrangement with the United States and then get the agreement registered. He said the one point of difference was whether we should declare it a strategic area. Mr. Fraser said that the matter would, of course, be settled satisfactorily. As a matter of fact, he said they were now about 99.9% in agreement.

The Prime Minister suggested that Mr. Searls¹⁵ might meet with representatives of the four powers concerned regarding the question of bases. The Secretary replied that he did not believe there was any necessity for having a four-power meeting since it would merely call attention to it and create a great deal of talk.

Mr. Fraser said that when he returned to his country, he would make it a point of going to Australia to discuss the matter.

Minister Berendsen said that France could not be ignored because of her ownership of New Caledonia and the New Hebrides. The Prime Minister said that he was sure that France would not cause any

¹⁴ February 28.

¹⁵ Fred Searls, Special Assistant to the Secretary of State.

trouble. He said that, frankly, as long as China and Russia did not intervene, he anticipated no difficulty, adding that he did not want Russia and China coming in there at all.

The Secretary said that with regard to certain bases like the Azores, some arrangements would have to be made. He said that it would cost enough to keep these places up let alone maintaining places below the Equator that would be of no practical use to us.

811.34562M/2-2746

Memorandum of Conversation, by the Deputy Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] February 27, 1946.

Participants: Mr. A. D. McIntosh, Secretary for External Affairs,
New Zealand
Mr. John Reid, First Secretary, New Zealand Legation
Mr. Hickerson—EUR
Captain Dennison ¹⁶
Colonel Tate ¹⁷
Mr. Furber—BC ¹⁸

Mr. Hickerson began the discussion by an account of Prime Minister Fraser's conversation with the Secretary yesterday. Mr. McIntosh said that while it was perfectly apparent that we all wanted to achieve the same ends he did not feel that the impression created by Prime Minister Fraser's interview with the Secretary that we were 99.9% in agreement was precisely correct. In further discussion with regard to the proposed base agreement with reference to Western Samoa and the trusteeship agreement both Mr. McIntosh and Mr. Reid continued to express concern at the idea of concluding a base agreement prior to the conclusion of the trusteeship agreement. They felt quite strongly that, if it were impossible to conclude the base agreement subsequently, at any rate the two agreements should be thought of as being concluded simultaneously. There was considerable discussion as to what the position would be if the trusteeship agreement failed of approval by the United Nations either because of parallel base agreement or for other reasons. Mr. McIntosh made it clear that, however anomalous the legal position in that event might be, it was perfectly clear that from a *de facto* point of view the United States would in effect possess the rights in which it was interested and

¹⁶ Capt. R. L. Dennison, Assistant Chief of Naval Operations (Politico-Military Affairs).

¹⁷ Col. Robert Tate, Assistant Chief of Operations Division, War Department.

¹⁸ Holden Furber of the Division of British Commonwealth Affairs.

that also New Zealand would, of course, have no intention of according similar rights to any nonmember of the British Commonwealth of Nations. He further made it clear that New Zealand would be in *de facto* control of the mandate and there would be no possibility of New Zealand relinquishing its authority over the mandate. When Captain Dennison expressed some concern lest in such a situation the United Nations Organization would possess some kind of actual legal right to interfere, Mr. McIntosh read Article 80 of the United Nations Charter and it was the consensus of opinion that, prior to the actual conclusion of a trusteeship agreement, the United Nations Organization actually had nothing to do with the question.

In discussion of the issue as to whether or not any part of the mandate should be declared a strategic area, both Mr. McIntosh and Mr. Reid indicated their continued distaste for the idea of having any strategic area at all. Mr. McIntosh admitted that his objections to the idea arose largely from the psychological and political implications which the issue would hold for the Prime Minister and for New Zealanders generally. He repeated that it would seem very ironical for New Zealand, which had taken such a prominent part in the trusteeship discussions at San Francisco and which had opposed so strongly the idea of strategic areas as distinct from ordinary trusteeships, to appear now to reverse its position and go before the United Nations and world opinion with the proposition that some part of its mandate would have to be declared a strategic area. Captain Dennison and Colonel Tate again went over the reasons for their feeling that the area was strategic and should be considered a strategic area. Colonel Tate felt that the question of the base agreement might arouse less comment if a strategic area were declared than if such an area were not declared. Captain Dennison and Mr. Hickerson said that it seemed perfectly clear to them that the trusteeship agreement could be so written that in effect under the application of Article 83 of the United Nations Charter the Trusteeship Council could in effect perform all of its usual functions with reference to native welfare and the carrying out of the objectives of the trusteeship system within any declared strategic area. Both Mr. McIntosh and Mr. Reid were considerably impressed by these arguments but it is obvious that they regard the idea of the declaration of a strategic area with distaste.

In a brief examination of the rough drafts of the base agreement and the proposed clauses for a trusteeship agreement, Mr. McIntosh said that he felt that the designation of New Zealand as administering authority was so self-evident that there might be no need of specific mention of that point. He also felt that the clauses by which both

Governments agree to expedite the prompt conclusion of a trusteeship agreement were unnecessary. Neither Mr. McIntosh nor Mr. Reid expressed pronounced objections to the clauses with reference to the maintenance and the method of allocating costs of military installations, but they said that the matter would have to be looked into carefully. Mr. McIntosh had indicated earlier that New Zealand had no objections whatever to taking over the caretaker duties at the fields and the maintenance of the runways. Both Mr. McIntosh and Mr. Reid felt that the clause requiring the "approval of the United States in each instance" with reference to making facilities available to the Security Council on its call required very careful examination as it seemed to them somewhat incompatible with the Charter. Mr. McIntosh said that the clause with regard to the United States right to assume temporary emergency operational control obviously needed much revision and careful consideration. Captain Dennison broached the question of giving the United States exclusive jurisdiction over its civil personnel employed on the bases. Mr. McIntosh felt that this would cause considerable difficulties. It was also pointed out that changes in phraseology might be necessary to make it clear that armed forces under the authority of His Britannic Majesty (not New Zealand forces alone) should have the right to use the facilities.

The discussion with regard to the proposed conference at Canberra was brief because Mr. McIntosh was in full agreement with Mr. Hickerson as to the undesirability of having such a conference at this time. Both Mr. McIntosh and Mr. Reid indicated strongly more than once that they would advise Prime Minister Fraser that their view was that the United Kingdom would have to participate in any arrangements about bases in the Pacific and that the United Kingdom in their view should be regarded as a state directly concerned with reference to negotiating trusteeship agreements, unless the United Kingdom voluntarily abstained from taking such a position. There was some discussion as to precisely what had been contemplated in London with reference to talks between the United Kingdom, Australia, New Zealand, the United States, and possibly France, with reference to base problems in the Pacific. While there was general agreement that a conference was inadvisable, no objection was expressed to the idea of informal talks on the military service level among the various countries concerned.

J[OHN] D. H[ICKERSON]

811.24500/2-2846

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[WASHINGTON,] February 28, 1946.

Lord Halifax called this morning at his request.

The Ambassador said that he had had a message from Bevin¹⁹ with regard to the questions which had been discussed in London about bases.

Lord Halifax said that the Secretary was no doubt familiar with Bevin's views, but what Bevin would like now to suggest is that the talks should begin any time the Secretary wished. Bevin thought that these talks should be regarded as preliminary and informal and that they should be concerned with technical considerations on a military level.

The Ambassador said that the purpose of this discussion was to clear up a number of things before any progress could be made on larger issues. Bevin would therefore like to have the preliminary military examination in regard to the Pacific bases disposed of. A great deal of the work would deal with the military phase of the question, and he thought that this would be the most profitable and best way to begin.

The Secretary said that he was going to fix a time to talk with the Army and Navy people. He wanted to try to make them revise their views about bases to see if we couldn't make further reductions.

The Secretary said that these bases cost too much money to maintain and that it would be useless to maintain bases this year and then have Congress cut down on funds the following year.

The Secretary said that any time after the middle of next week he would be prepared to talk with whomever the British wish. He said he agreed with the Ambassador that it was important that we get busy on this matter and reach an agreement and do something about securing these bases.

The Ambassador said that once these discussions were finished, information would be available for higher-level talks in San Francisco.

The Secretary said that Fraser had mentioned something about a meeting at San Francisco. The Secretary went on to say that, as he had told Fraser, he thought it would be much better not to have a formal meeting since it would only serve to create a lot of talk. Since Fraser had stated they were in substantial agreement now, it would be useless for New Zealand to be bothered further, and the agreement they have now could be used as a pattern for the Australian agreement. Fraser expected to talk with the Australians about an agreement when he returned.

¹⁹ Ernest Bevin, British Secretary of State for Foreign Affairs.

The Ambassador stated that there was some division of opinion between Fraser and Evatt. Evatt, of course, was very keen about getting all these matters taken care of in a conference in Canada—he did not want the talks here. He said that Evatt had been told that they were prepared to talk with Fraser and us and also have his people sit in on the technical and military discussions. He went on to say that the idea was to get the Australians gradually in on the general planning of the matter.

The Secretary replied that Manus was the only place in which the Australians were interested. He said that the reason we were interested in it was because we had spent \$156,000,000 on it. Because we were interested in it when we were at war with Japan, however, does not mean it is so essential now unless we expect another war with Japan.

The Secretary said he wanted our military people to look at the islands. We do not want to try to maintain anything more than is absolutely essential for defense purposes. Once the matter has been discussed with the military, we can then determine how we will go about it.

The Secretary reiterated that he did not think it would be wise to send representatives to San Francisco for a meeting. The Ambassador agreed that this would be too conspicuous.

The Ambassador said that it would be useful to let Fraser's people sit in with our military because they were interested in the whole set-up, and leave the Australians out of the discussion since they wanted to be left out anyhow. He added that Bevin wanted to let the New Zealanders sit in because they were willing to come along with the British in these talks. This was a help to them in view of Evatt's attitude.

The Ambassador concluded by saying he would advise his Government that we would be ready to have the talks any time after the middle of next week.

811.34590/3-846

Memorandum of Conversation, by the Deputy Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] March 8, 1946.

Mr. Middleton, First Secretary of the British Embassy, came in to see me today. He said that Field Marshal Wilson, in association with the Embassy, had been authorized to begin discussions with us at any time convenient in regard to our request of the British Government for bases in British territory in the Pacific. He referred to the note

which the Secretary had sent Mr. Bevin on this subject on November 7[6],²⁰ setting forth a list of such places.

I told Mr. Middleton that I was very much pleased. I said that Mr. Searls and I and at least one officer from the British Commonwealth Division would take part in the talks from the State Department and that Captain Dennison of the U.S. Navy and Colonel Tate of the Army had been designated from their departments to take part in the talks. I told him that Mr. Searls was out of town but would be back on Monday²¹ and that I would check with him and let them know of a time for the meeting which I hoped would be Monday. Mr. Middleton said that it would not be possible for them to meet earlier than Monday in any event but he hoped that they could take part in a meeting Monday. It was left that I would telephone him Monday morning.

JOHN HICKERSON

811.34590/3-1346

Memorandum of Conversation, by the Deputy Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] March 13, 1946.

Subject: Preliminary Discussion with Representatives of the United Kingdom with reference to Base Rights in British administered islands, chiefly in the Pacific.

Participants: Mr. Wright, British Embassy Mr. Searls, S
 Mr. Cockram Mr. Hickerson, EUR
 Mr. Maclean Mr. Furber, BC
 Mr. Rogers Captain Dennison
 Mr. Maude Colonel Tate
 Commodore Clarke
 Commander Frewin
 Brigadier Cornwall-Jones
 Lt-Col. Wilson
 Major Munro
 Group-Captain Rolfe
 Air Commodore Findlay,
 New Zealand Legation

Mr. Michael Wright of the British Embassy opened the discussion. Mr. Wright referred to the brief exchange of views between Mr. Bevin and Mr. Byrnes in London with reference to these questions. He said that the conversations opening now in Washington

²⁰ *Foreign Relations*, 1945, vol. vi, p. 206.

²¹ March 11.

were preliminary and exploratory and that on the British side they would like to clarify their ideas as to the rights desired in each island. They understood that the State Department was not yet ready with a full statement with reference to American claims to disputed islands and that therefore the conversation would proceed without reference to the issue of sovereignty which was, of course, of much concern to the British. He also said that Mr. Bevin's chief fear with reference to this general subject arose out of the possibility that publicity with regard to any separate bilateral base agreement between the United States and the United Kingdom would have unfortunate repercussions and that Mr. Bevin was most concerned that these issues should not complicate the negotiation of United Nations' arrangements with reference to security under the authority of the Security Council.

Mr. Hickerson said that since there was a general feeling that any arrangements which the United Kingdom and the United States might arrive at would be compatible with any arrangements made by the Security Council and that we all envisaged making facilities of this type available to the Security Council on its call, he felt that for the purposes of these discussions we might lay aside the question of special security arrangements under the United Nations Organization and concentrate on the more purely military aspects of the matter as between the United States and the United Kingdom. He also said that in this conversation we might proceed without reference to the issue of disputed sovereignty in the case of certain of the islands. In this connection he stated that he quite realized that the American objectives with reference to the acquisition of base rights could be taken care of short of settlement of the issue of sovereignty. Mr. Searls pointed out that in actual fact base rights were desired in only three islands over which the sovereignty was in dispute between the two Governments.

Captain Dennison then read the full list of the desires of the Joint Chiefs of Staff with reference to base rights in the Pacific islands, including the New Zealand-, and Australian-administered islands, as well as Ascension Island in the South Atlantic.²² The British services personnel present asked various questions with reference to definition of the terms used which were explained by Captain Dennison. It was emphasized that the United States desired exclusive base rights in only 3 islands, namely, Canton, Christmas and Funafuti. Mr. Michael Wright asked whether the reason these islands were the

²² On January 14, 1946, the State-War-Navy Coordinating Committee approved SWNCC 38/29 (not printed) which set forth the detailed requirements for military bases and rights in these islands as determined by the Joint Chiefs of Staff (811.245/1-1445).

only ones in which exclusive rights were desired was because the United States claimed sovereignty over them. Mr. Hickerson said that that was not the entire reason for so doing. In the opinion of the Joint Chiefs of Staff these islands were somewhat more important from a purely strategic and military standpoint than the others mentioned.

Captain Dennison said that while the Navy, of course, could not commit itself with regard to its future policy, no new construction was at present contemplated on any of the islands listed. Similarly no removals of important installations and equipment already present were contemplated. It was made clear that by exclusive base rights the United States meant such base rights as it possessed in the leased bases in the Atlantic—Bermuda, for example. To questions from the service personnel as to methods of allocating costs with reference to the maintenance of installations, Captain Dennison and Mr. Hickerson replied that it was recognized that the military representatives of the Government concerned would have to sit down and work out some of these technical problems, but it was not intended to commit either party to expenditures not agreed to by the other on islands where joint rights were to be exercised. It was a general expectation that in view of the fact that the United States had installed the facilities the other Government concerned would normally be willing to maintain them in those cases where the United States desired joint rather than exclusive rights.

Mr. Hickerson made it clear that the proposed base arrangements with the United Kingdom would presumably be concluded in a manner that would require Congressional approval. He said also that it was the feeling of the Department that the present discussions with respect to military rights should not be complicated by the introduction of the question of rights for civil aircraft which could be considered separately. He reminded the British representatives present that the United States had made no approach to France with reference to rights on Espiritu Santo in the New Hebrides, and requested that the French be not informed on this point for the present. Mr. Hickerson said that although there was no connection between these base problems and other issues being negotiated with the British Government at the present time, it would certainly be very helpful if action on these problems could be taken sufficiently promptly to have a beneficent influence on the settlement of other problems.²³

²³ On March 27, 1946, nine agreements relating to settlement of Lend-Lease, reciprocal aid, surplus war property, and claims were signed at Washington. For texts, see Department of State, *Treaties and Other International Acts Series* (TIAS) No. 1509, or 60 Stat. (pt. 2) 1525.

In closing the discussion, Mr. Searls pointed out that he felt very strongly that it was desirable that some action on this matter be not long delayed, that it was preferable that these arrangements should seem to be arrangements for the continuance of military installations and facilities at locations where they were already present rather than something entirely new. He felt that there was really no difficulty with reference to the Security Council and that the arrangements contemplated were quite within the spirit of the Charter and that we should not delay unduly because of fears of unfortunate repercussions in this regard. Mr. Michael Wright said that his colleagues would, of course, consider the information which had been communicated to them orally this morning, some of which would be summarized and sent to their service people in writing by the American service representatives present. He said that on the British side they might want to raise both some questions with respect to the civil aviation problem and also might want later to raise the question of certain reciprocal rights in American territory. He re-emphasized again that the main difficulty from the British standpoint was the British anxiety not to prejudice inauguration of military security arrangements of the United Nations Organization.

J[OHN] D. H[ICKERSON]

811.24590/3-1446

The Department of State to the Australian Legation

SECRET

MEMORANDUM

The Department of State would be happy to enter into informal conversations with representatives of the Australian Government at an early convenient opportunity with respect to the desire of the United States to obtain in the Admiralty Islands long-term base rights to be shared jointly with Australia.

The United States has taken note of Australia's expressed intention of placing the mandated territory of New Guinea within the Trusteeship System of the United Nations. The United States assumes that it is the intention of the Australian Government that Australia shall be designated the administering authority over the whole mandated territory of New Guinea in any trusteeship arrangements worked out in accordance with the United Nations Charter. The United States regards itself as a state directly concerned in the negotiation of any trusteeship agreement or agreements covering the mandated territory of New Guinea.

In line with the foregoing, there are attached two documents which express certain views with reference to long-term base rights in the

Admiralty Islands, both of which documents are informal working papers and are not to be considered as expressing at this time the final views of the United States Government.

The first such document is a preliminary draft of a proposed base agreement between Australia and the United States relative to base rights in the Admiralty Islands.

The second document is a draft of certain clauses which the United States feels should be included in any trusteeship agreement covering the Admiralty Islands. These clauses, it will be noted, relate primarily to security matters. The United States, of course, reserves the right to express its views with reference to any aspects of any proposed trusteeship agreement or agreements for the mandated territory of New Guinea.

The Department of State will welcome an early expression of the views of the Australian Government concerning the foregoing questions. It will be glad to discuss these matters informally with representatives of Australia whenever convenient.

WASHINGTON, March 14, 1946.

Attachment I

The Governments of the United States and the Commonwealth of Australia, taking note of the expressed intention of the Government of Australia to take appropriate steps for placing the mandated territory of New Guinea within the trusteeship system in accordance with Article 77 of the United Nations Charter, and deeming it desirable in the interests of international peace and security that the Government of the United States should share jointly with Australia the rights and obligations specified in Annex A of this agreement with respect to military bases and facilities in the Admiralty Islands agree:

1. That under the terms of the Trusteeship agreement to be negotiated by the states directly concerned in accordance with Articles 79 and 81 of the Charter, Australia shall be designated as administering authority of the trust territory and that Australia shall have authority to establish and erect such military installations in the Admiralty Islands as may be agreed upon by the Governments of Australia and the United States, to make provision for the security of such installations, and to conclude such agreements with the United States as may be necessary for the exercise by the United States of the rights and obligations specified in Annex A of this agreement.

2. That under the terms of such Trusteeship agreement the areas containing these bases and facilities shall be declared a strategic area; the bases and facilities therein may be made available to the Security

Council by Australia as administering authority, with the approval of the United States in each instance, in accordance with any agreement or agreements Australia may make under Article 43 of the United Nations Charter.

3. That the Australian Government will expedite the negotiation of such Trusteeship agreement.

4. That the Government of the United States, in view of its direct concern, will take such steps as may be appropriate to further the prompt conclusion of such Trusteeship agreement.

5. That the two Governments will reach agreement on the terms of such Trusteeship agreement, and, having done so, will agree not to consent to the termination, alteration, or amendment of such Trusteeship agreement without prior agreement between themselves.

6. That the present agreement shall enter into force upon ratification by the United States and the Commonwealth of Australia, in accordance with their respective constitutional processes, and shall continue in force for 99 years and for such further time as may be mutually agreed upon, unless previously altered, amended, or terminated by mutual consent.

Annex A

In order that the United States and Australia may share responsibility for the defense of the Admiralty Islands and for the establishment, utilization and maintenance of military bases thereon, it is mutually agreed between the two Governments that:

1. The Admiralty Islands are to be declared a strategic area; the geographic limits of such area are: latitude 1°30' South and 3°10' South and longitude 145°50' East and 148°10' East.

2. Except as provided in paragraph 2 of this agreement, the area defined in paragraph 1 of Annex A and the facilities thereon shall not be made available to the armed forces of another government without the consent of Australia and the United States.

3. The United States, jointly with Australia, possesses rights

(a) to occupy, maintain, improve, operate and control the naval base presently established on Manus, a military air base (Momote) on Los Negros, military air facilities at Pitylui, Ponani, and Lombrun, and military bases at such other sites on Manus Island, Seadler Harbor, and the adjacent land areas as may from time to time be mutually agreed upon;

(b) to install, maintain, operate and control at locations within the Admiralty Islands to be mutually agreed upon, facilities for defense, including warning systems, weather reporting, communication and aids to navigation;

(c) to operate military craft, including aircraft, vessels, and vehicles into, through, over, and away from the Admiralty Islands without restriction except as mutually agreed upon; and

(d) to utilize the port, transportation and communication facilities in the Admiralty Islands required in the exercise of the rights accorded, and to install and improve such as may be mutually agreed upon.

4. The United States possesses rights

(a) to import, station, store in or remove from the Admiralty Islands, personnel, material and supplies required in the exercise of the rights accorded, free of customs, duties, taxes, and imposts of any kind.

(b) to have exclusive jurisdiction over United States military personnel present in the Admiralty Islands in the exercise of the rights accorded. [In the United States view, this point would be covered by United States rights under international law, but the inclusion of this specific provision might be desirable.]²⁴

5. With respect to the already existing military installations in the Admiralty Islands, all of which have been built by the United States with the approval of the Australian Government at the expense of the United States, the Australian Government undertakes to maintain at its own expense such of these existing military installations as are necessary in the opinion of the appropriate military authorities of the two countries; with respect to any additional military installations and facilities in the Admiralty Islands, the two Governments undertake to establish and maintain any such installations and facilities in accordance with plans mutually agreed upon, the costs of establishment and maintenance to be borne by the Government proposing the construction of the installation or facility concerned, except as otherwise agreed upon.

6. The Government of the United States shall have the right, if in its judgment conditions at the time make such action necessary, to assume control upon due notification to the Australian authorities, of any or all of the military installations and facilities in the Admiralty Islands, such control to continue for such time as the United States considers necessary; the United States undertakes to pay the expense of the maintenance of such installations and facilities during such periods of temporary control by the United States.

7. The United States is not hereby committed to maintain military forces or facilities in the Admiralty Islands when in its judgment such military forces or facilities are not necessary.

²⁴ Brackets appear in the Annex printed here.

Attachment II

1. Definition of Admiralty Islands as a strategic area with boundaries: 1°30' and 3°10' south latitude, 145°50' and 148°10' east longitude.

2. Designation of Australia as administering authority of the trust territory.

3. A clause or clauses giving Australia full legislative and administrative control in the trust territory subject only to the provisions of the Charter of the United Nations and the terms of the Trusteeship agreement. The clause or clauses should be so drawn as to make it clear that the United States possesses no responsibilities, rights, or powers with respect to the administration of the territory and its inhabitants.

4. The administering authority may establish, maintain, and control such bases, facilities, and forces, and take such measures for their security, as it may deem necessary or desirable in the trust territory.

5. Nothing in this trusteeship agreement shall preclude the administering authority from maintaining existing agreements and entering into such additional agreements as it may deem necessary or desirable with another member of the United Nations with respect to sharing rights of occupation and operation, and responsibility for the establishment, maintenance and control of existing or additional military bases and facilities in the trust territory [i.e., the Admiralty Islands strategic area],²⁵ provided, however, that no such agreements shall preclude the offer of such bases and facilities to the Security Council of the United Nations on its call.

6. The amendment, alteration, or termination of this Trusteeship agreement shall be only by unanimous agreement of the signatories [i.e. the States directly concerned], subject to the approval of the Security Council.

811.34590/3-1946

Memorandum of Conversation, by Mr. Holden Furber of the Division of British Commonwealth Affairs

TOP SECRET

[WASHINGTON,] March 19, 1946.

Subject: Preliminary Discussion with Representatives of the United Kingdom with reference to Base Rights in British administered islands, chiefly in the Pacific.

²⁵ Brackets appear in the Attachment printed here.

Participants: Mr. Wright, British Embassy Mr. Hickerson, EUR
Mr. Cockram Mr. Furber, BC
Mr. Maclean Captain Dennison
Mr. Rogers Colonel Tate
Mr. Maude
Commodore Clarke
Commander Frewin
Lt.-Col. Wilson
Major Munro
Group-Captain Rolfe
Air Commodore Findley, New Zealand Legation

In beginning the conversation Mr. Wright re-emphasized the difficulty which was felt at the British Cabinet level with reference to reconciling the proposed arrangements with the United Nations Organization. He said that difficulty was also felt by the British Chiefs of Staff, and that support of the United Nations Organization was, of course, regarded as the central pillar of British policy; that they had telegraphed the text of the documents supplied by the American service representatives to London and expected comment thereon shortly. Mr. Hickerson said that we all realized that any agreement must be consistent with any undertakings that might be worked out through the United Nations Organization and that it was the view of the United States Government that the proposed arrangements will strengthen, and not weaken, UNO. He realized that this problem would have to be discussed at higher levels.

Commodore Clarke then proceeded to take up certain specific points from the draft presented by the American service representatives. In particular he wished to clarify the meaning of the phrase "right of control"²⁶ and the American intention with respect to exercise of temporary control at the option of the United States. Captain Dennison explained that in talking about control the Navy was not thinking of control back in Washington, but of the problems of local command on the spot. In this connection it was pointed out that in actual fact in normal times neither the Navy nor Army was contemplating having a permanent garrison on any of the sites referred to with the exception of Canton Island. There was extended discussion as to how phraseology might be devised to meet the British apprehension with regard to the right to exercise suddenly and unexpectedly the option of the United States control. Commodore Clarke was glad to note that in the proposed draft of the base agreement with New

²⁶ "Right of control" had been defined in previous documentation as "the right to exercise directing power over, and to regulate the conditions under which all parties entitled to rights thereat shall make use of, an area, base, or base site, installation or facility". (811.245/1-1445)

Zealand²⁷ the phrase "due notification" was used. This seemed to allay some of his apprehensions. Mr. Hickerson suggested that probably some such phrase as "after consultation and agreement" might have to be used in redrafting of this point, although, he said, the U. S. Chiefs of Staff would object. It was agreed then that Captain Dennison and Colonel Tate would confer with a small sub-committee of the British group with a view to working out acceptable phraseology with reference to the questions of temporary control and the details with regard to the maintenance of bases.

Commodore Clarke suggested that further clarification was needed with reference to the right to erect defense facilities, warning systems, et cetera, in areas adjacent to the area where the base in question was to be situated. It was felt that this difficulty could easily be overcome. In that connection Commodore Clarke felt there should be further redrafting which would make it clear that the British right to install new installations in British territory was not subject to veto by the United States. This also was felt to be a minor drafting point which could be easily straightened out. It was generally agreed that, of course, there would be mutual discussion as to the appropriate location of any new facilities in areas adjacent to those in which joint rights were exercised.

Commodore Clarke suggested that it would be very helpful if the British group could have as much detail as the American Navy could give them on the actual post-war plans with respect to these bases, and Captain Dennison said that the Navy would be glad to supply such details as it could, it being always understood that plans were subject to change due to lack of funds and other contingencies. It was again pointed out that the Department of State had no objections to the use of such a term as H.M. Forces in these agreements, which would make it clear that there was no objection from an American standpoint to the use of the bases not only by the United Kingdom but by other members of the British Commonwealth.

Commodore Clarke asked whether there was any intention of requesting similar rights in Dutch territories as there was in French. Captain Dennison thereupon indicated the sites under French and Dutch jurisdiction in which the Joint Chiefs of Staff were interested in negotiating for joint rights. Mr. Hickerson again emphasized that no indication should be made at this time to either the French or Dutch Governments of these intentions.

Commodore Clarke then asked whether it was entirely out of the question to discuss reciprocal rights with respect to either American or ex-enemy territories. Mr. Hickerson said that he would be glad

²⁷ *Ante*, p. 3.

to talk about any subject informally but he hoped that it would be recognized that the raising of this question of reciprocal rights would be very embarrassing. He pointed out that a strict interpretation of the term "reciprocal" would mean that whereas all the United States was asking for were rights with respect to facilities which it had constructed—reciprocal rights would refer to rights in facilities which the British had constructed on U.S. territory and there were no such facilities. Moreover, quite apart from that, he expressed the feeling in particular that in view of Mr. Churchill's²⁸ recent speeches the subject was one which had very embarrassing implications and that he hoped it would not be raised. (He indicated the implications with respect to ex-enemy territory might be even more embarrassing.) It was quite clear, as everyone knew, that in case of actual international hostilities involving the Pacific the problem would really solve itself.

Mr. Rogers then pointed out that the Colonial Office was naturally interested in many ancillary and somewhat minor questions which would inevitably come up in connection with the drafting of an agreement. He wished simply to mention them at this time. He pointed out that Funafuti was the administrative headquarters of the Ellice Island group, the only island in the group with a satisfactory anchorage, and though he admitted that Christmas Island was at present uninhabited he mentioned the fact that it was very difficult to find sufficient land for the Gilbertese islanders and there had been plans for the settlement of islanders on Christmas. He also mentioned the problems of health, in case any number of American personnel were suddenly introduced into this Pacific colonial area, the minor problems of wharfage and berthing on small islands where it was obvious that if any of such facilities were monopolized by the military the local economy would be most seriously upset. He pointed out that a great deal of thought would have to be given to the problem of jurisdiction and mentioned the obvious difficulties in granting to the United States jurisdiction over its civilian personnel. He likewise mentioned that the Fiji Government wished to be certain that the Nandi Airfield would be opened to civilian as well as military use.

The meeting adjourned with the understanding that Captain Denison would submit a more detailed memorandum of the Navy's post-war plans and that a small sub-committee would report upon the problem of the right of control.

²⁸ Winston Churchill, former British Prime Minister, was in the United States during the first half of March, 1946, and made several addresses to American audiences, including the famous one at Fulton, Missouri. The unity of the United States and the United Kingdom was one of the themes he emphasized.

811.24590/3-2246

Memorandum of Conversation, by Mr. Holden Furber of the Division of British Commonwealth Affairs

TOP SECRET

[WASHINGTON,] March 22, 1946.

Subject: US-UK Preliminary Discussions on Base Rights: Meeting of small Sub-Committee on Problems of Jurisdiction and Ancillary Questions of Interest to the Colonial Office.

Participants: Mr. Middleton, British Embassy
 Mr. Rogers } of the British Colonial Office
 Mr. Maude }
 Mr. Furber, BC
 Lt. Commander Farnum
 Colonel Warren

During the course of this meeting Mr. Rogers outlined the various points in which the Colonial Office was particularly interested in regard to the proposed Bases Agreement. It was agreed that this discussion should be concerned only with problems with reference to bases where joint rights were to be exercised. He pointed out that the Colonial Office people felt that it was quite necessary that the American service people should provide them with a rather exact geographical definition of the areas in which joint rights would be exercised and Colonel Warren, for his part, felt that there wasn't any real problem in this regard and that any requirements the Army and Navy might have would be very unlikely to involve extensive movement of native villages or farms in the islands concerned. It was nevertheless the consensus of opinion of the group that, if such exact definitions as the Colonial Office wanted were to be made, it would be necessary for a small Anglo-American party to visit the islands and report on the exact things desired. It was the opinion that merely requesting the respective American Commanders and British Colonial officials on the spot to work out such details might result in a differing procedure with respect to each island. The group agreed that this suggestion should be referred back to a higher level since it was obvious that the carrying out of such a survey would entail much delay. It was felt that probably such detail did not need to be at hand in order to enable an agreement to be drafted with a considerable degree of finality.

Mr. Rogers next turned his attention to the clause in the American draft with reference to rights to use harbor and communication facilities. It was his feeling that this matter should be worked out on the basis that the relationship between the military and civil authorities having control over port and communications facilities should be the same as was the case with respect to the use of such facilities by United

Kingdom ships and forces. Colonel Warren and Lt. Commander Farnum were of the opinion that there would be little difficulty under this head and it was suggested that the Colonial Office representatives should supply detailed information as to what the position was with respect to the use of these facilities in Pacific islands by United Kingdom military and naval forces. Mr. Rogers also made the point, and Mr. Maude was perhaps more emphatic about it, that the Colonial Office wanted to be sure that since the normal functioning of the economy of most of the small islands depended upon the free use of the very limited wharfage and anchorage facilities available, there should be some guarantee that in exercising the rights accorded to it the United States would not in effect have the power to upset arbitrarily the economy of the area by monopolizing such facilities. In that connection Mr. Maude wanted it borne in mind that the use of anchorage and wharfage in a particular island affected not only that island but, some times, the whole group of surrounding islands for which the island in question might be the administrative and trading center in which all economic activity with the outside world was concentrated.

Mr. Rogers next re-emphasized the desire of the Fiji authorities that under any arrangements the full use of the Nandi Airfield for the purpose of civil aviation would not be impaired by the according of joint rights to the United States. Colonel Warren felt that there would be no difficulty whatever on this point, since both the American and British military authorities were proceeding on the assumption that this field would be extensively used for civil purposes. Colonel Warren also said that it would probably be necessary to maintain a very small number of personnel regularly at Nandi Airfield.

Mr. Rogers pointed out that Ascension had not come within the terms of reference of the Colonial Office representatives when they left London and that they were asking for instructions as to whether to include Ascension in these discussions.

The group then proceeded to discuss the problems of exception from import duties and ancillary questions. It was the general opinion that the Anglo-American convention²⁹ on double taxation took care of any possible income tax problems. In the field of direct taxation there would be naturally other small problems that might cause difficulty and should be ironed out, namely, such things as automobile license fees, dog licenses, and small charges. There was a general feeling that such problems could be easily worked out. In the customs field generally, the Colonial Office representatives stated that their position was that the solution which would most suit them

²⁹ Convention dated April 16, 1945; for text, see Department of State, TIAS, No. 1546 or 60 Stat. (pt. 2), 1377.

would be the provision that there should be no distinction between the way in which United Kingdom and United States personnel, civilian and military, were treated as regards these matters by the Colonial governments concerned. For example, if the British Admiralty could import a certain type of supply without its being subject to any duty or other charge by the Colonial Government, then the United States Navy would have the same privilege. If an individual British sailor could import any article for his personal use without any duty charge by the Colonial Government, the United States sailor would have the same privilege. If articles issued as part of compensation to British sailors ashore in Colonial territory were exempt from local duty, then articles similarly issued by United States authorities would be similarly exempt. Mr. Rogers and Mr. Maude said they would supply the American service representatives with more detail on the British Admiralty and War Office practices with respect to these matters. The group then passed to the much more difficult question of jurisdiction.

The British representatives made it clear that, naturally, their desire was full jurisdiction with respect to civil cases and criminal offenses, it being understood that United States military and naval forces were under United States military and naval discipline. On this point as well they will work out a little more detail and let the American representatives know what is in their minds.

There was some discussion of the complicated legal issues involved and of the natural desire that some of the imperfections of the Caribbean arrangements on this score should be corrected. Mr. Maude asked whether it had been realized on the American side how much more difficult these and other similar problems would become in the case of Espiritu Santo. Mr. Furber said that he felt there were various aspects of the Espiritu Santo problem that would have to be considered at higher levels since it was obvious that not much could be done in that regard until the French were informed and brought into the discussions.

The meeting adjourned with the understanding that the British representatives would supply the information they had had in mind with reference to customs, jurisdiction and wharfage questions, and that the American military representatives would supply as much detail as possible with reference to the exact limits of the sites desired by the Army and Navy.

811.24500/4-946 : Telegram

The Chargé in Australia (Minter) to the Secretary of State

CONFIDENTIAL

CANBERRA, April 9, 1946—4 p. m.
[Received April 10—3:13 a. m.]

46. Evatt has asked me to let you know that there is no truth in press reports that Australia resists the idea of US having bases in this area without including the whole British Commonwealth. He wanted you to know that Australia desires to work very closely with the US in developing a regional defense arrangement which would include New Zealand. What they might find difficult would be discussion of individual bases before the whole framework had been developed, their view being that they preferred not to go before Parliament and public with piecemeal proposals or actions. Fraser and Nash³⁰ arriving Canberra tomorrow for talks on this whole subject and Evatt advises he may have some more concrete message for me to send you after the talks.

MINTER

811.24500/4-1346 : Telegram

*The Chargé in Australia (Minter) to the Secretary of State*CONFIDENTIAL
US URGENTCANBERRA, April 13, 1946—9 a. m.
[Received April 13—6:20 a. m.]

52. Mytel 46, April 9, 4 p. m. I saw Evatt at end of talks with Fraser and Nash and he said that he had nothing very concrete to say at this time. He said the main purpose of the talks was to arrive at some understanding of what the two nations were going to propose at London next week for the defense of this region.³¹ He said he would rather wait till after London before he said anything concrete but that he hoped to meet Secretary Byrnes at Paris in May and there have informal talks after which he may go to the US.

I am told by officials who were in and out of the conferences yesterday that it was very inconclusive. They say that the New Zealand and Australian approach to the defense question is divergent yet not wholly unreconcilable. The former place Commonwealth before region with Britain having a leading role in Pacific defense arrangements while the latter place region first with US playing leading role. New Zealand because on final clause in draft agreement handed them by the US giving right to pull out at any time believe the US doubts potential future eastern enemy and so they want the "more

³⁰ Walter Nash, New Zealand Minister of Finance, Customs and Stamp Duties.³¹ Meeting of Commonwealth Prime Ministers in London, held April-May 1946.

reliable Britain". Australia holds view that in spite of such clause the US will remain prepared and alert in Pacific and expects its view to prevail. It appears that Australia in particular and possibly both nations will hold to the following lines:

- (a). Resistance in bilateral agreements regarding single bases;
- (b). Resistance to individual places being declared security areas thus saving the trustee with respect to its control of the territory as a whole from the scrutiny of anyone except the body to which it makes its annual report;
- (c). Right of Australia and New Zealand to use any base jointly with the US regardless of which of former is trustee or sovereign;
- (d). A tripartite regional defense plan similar to the joint US-Canadian plan.

The last is Evatt's pet plan for keeping US and Australia in closest association. He has mentioned it to me many times.

I am told that Fraser has spread some alarm as result of alleged claims by Dept for sovereignty over some islands and that this and other signs have caused them to suspect territorial aggrandizement, a frame of mind which fosters the policy of resisting exclusive US control over even the strips of water and land necessary for the actual construction and maintenance of bases, hence (a) and (c) above.

I had a brief talk with Nash and he, like Evatt, said he thought we would like what they eventually had to propose.

MINTER

811.34544/4-1946

The Secretary of State to the British Ambassador (Halifax)

TOP SECRET

WASHINGTON, April 19, 1946.

MY DEAR MR. AMBASSADOR: It will be of great assistance in pending legislation ³² if the United States and the United Kingdom could sign and publish in the next two or three weeks an agreement on military bases. Such an agreement would, of course, make no reference to any pending legislation in either country. I recognize fully that the question of bases is an independent one which must be considered on its merits. I have no doubt that our governments will, in due course, reach a satisfactory agreement on bases, but it will assist me if such an agreement in general terms could be announced very promptly.

We might sign in the next few weeks an exchange of notes describing an agreement in principle on bases and stating that the necessary formal agreement or agreements would be concluded in accordance

³² Presumably reference is to legislation relating to extension of loans to the United Kingdom. For documentation relating to extension by United States of credit to the United Kingdom, see *Foreign Relations*, 1945, vol. VI, pp. 1 ff.

with the constitutional requirements of the two countries. Publication in the next few weeks of a satisfactory exchange of notes of this kind will contribute to the good will without which success of our efforts becomes questionable.

My thought is that the opening paragraphs of the note would be carefully worked out from the public relations standpoint of both nations and would make appropriate reference to our joint war effort, the high degree of cooperation between our countries during the war and the considerable expenditures of the United States on military installations in British territory. Reference could be made to the conversations which have been going on between our two governments for some months in an effort to strengthen and reinforce the collective system of security provided for under the United Nations and to enable our two countries to make provision for the joint military use of certain installations constructed by the United States on British territory.

The notes would then state that in pursuance of these conversations it has been agreed that the United States and his Majesty's forces would have joint rights in the military installations which had been erected in Ascension, Tarawa, Guadalcanal-Tulagi, and the Fiji Islands, unless his Majesty's Government should perceive some reason for ceding Tarawa. It would be stated that the British Government would agree, provided the French Government agreed, to the United States having joint military rights in the installations in Espiritu Santo. The notes would stipulate that in ordinary times the United States would not maintain military garrisons in these places, but that we would have joint military rights to use the facilities which would be maintained and operated by the British Government (a special provision would be necessary for Espiritu Santo) in accordance with recommendations agreed to by the military authorities of our two countries, based on the requirements of international peace and security.

There would be an appropriate provision in the notes to the effect that the British Government could make these facilities available to the armed forces of the United Nations on the call of the Security Council and that arrangements for their joint use by the United States and Great Britain should be wholly consistent with any security provisions which might be worked out in the future by the Security Council.

With the foregoing provision for subsequent complete integration of our bilateral arrangements with the United Nations, I think that we might well be able to agree on a long-term arrangement. I would

be prepared, however, to give sympathetic consideration to an interim arrangement along the lines set forth above if you cannot agree now to a long-term treaty.

I think that the notes, or perhaps a separate exchange of notes, should deal on a fair and equitable basis with our conflicting claims to the disputed Pacific islands. There are various formulæ which might be used. One which I believe we could accept would be for you to recognize unconditionally United States sovereignty over Canton, Christmas and Funafuti Islands, the places where our Chiefs of Staff want bases, and to split fifty-fifty between us the other islands claimed by our two governments.

An agreement along these lines would, I believe, contribute materially to genuine good relationship at this critical period and would dispose of a long-standing difference between our two governments.

I should be grateful if you would let me know your government's reactions to my thoughts set forth above.³³ We are facing a difficult situation in Congress, particularly in the House of Representatives, and I am troubling you about this matter of an early exchange of notes only after having given full consideration to our previous correspondence on the subject.

I am [etc.]

JAMES F. BYRNES

811.34590/4-2046

Captain Robert L. Dennison, Assistant Chief of Naval Operations, Politico-Military Affairs, to the Deputy Director of the Office of European Affairs (Hickerson)

WASHINGTON, 20 April 1946.

DEAR MR. HICKERSON: I should like to give you my personal views on SWNCC 292/1³⁴ for what they are worth. I do not believe this paper is fully responsive to the points raised in the telegram³⁵ from Canberra which outlines the probable Australian position with respect to our prospective negotiations for base rights in the Southwest Pacific.

It is noted that probably Australia and possibly New Zealand desire to use base negotiations as an excuse for conversations regarding a regional security arrangement for the Southwest Pacific into which the United States will be drawn. You will of course recall that in our conversations with the British, and with the New Zealanders, this point was raised by them. Our answer conformed to the following:

No reply from British Embassy has been found in the Department's files.

³⁴ Not printed, but see footnote 39, p. 34.

³⁵ See telegram 52, April 13, 1946, p. 27.

(A) Our base negotiations have to do only with the continuation of rights and privileges which we now enjoy in Southwest Pacific positions.

(B) We are willing to share these rights and privileges with the sovereign upon whose territory we wish base rights.

(C) None of our negotiations will deal with a general exchange of base rights. This should of course exclude any discussion of reciprocal rights in Singapore, Pearl Harbor, Sidney, Philippines, etc.

(D) Since we are not discussing the larger question of reciprocal use of bases, our present negotiations have no relation whatsoever to a mutual defense arrangement or a regional security pact.

It appears to me that we should attempt to allay Australian apprehensions that a strategic area designation in a trusteeship will prejudice or limit their administration of the trust territory. Their belief that it will do so is entirely fallacious. We should reassert the position we have taken in preliminary negotiations that we should prefer that the states directly concerned in any trusteeship agreement in the Southwest Pacific should be limited to the United States and the ex-mandatory power. I believe the State Department has informally stated in this connection that if the ex-mandatory powers so desire, we should have no objection to Great Britain (and Australia in the case of New Zealand mandate), (also of New Zealand in the case of Australian mandate), being included as states directly concerned in Southwest Pacific trusteeships.

As you will also recall, in our conversations with the British, and the New Zealanders, we have said that in any of the bases under discussion where we are asking for joint rights we would have no objection whatever to permitting these joint rights to include use by all British Empire forces. We have stated that although our negotiating documents have expressed joint rights only for New Zealand, Great Britain, and Australia, where relevant, it was so expressed simply to allow these countries to broaden their part of the joint use to include other forces of the British Empire as they saw fit.

There is no possible parallel to be drawn between a joint United States-Canada defense plan, and a United States-Australia-New Zealand regional plan. In the first case, the plan is based upon geographical propinquity. In the second case such a plan would be artificial and impossible under present conditions to justify.

The important points, it seems to me, are in summary:

(A) We should divorce discussions for base rights completely from any regional security arrangements to which we are asked to become a party.

(B) We should have no objection to use of joint bases by British Empire forces, rather than to individual commonwealth forces.

(C) A discussion of any regional defense plan in the Southwest Pacific which includes the United States is inopportune.

Very sincerely,

R. L. DENNISON

811.34590/4-2246

*Captain Robert L. Dennison, Assistant Chief of Naval Operations,
Politico-Military Affairs to the Deputy Director of the Office of
European Affairs (Hickerson)*

TOP SECRET

WASHINGTON, 22 April 1946.

DEAR MR. HICKERSON: My discussions with the British delegation appointed for the base negotiations concerning "the right of control" have been entirely inconclusive. I have been advised by them that they are awaiting advice from London which probably cannot be expressed until after the Prime Ministers' conference.³⁶

Our position as stated is that we wish the option to exercise "right of control" in these joint base areas, when in our view, such control is necessary. We have carefully explained to the British that this right would not be exercised irresponsibly, and that we expect the duration of such control to be only temporary. It was also explained that we expected to exercise control only when we had large forces in any given base, and that we do not intend any prejudice to their use under joint privilege.

The British representatives have explained without commitment as to their official position that they felt the granting of the option of "right of control" would be unwarranted infringement on their basic sovereign rights. They stated that they would prefer that the "right of control" should be established by prior agreement in each instance. It was further explained to them that the "right of control" was an administrative matter, which in the event of large scale joint use would be decided by some such agency as the Joint Chiefs of Staff, or at least by some understanding as to area command responsibility such as existed in the past war.

I have the impression that the British view is somewhat detached from reality since it is apparent that, at least in the foreseeable future, they will not have military forces in the Pacific comparable in size to those of the United States.

Very sincerely,

R. L. DENNISON

³⁶ Meeting of Commonwealth Prime Ministers held in London, April-May 1946. For formula agreed upon relating to future status and use of bases in Pacific, see enclosure to message to Mr. Hickerson from Mr. Maclean of the British Embassy, May 2, p. 37.

811.24500/4-2546 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

TOP SECRET

LONDON, April 25, 1946—6 p. m.
[Received April 26—12: 36 a. m.]

4474. For the Secretary and Dunn.³⁷ Evatt this morning outlined to us informally his ideas on an Australia–New Zealand–US defense board. It would be limited in membership to those three countries, Australia and New Zealand representing Commonwealth as Australia is now doing in certain respects in Japan. Board would be modeled on Canadian–US Joint Defense Board and would be on same informal basis. He believed such a board would be fully in accordance with UNO Charter.

Evatt indicated desire of Australian Government and people to meet our wishes on Manus and other bases but felt arrangements satisfactory to US could be made more easily and in form more palatable to Australian people if developed within framework of overall arrangements for defense of Australia and New Zealand as well as of US. He indicated disinclination to discuss proposals for specific US bases in absence of such general planning. He thought board's area of concern should be Pacific, south of Equator between Canton Island and Borneo.

According to Evatt British have shown some reluctance to accept regional approach on defence of Australasia but in talks of last two days have shown greater acceptance than previously of idea although they are thinking in terms of wider regional arrangement under UNO to include British, French, Portuguese and Dutch, to be discussed at regional conference such as that envisaged in Anzac agreement of 1944.³⁸ Evatt said he saw no objection to some such broader arrangement although it would raise more directly question of Russian participation. In any event he would like to see smaller tripartite board established. He says he has not yet discussed this with British and naturally expects resistance to such a board without UK representation.

He plans to return to Australia via US and would like to discuss this in Washington. He also mentioned possibility of going to Paris at some point to discuss it with the Secretary.

Sent to Department as 4474; repeated to Paris as 305.

GALLMAN

³⁷ James Clement Dunn, Assistant Secretary of State, acting as Deputy to the Secretary at the Council of Foreign Ministers in Paris.

³⁸ Agreement between Australia and New Zealand relating to security of South and Southwest Pacific regions, signed at Canberra, January 21, 1944. For text of Agreement and for documentation regarding the concern of the United States over the agreement, see *Foreign Relations, 1944*, vol. III, pp. 168 ff.

811.24500/4-2546 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Harriman)

TOP SECRET

WASHINGTON, April 27, 1946—2 p. m.

3577. Reurtel 4474, Apr. 25, 6 p.m. The following is summary of memorandum³⁹ of regional defense arrangements for Southwest Pacific approved by State-War-Navy Coordinating Committee.

Begin Summary

1. UN Charter was not intended to promote artificial development of regional arrangements for security purposes.

2. Present consideration of over-all regional arrangement for SW Pacific, with or without US participation, would be premature and inadvisable.

3. Australian proposal might encourage USSR to advocate other regional arrangements not to advantage of UN.

4. Regarding the question of base rights as independent of a regional arrangement, the US prefers to proceed with discussions based on proposals already before Australian Govt and is prepared to insure that rights accorded are integrated into mutual obligations under UNO.

5. If Evatt raises question of joint Australian-New Zealand participation in base rights given to US, or in US bases, it is suggested that he be told this point should be dealt with in negotiations for rights. (We have made detailed proposals to Australia regarding Manus and have told Australia we are ready to discuss them at any time convenient to Australia.)

6. If Evatt claims negotiations for base rights should await preparation of detailed defense plans for SW Pacific by Security Council or Military Staff Committee, it is suggested he be told US position is that these bodies will develop specific defense plans only to meet an existing or imminent threat to the peace; no such threat at present envisaged in SW Pacific.

End Summary

The above document was prepared for possible use of Secretary at Paris but in as much as Evatt has raised this question with you it is suggested that you talk to him along the above lines at the earliest appropriate opportunity. Repeated to Paris.⁴⁰

ACHESON

³⁹ Memorandum summarized is enclosure to SWNCC 292/1, dated April 20, 1946 (811.34590/4-2246).

⁴⁰ Repeated to Paris as telegram 1935 for Secretary Byrnes and Assistant Secretary Dunn.

811.24500/5-146

Memorandum by Brigadier General George A. Lincoln, Military Adviser to the United States Delegation, Council of Foreign Ministers, Paris, to the Secretary of State

TOP SECRET

[PARIS,] May 1, 1946.

My personal opinion is that the formula agreed by the Dominion Ministers,⁴¹ if published, will be misconstrued by both the people of the United States and by foreign countries, particularly Russia.

The implication is that the United States has made major proposals with reference to military bases in the Pacific south of the Equator and the "use of" these bases. In fact, the United States has asked for sovereignty of a few coral islands now in dispute and of Tarawa where 4,000 American casualties were sustained in its seizure. In addition the United States has asked for moderate "military rights" in certain installations where they spent United States resources during the war. No attempt is made to exclude the British from the same areas.

The implication is that the United States intends to keep considerable forces and weapons of war at these places and that plans should be prepared to integrate this United States military power with that of the British Commonwealth. In fact, probably only a few hundred Americans at the most would be at these locations in peacetime according to present plans, and they would be technicians such as weather and communications personnel. No combat forces would be deployed there as a rule and none would be planned for the early stages of an emergency since obviously (unless the enemy is Siam) the available United States military power would be deployed according to the global strategic situation as estimated at the time. The first requirement in the Pacific would be for China, the Ryukyus, the Bonins, the Philippines and the Marianas. Unless United States military power is completely wiped out in the Western Pacific by a catastrophe, there will be plenty of time to make detailed plans with the Australians before war comes within range of their area. Meanwhile, what we need in peacetime and in an emergency is the communication links on the small islands and the standby naval base at Manus.

As a final military point, Dr. Evatt's split-up of the Pacific for defense purposes is strategically unsound and contrary to the accepted military concept of the Joint Chiefs of Staff.

⁴¹ See enclosure to message to Mr. Hickerson from Mr. Maclean of the British Embassy, May 2, p. 37.

As to the impact on the United Nations, this proposal is a step accelerating the generation of two world regions—one Russia and one U.S.-British.

You may wish to point out to Mr. Bevin the dangers inherent in his formula, that it seems premature and inadvisable, particularly when you can determine little military justification for such action at this time, that the grave precedents involved weaken the United Nations, and that you hope he will delete the portions of preamble, and paragraph 3 and all of paragraph 2 and the last paragraph which imply formal military collaboration between the United States and British in peacetime. You might wish to add that any collaboration justified in the area can, in your opinion, be readily handled for years without much formal governmental action due to the close understanding achieved during the war. It does not appear that the formula has any proper or necessary relationship to the modest request we have made for small islands and for military rights at locations we developed during the days when Japan was a direct threat to Australia and New Zealand.

G. A. LINCOLN

811.24590/5-246 : Telegram

Brigadier General George A. Lincoln, Military Adviser to the United States Delegation, Council of Foreign Ministers, Paris, to Lieutenant General John E. Hull, Assistant Chief of Staff, War Department General Staff

TOP SECRET

PARIS, 2 May 1946.

URGENT

ns 56. In meeting with Bevin today, Byrnes explained in full US stand on empire proposal for regional defense arrangement. Bevin is cabling Attlee⁴² asking for permission to agree in principle that Canton and Christmas Islands will pass to US undisputed sovereignty on understanding US will maintain any installations there and give British military and civil landing rights. Further, the British will keep sovereignty of Funafuti, maintain airfield and give US military and civil landing rights. Also that Tarawa be ceded to the US in the next few days. With regard to foregoing proposal, Bevin has always been in favor of some such arrangement but has been opposed by dominion and colonial offices. Byrnes also explained forcefully that we wanted some rights at Manus, but that we had no intention of keeping any more than a few personnel in these various locations and that we saw no military threat in the South Pacific in the near future "except possibly Siam".

[Here follows discussion on subject of removal of certain Polish nationals from Italy.]

⁴² Clement R. Attlee, British Prime Minister.

S11.24590/5-246

The First Secretary of the British Embassy (Maclean) to the Deputy Director of the Office of European Affairs (Hickerson)

TOP SECRET

WASHINGTON, 2 May 1946.

DEAR JACK: As agreed at our conversation this morning I send you herewith, for your personal information, the text of the formula about Pacific Bases which Paul Mason⁴³ handed to Doc Matthews⁴⁴ in Paris on the 1st May.

Mason made an explanatory statement to Doc who said he would refer the matter to Mr. Byrnes. Mr. Bevin hopes to discuss it with Mr. Byrnes at an early opportunity.

As our approach was made in Paris and as further discussion is to take place there you were kind enough to agree to regard our conversation this morning as entirely informal.

Yours ever,

D. D. MACLEAN

[Enclosure]

BASES

Pacific

Formula agreed at 5th Meeting of Prime Ministers on 26th April, 1946

During the present consultations in London the Governments of the United Kingdom, Australia and New Zealand, having taken into consideration certain United States proposals for the future status and use of bases in the Pacific, have agreed:

(1) to favour the establishment of a regional arrangement or regional arrangements for the maintenance by the parties thereto of international peace and security in the South Pacific and South West Pacific areas;

(2) to invite the participation in such arrangements of the United States;

(3) to consider as a part of any such arrangements, the future administration and use of Pacific bases, including the defence bases established in whole or in part by the United States during the war in territory in the Pacific area administered wholly or in part by the Governments of the United Kingdom, Australia and New Zealand.

The Governments of the United Kingdom, Australia and New Zealand accept the principle that all such regional arrangements in the

⁴³ Head of United Nations Department, British Foreign Office. He was with Mr. Bevin at the Council of Foreign Ministers at Paris.

⁴⁴ H. Freeman Matthews, Director of the Office of European Affairs and U.S. Political Adviser at the Council of Foreign Ministers, Paris.

Pacific must be consistent with the Principles and Purposes of the United Nations and made in accordance with Article 52 of the United Nations Charter.

As a first step it would be advantageous if the United States Secretary of State could join in the consultations now being held in London, with a view to a subsequent conference between the United States Government and the British Commonwealth Governments concerned which the Australian Government would be glad to convene at Canberra.

811.24590/5-246

Memorandum of Conversation, by the Director of the Office of European Affairs (Matthews)

TOP SECRET

PARIS, May 2, 1946.

Participants: Mr. Bevin
 Mr. Mason
 Secretary Byrnes
 Mr. Matthews

Mr. Bevin said that as he had explained the other day, he did not feel he could go along with the suggestions contained in Mr. Byrnes' recent letter concerning bases. He said there was some anxiety, for instance, that if the British got in trouble they would not be able to use Canton Island as a base, and that Christmas Island had certain importance to the British from the point of view of civil aviation. Above all, he said he was anxious to have his people sit down with us and adjust all our pending questions on a broad plane and to know exactly what our needs in the Pacific are. He said it was not quite clear, for instance, in the case of New Zealand and Australian possessions just where the cost of maintaining the bases would fall. In his search for a formula over the weekend and his discussions with the Dominion Prime Ministers, Mr. Bevin had worked out the attached suggested paper.⁴⁶ On learning, however, this morning that it was not satisfactory to the United States, and that we were afraid of the effect of publication, he had immediately telephoned London to prevent this. He mentioned the fact that some press publicity had already been given within the last few days to the base question at London. Mr. Byrnes said that he had seen one newspaper article.

Mr. Byrnes said that we felt it would set an unfortunate precedent for Soviet emulation if we set up some regional defense arrangement, as suggested in the British paper. In the first place, we saw no

⁴⁶ No copy of suggested paper was found attached to this copy of memorandum, but apparently the paper referred to is same as the formula of April 26. *supra*.

possible enemy in the Southwest Pacific unless one wanted to consider Siam, and that we had no defense plans for that area. Should some enemy appear at some later date in that area, presumably the Military Committee of the United Nations would make plans when the occasion arose. We feel that the defense problem in the Pacific arises much farther north, largely in the Japanese Mandated Islands, the Bonins and the Ryukyus.

Mr. Byrnes continued that as for his letter of April 19 he had written it solely because of the present state of the British loan negotiations. For instance, two Senators had already offered amendments to the British loan suggestion that British bases be granted the United States. He felt that it would be easier to vote down these amendments in the Senate if he could give Senator Barkley⁴⁷ some general statement that the British had agreed to some of our base requirements, and there would consequently be no excuse for injecting this issue into the loan discussion. When, however, Mr. Byrnes found that Mr. Bevin was having trouble with his Dominions on this question, he was quite willing to drop the whole matter until a later date when our two countries could sit down and discuss it.

As to Manus, which is the only Australian territory of interest to us, what we desire is purely a naval station for minor ship repairs and the use of an air field. We would be willing to pay our share to keep up a small part of the existing base, on which we have expended over \$160,000,000. As for the area in general, our admirals, Mr. Byrnes said, have revised their opinion during the past six months and no longer see any likelihood of Japan's coming back as the future enemy.

Mr. Bevin then read Mr. Byrnes' letter of April 19 again, and there followed some discussion of the three islands of Canton, Christmas and Funafuti. Mr. Byrnes explained that since the title is disputed between our two countries for each of these islands, he thought it would be a useful gesture for Great Britain to cede its claims during this debate on the British loan. All we need the islands for is to have alternate air fields and meteorological stations since the islands are situated in the trade-wind belt. Mr. Mason, in reply to inquiries from Mr. Bevin, said that the Dominions felt they should be consulted with regard to any arrangements concerning these islands, and that with respect to Christmas Island, the British had certain plans to transfer some inhabitants from other more crowded islands. Mr. Bevin finally, however, instructed Mr. Mason to consult Mr. Attlee immediately on the following basis: The British cede title to Canton and Christmas Islands to the United States, the United

⁴⁷ Alben W. Barkley, Senator from Kentucky.

States to bear the upkeep of such fields as might be needed, and the British to be granted joint civil and military transit rights. A reverse arrangement should be made with regard to Funafuti, title resting with the British, and the United States given joint military and civil transit rights.

Mr. Bevin then spoke of Tarawa and of the suggestion which Lord Halifax had made to him some months ago that, as a gesture and for sentimental reasons, in view of the large loss of life which the Americans had suffered in taking the island, it be ceded outright to the United States. He said that his intended gesture had run into obstacles in the Dominion and Colonial offices, but that he proposed to renew his efforts. Mr. Mason mentioned some alternate thought that the atoll remain British, but that the cemetery area be ceded to us as a memorial. Mr. Bevin rejected this idea and instructed Mr. Mason to endeavor to obtain Mr. Attlee's consent this evening or tomorrow to his offering to cede Tarawa to the United States. He said that he hoped that the British would be given civil and military landing rights on any air fields in the atoll. Mr. Byrnes said he thought such a gesture would be much appreciated and highly opportune.

[Here follows discussion of disposition of a large number of Polish nationals then stationed in Italy.]

800.24/5-346 : Telegram

*The Acting Secretary of State to the Minister in New Zealand
(Warren)*

TOP SECRET

WASHINGTON, May 3, 1946—7 p. m.

171. ReDept's 162 of Apr 27.⁴⁸ Areas in South Pacific named below subject to pending negotiations for long-term base rights with the United Kingdom, Australia, and New Zealand. Exclusive rights are desired at Canton, Christmas, and Funafuti; joint rights with other Govt concerned are desired at Manus, Western Samoa, Tarawa, Guadalcanal-Tulagi, Espiritu Santo, Nandi. Clause with respect to communication, air navigation, warning and weather reporting systems in documents given United Kingdom, Australia, and New Zealand as basis for conversations asks rights to install, maintain, operate and control such facilities both in base area and at locations in the general vicinity of it.

Dept will telegraph further details on this subject if Legation feels information now available to it and FLC representatives is not adequate. It should be borne in mind that no approach has yet been made to French Govt with respect sites desired in New Hebrides or elsewhere in French colonial territory.

ACHESON

⁴⁸ Not printed.

711.47/5-846

Memorandum by the Acting Secretary of State to President Truman

[Extract]

[WASHINGTON,] May 7, 1946.

The Right Honorable Joseph Benedict Chifley, Prime Minister of Australia, has arrived in Washington from London, and an appointment has been made for him to call on you to pay his respects at 11:45 a.m., on Thursday, May 9th.

Immediately after his call on you, Mr. Chifley will leave by air for Tokyo to visit General MacArthur⁴⁹ and to inspect the British Commonwealth Occupation Force in Japan.

The following matters of importance may be raised by Mr. Chifley during his visit:

1. *Regional Defense Arrangements and Bases in the Southwest Pacific:* Mr. Chifley gives his Minister for External Affairs, Dr. H. V. Evatt, a free hand in the conduct of Australian foreign policy. Dr. Evatt is an ardent advocate of a general conference on Pacific security problems and of a US-Australia-New Zealand joint defense scheme analogous to the US-Canada joint defense plan. He, therefore, has refused so far to consider the problem of base rights desired by the US Joint Chiefs of Staff except as part of an over-all regional defense arrangement. Documents prepared by the State-War-Navy Coordinating Committee for the Secretary's use at Paris, where Dr. Evatt is expected to broach this subject, take the position (a) that the US should oppose a general conference and an over-all defense arrangement for the Southwest Pacific as premature, inadvisable, and likely to encourage the USSR to advocate similar over-all arrangements elsewhere not to the advantage of the United Nations or the US; (b) that the US regards the question of base rights as independent of a regional arrangement, and primarily a matter of the US being accorded rights desired by the Joint Chiefs of Staff at locations used and developed at US expense during the war,⁵⁰ and (c) that the US prefers to proceed with discussions based on proposals already before the Australian, New Zealand and British Governments.

The only area under Australian administration where base rights are desired is at Manus in the Admiralty Islands, which are within the Australian Mandate of New Guinea. Here we are asking for an arrangement whereby the US may be accorded, jointly with Australia, military rights of use. This arrangement does not envisage

⁴⁹ General of the Army Douglas MacArthur, Supreme Commander, Allied Powers in Japan.

⁵⁰ The Joint Chiefs of Staff recommended the acquisition by the United States through negotiation with the United Kingdom rights to military use of installations and facilities built and developed by the United States during the war at eight localities outside the Americas.

the stationing of American personnel at this American-built base during normal peace-time conditions, but we would have joint rights of use. Furthermore, such an arrangement would not be inconsistent with a regional defense scheme which, in due time, might logically develop in the Southwest Pacific.

DEAN ACHESON

841.014/5-946: Telegram

The Ambassador in the United Kingdom (Harriman) to the Secretary of State

[Extract]

SECRET

LONDON, May 9, 1946—1 p. m.

[Received May 9—9:30 a.m.]

4939. We have been given by Cumming Bruce summary of proceedings of last few days of Dominions PriMin Conference. He again stressed that press had exaggerated nature of conference and stated no formal or detailed agreements were reached.

With regard to talks on Pacific bases which occupied considerable time over weekend and on last two days, it was again agreed that no substantial concession could be made at this time to US requests. Reports were received from Bevin re his talks with the Secretary and all were agreed that public opinion both in UK and in Dominions would not permit any gesture to be made while loan was still being considered. It was again emphasized by Australia and New Zealand that question of bases should not be treated in isolation but only in connection with general plans for Pacific defenses. UK is stated to have agreed with Dominions on this point. All present at conference further agreed there could be no question of US being granted rights to bases in the British Commonwealth without reciprocal rights being given members of Commonwealth by US.

HARRIMAN

811.24590/5-1046

The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State

TOP SECRET

PARIS, 10 May 1946.

DEAR MR. BYRNES: With reference to the private conversations which we have had in Paris⁵¹ on the subject of bases I have now received

⁵¹The Council of Foreign Ministers met in Paris for the second session, first part, from April 25 to May 15, 1946.

from the Cabinet the enclosed statement of the position of His Majesty's Government.

This statement represents the considered view of His Majesty's Government in the United Kingdom and of the Australian and New Zealand Governments.

I think it well to let you have this statement in order that our position should be clear. I earnestly hope that even yet, in spite of difficulties, we shall be able to make progress. I am asked to assure you that these Governments are anxious to get to grips with this question and reach agreement.

Yours sincerely,

ERNEST BEVIN

[Enclosure]

During the present consultations in London the Governments of the United Kingdom, Australia and New Zealand have taken into consideration certain United States proposals for the future status and use of bases in the Pacific. The three Governments, whilst all desirous of agreeing to an arrangement on this matter that will be satisfactory to the United States as well as themselves, feel it necessary to have regard in this matter to their common interests in the South Pacific area. As the next step in examining this situation, the Australian Minister for External Affairs and the New Zealand deputy Prime Minister hope for an early opportunity of discussion with the United States Government in Washington in the course of their return journey from the present meetings in London.

Among the places which have been under consideration with the Dominion Ministers is the island of Tarawa and the three Governments recognise that special provision might well be made in this island to commemorate its capture in 1943 by the United States Marines in a feat of gallantry and endurance which has never been surpassed even in the annals of that famous force.

740.00119 Council/5-1446 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, May 14, 1946—11 a. m.

2312. Secdel 231. For Matthews from JDH.⁵² We have received the following telegram dated May 11 from Harriman :

"You will recall you asked me to attempt to get prompt British action on our use of bases. I have had some general talks with Bevin, Evatt and Nash but as Bevin was authorized to discuss the matter with

⁵² John D. Hickerson.

the Secretary in Paris, no consideration could be given here. I understand that the Secretary told Bevin he could not discuss the questions raised by Bevin until his return to Washington but indicated a willingness to see Evatt and Nash there. The British decided no public statement could in dignity be made during the heated Senate debate.⁵³ On the other hand Orme Sargent⁵⁴ suggested to me that they might be willing to make a general statement if the bill passed the Senate and before consideration by the House. Do you wish me to pursue this suggestion and, if so, what kind of statement by the British do you believe would be helpful? I am afraid that because of the Australian and New Zealand attitude it would have to be rather general in character."

To this we have sent the following reply :

"Before your departure we gave you among the papers on bases (urtel 5052, May 11, 2 p. m.⁵⁵) a copy of the Secretary's letter of April 19 to Halifax proposing an exchange of notes on bases and disputed islands which we hoped could be reached in two or three weeks and made public immediately. This exchange of notes would be implemented by a formal agreement between the two Governments later on. Bevin discussed the base question with the Secretary in Paris but we have not heard from the Secretary about the details of their discussion. Since they are under such terrific pressure of work in Paris, this is, of course, understandable. I am afraid that until I hear something from the Secretary, it would not be possible for me to ask you to pursue Sargent's suggestion. I am still hopeful of an early agreement along the lines of the Secretary's letter of April 19."

War Dept has given us a copy of Gen. Lincoln's telegram⁵⁶ on the Secretary's conversation with Bevin. [JDH.]

ACHESON

811.24500/5-1746 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, May 17, 1946.

[Received May 17—9 : 03 a. m.]

1560. Soviet press May 16th devotes 20 inches to series London and NY despatches on Anglo-American negotiations for Pacific and Azores bases, reporting that State Dept has announced US desire to acquire sovereignty over Christmas, Funafuti and Canton islands, as well as certain other Pacific Islands; that Anglo-American negotiations have begun on this question, which was further discussed by

⁵³ Presumably reference is to the debates in the United States Senate regarding extension of British loan.

⁵⁴ British Permanent Under Secretary of State for Foreign Affairs.

⁵⁵ Not printed.

⁵⁶ Telegram NS 56, May 2, p. 36.

Byrnes and Bevin in Paris; that US desire for sovereignty over certain British bases raises question whether it is more desirable to increase number small islands under sovereignty single power or to bring into being general system of bases of US, Britain, Holland, France, China, Australia, New Zealand and Canada under UNO leadership; that Britain would prefer latter international system; as U.S. sovereignty over certain British islands would deprive Britain of possibility of using them if Britain were involved in war in which US was neutral; and that majority British press reports Britain will not cede territory to US. It further cites Reuter report that British Foreign Office has confirmed negotiations are in progress between US, Britain and Portugal on use of Azores air and naval bases,⁵⁷ and that "well informed London circles" assume they involve continued use "certain facilities which Britain and US enjoyed during war time".

Pouched to Lisbon.

Repeated AmEmb London 253.

SMITH

811.245/5-2346

*The Deputy Director of the Office of European Affairs (Hickerson)
to the Under Secretary of State (Acheson)*

SECRET

[WASHINGTON,] May 23, 1946.

Doc Matthews told me of his conversation with you today and of your reference to Harriman's telegram to you on May 11 about bases.⁵⁸ It takes forever to get anything out of the files so I am sending you our file copy of a telegram to the Delegation in Paris which I drafted and you signed quoting Harriman's telegram to you and your reply to Harriman.

I think Doc told you of my conversation yesterday afternoon with the Secretary on this subject. The Secretary says that the next move is up to the British; that in his letter of April 19, 1946 to Halifax he made a proposal to which he has had no reply and the next move is up to the British. The Secretary points out that he had two conversations with Bevin on the subject in Paris but that nothing tangible resulted from those conversations. Incidentally the Secretary praised Bevin's attitude in the conversations and he said that he felt that Bevin had made a real effort to get action along the lines of the Secretary's proposal of April 19.

⁵⁷ For documentation regarding negotiations on use of Azores air and naval bases, see pp. 962 ff.

⁵⁸ See telegram 2312, May 14, to Paris, p. 43.

I talked to Donald Maclean of the British Embassy today and told him that I had talked to the Secretary and had learned from him that Mr. Byrnes feels that the next move in this matter is up to the British. I told Maclean that there had been two conversations between the Secretary and Mr. Bevin in Paris, as he knew, but that these conversations had not produced the tangible results which the Secretary had in mind in his letter of April 19 to Halifax. I added that I wanted to be sure that they understood in the Embassy that as the situation now stands the Secretary feels that the next move is up to them.

I told Maclean that we have already received word that an amendment to the loan bill will be presented in the House paralleling the McFarland amendment⁵⁹ and that it [was?] precisely to forestall such an amendment that the Secretary made the proposal set forth in his letter to Halifax. I repeated what I had said to Balfour⁶⁰ and Maclean earlier that it is not our purpose to try to high-pressure the British Government on bases and that all that we are trying to do is to persuade them to take their bows now for the kind of agreement on bases and islands which we will undoubtedly reach in the ordinary course of events in the next few months. Maclean said that he fully understood this and that Lord Halifax had sent a strong telegram to the Foreign Office urging that the British go along with the Secretary's proposal. He said that they would send another telegram now to the Foreign Office pointing out that the next move in the matter is up to the British.

My suggestion is that we wait a day or so to see what we hear from the British. If we don't hear anything by Monday or Tuesday, it might be advisable for you to take up with the Secretary Harriman's telegram to you of May 11 which apparently he did not see in Paris.

JOHN HICKERSON

811.34562M/7-1146

*The Deputy Director of the Office of European Affairs (Hickerson)
to the Under Secretary of State (Acheson)*

TOP SECRET

WASHINGTON, July 11, 1946.

Mr. Walter Nash, New Zealand Deputy Prime Minister and Minister of Finance, has indicated that he will at least touch on the question of bases in his conversation with you at 3:15 this afternoon.

⁵⁹ Senator Ernest W. McFarland of Arizona in his amendment to the appropriations bill for the United States loan to the United Kingdom sought to obtain permanent title to the 99-year leased Atlantic bases. The amendment was defeated. For documentation regarding the negotiations of the loan, see *Foreign Relations*, 1945, vol. VI, pp. 1 ff.

⁶⁰ John Balfour, British Minister in the United States.

The only base in New Zealand territory in which the United States Government wishes to acquire rights is in Western Samoa, a New Zealand mandate. The United States built an airfield there during the war and spent several million dollars on defense installations. We desire joint operating rights with New Zealand.

When Prime Minister Fraser passed through Washington in February, at the Secretary's request, I discussed this matter with him in great detail and handed him proposals outlining in detail the United States objectives.⁶¹ Mr. Fraser and Mr. McIntosh, Secretary of the Department of External Affairs, asked a number of questions and we had an extensive discussion. I asked a couple of the high ranking officers of the Joint Chiefs of Staff to go over the whole field of the United States strategic concept of the Pacific. Mr. Fraser told us that he would wish to talk to the Australians about our proposals, but that so far as he was concerned he was "99% in agreement".

Dr. Evatt presumably broached to Mr. Fraser later on his idea of a regional defense arrangement of the Southwest Pacific. I believe we have talked Dr. Evatt out of this idea. We oppose a regional defense arrangement because: (1) it is unnecessary at this time (2) it would set an exceedingly bad example which might be followed elsewhere in the world to our disadvantage and to the disadvantage of the United Nations.

If Mr. Nash wishes to discuss details of our base proposals regarding Western Samoa or other aspects of the base question, I will, if you wish, be glad to talk to him and if necessary to bring in some officers of the Joint Chiefs of Staff to answer any questions he may wish to ask.

I believe you saw the proposals which we submitted regarding Western Samoa.⁶² They called for the stationing of no United States troops there in normal times and for the operation of the airfield and installations by New Zealand at her own expense, with the United States to have joint operating rights. Since Western Samoa is to go under trusteeship, our Joint Chiefs of Staff suggested that the defense installations be under a strategic area trusteeship. Mr. Fraser was not too happy about that, but we indicated to him that we had no doubt that we could get together on this point.

JOHN HICKERSON

⁶¹ See Mr. Hickerson's memorandum of conversation dated February 27, p. 8.

⁶² Presumably reference is draft submitted to Prime Minister Fraser the latter part of February 1946, printed on p. 3.

811.24590/7-1146

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] July 11, 1946.

Participants: Deputy Prime Minister of New Zealand, Mr. Walter Nash;
 Minister of New Zealand, Sir Carl Berendsen;
 Acting Secretary, Mr. Acheson.

Mr. Nash and Sir Carl called on me at their request to take up four subjects of which they had notified me in advance. The other subjects I have dealt with in separate memoranda.⁶³

Mr. Nash said that he had been informed of the talks which Secretary Byrnes had had with Mr. Bevin in regard to the islands of Funafuti, Christmas and Canton. The New Zealand point of view was strongly opposed to a transfer of sovereignty to the United States. They felt that this was unnecessary to accomplish the purposes which we had in mind and was particularly difficult for them in regard to Christmas Island, since that was the most available land between New Zealand and Canada for civil aviation. He thought that this question, as well as that of the rights desired by us in Western Samoa, could be worked out through a regional defense arrangement along the lines put forward by Dr. Evatt.

I asked Mr. Nash whether he wished to discuss the matter, because if he did I would prefer to have Mr. Hickerson present. He said that he was not prepared to discuss it at this time but merely wished us to be informed of their point of view. They would discuss it with us at some later time. I stated that in that event I would take note of what he said and I also wished him to know that we had expressed to Dr. Evatt our disinclination to consider a regional defense arrangement in the Pacific because, first, we did not think it was presently necessary for any military considerations, and, second, it would give rise to a precedent which might be most undesirable in other areas. I pointed out that such a regional arrangement would lack the historical foundation of the Pan American system. Mr. Nash took note of this observation.

DEAN ACHESON

811.24500/7-2446 : Telegram

The Minister in New Zealand (Warren) to the Secretary of State

SECRET

WELLINGTON, July 24, 1946—3 p. m.

[Received July 24—9:44 a. m.]

391. McIntosh told me today he has instructed Berendsen to present the Department with the New Zealand proposal on Western Samoa.

⁶³ Not printed.

He anticipates that this may provoke some argument from the US but he wishes the Dept to know that New Zealand is prepared to work out a bilateral solution agreeable to both of us. He said that the Australians are extremely angry with New Zealand for not presenting the Manus Island problem co-jointly with Western Samoa but he said that New Zealand has no desire to be involved in the Manus discussion. He hopes that agreement may be reached by the United States and New Zealand in time to permit the proposal to be submitted to the September meeting of the Assembly.

WARREN

[For further documentation regarding the bases question and the United States interest in the establishment of trusteeship arrangements by New Zealand over Western Samoa and Australia over New Guinea, see volume I.]

UNITED KINGDOM

IMPLEMENTATION OF THE FINANCIAL AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND THE UNITED KINGDOM

[For documentation relating to the Financial Agreement Between the Governments of the United States and the United Kingdom, signed at Washington on December 6, 1945, effective July 15, 1946, see *Foreign Relations*, 1945, volume VI, pages 1 ff. The text of the agreement is printed in U.S. Statutes at Large (60 Stat. 1841).

On January 30, 1946, the President transmitted the agreement to the Congress with a special message, the text of which is printed in *Public Papers of the Presidents of the United States: Harry S. Truman*, 1946, pages 97 ff. Various related statements in 1946 by the Secretary of State, the Secretary of the Treasury (Vinson), the Under Secretary of State (Acheson), the Assistant Secretary of State for Economic Affairs (Clayton), and other officials are printed in Department of State *Bulletin*, volume XIV; see index, page 1148, entry "Financial agreement, U.S.-U.K."

Senate Resolution 138 "To implement further the purpose of the Bretton Woods Agreement Act by authorizing the Secretary of the Treasury to carry out an agreement with the United Kingdom and for other purposes" is Public Law 509, 79th Congress (60 Stat. 535). For text of a statement by the President on July 15, 1946, following approval of the agreement, see *Public Papers of the Presidents: Harry S. Truman*, 1946, pages 346 ff.]

AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RELATING TO AIR SERVICES BETWEEN THEIR RESPECTIVE TERRITORIES, SIGNED AT BERMUDA FEBRUARY 11, 1946

[For texts of the Agreement and the Final Act of the Bermuda Conference, see Department of State, *Treaties and Other International Acts Series No. 1507*, or 60 Stat. (pt. 2) 1499, 1512. For documentation on United States Policy with respect to International Civil Aviation and the Bermuda Conference, see volume I.]

AGREEMENTS BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RELATING TO MUTUAL AID, SIGNED AT WASHINGTON MARCH 27, 1946

[See Department of State, Treaties and Other International Acts Series No. 1509, or 60 Stat. (pt. 2) 1525 for texts of following Agreements:

1. Agreement on Lend-Lease and Reciprocal Aid Pipelines and Offsetting Arrangement, and Annex
2. Agreement on Settlement on Intergovernmental Claims
3. Agreement Relating to Civilian Holdings
4. Agreement Relating to Military Holdings
5. Agreement on Lend-Lease Aircraft (Non-Combat) and Spares, and Annex
6. Agreement Relating to Petroleum, and Annexes
7. Agreement on Lend-Lease and Reciprocal Aid Installations
8. Agreement Relating to United States Army and Navy Surplus Property and Surplus Installations in the United Kingdom
9. Agreement Relating to Tort Claims.]

AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RELATING TO MARINE TRANSPORTATION AND LITIGATION, EFFECTED BY EXCHANGE OF NOTES SIGNED AT WASHINGTON MARCH 25 AND MAY 7, 1946

[For text of Agreement, amending that of December 2, 1942, see Department of State, Treaties and Other International Acts Series No. 1558, or 60 Stat. (pt. 2) 1915.]

AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM REGARDING PREVENTION OF ABUSES OF CUSTOMS PRIVILEGES AT CERTAIN LEASED NAVAL AND AIR BASES

[For text of Agreement effected by exchange of notes signed at Washington January 18 and February 21, 1946, see Department of State, Treaties and Other International Acts Series No. 1592, or 61 Stat. (pt. 3) 2637.]

AUSTRALIA

AGREEMENT BETWEEN THE UNITED STATES AND AUSTRALIA ON SETTLEMENT FOR LEND-LEASE, RECIPROCAL AID, SURPLUS WAR PROPERTY, AND CLAIMS

[Signed at Washington and at New York, June 7, 1946. For text of Agreement, see Department of State, Treaties and Other International Acts Series No. 1528, or 60 Stat. (pt. 2) 1707.]

AIR TRANSPORT SERVICES AGREEMENT BETWEEN THE UNITED STATES AND AUSTRALIA, SIGNED AT WASHINGTON DECEMBER 3, 1946

[For text of Agreement, see Department of State, Treaties and Other International Acts Series No. 1574, or 61 Stat. (pt. 3) 2464.]

CANADA

DISCUSSIONS RELATING TO JOINT DEFENSE MEASURES

842.20 Defense/8-2846

The Ambassador in Canada (Atherton) to the Secretary of State

SECRET
No. 4303

OTTAWA, August 28, 1946.

SIR: I have the honor to report that debate in the House of Commons on national defense in connection with the estimates of the three Canadian Service Departments served to confirm the impression we have received from officials of the Canadian Government, from private individuals, and from the press, to the effect that Canada recognizes that she is confronted with the necessity for a major reorientation of her defense policy, that she is determined to carry out that reorientation, but that she will not act hastily.¹ . . .

As seen from Canada, Soviet Russia is the only conceivable aggressor in the foreseeable future. If aggression takes place, it is anticipated that the first blow will be struck at the heartland and arsenal of democracy, the United States, and that Canada lying between the U.S.S.R. and the United States will inevitably be struck simultaneously. Inevitably, therefore, Canada must look first and primarily to the United States for assistance in defending herself. To do so causes a wrench at the heartstrings and requires a complete reorientation of Canadian military thinking which prior to the war looked to Britain for guidance and aid. Such a complete reorientation cannot be accomplished in a day, nor can it be accomplished without sincere misgivings . . . The northern frontier, nevertheless, is vast, and there is a growing realization that Canada cannot alone undertake the enormous expenditures necessary to its defense. A recent survey made by the *Financial Post* of Toronto among military men, authorities on international affairs and publicists indicated that a large majority advised immediate and full acceptance of aid from the United States in development of Arctic defense. As found by the poll, the general opinion was that the task of fortifying the vast Arctic frontier was far beyond Canadian resources. Even George Black, Member of Parliament from the Yukon who is not usually favorably inclined toward the United States,

¹ A summary of the debate, which took place on August 19 and 23, was enclosed but is not printed here.

was one of those who favored acceptance of help from the United States in Arctic defense.

From our conversations we are convinced beyond question that the Prime Minister ² realizes the necessity of joint planning and eventual standardization of training and equipment, but that he is using his traditional caution in approaching the subject. That the bulk of his Cabinet and all of the Service Chiefs of Staff go along with him seems from our conversations to be also beyond question. Some want to move faster than others, but all seek the same end, that is, the security of Canada under the United Nations in cooperation with the United States without detriment, if possible, to Canada's position as a member of the British Commonwealth. There is a deep-seated hope that some means can be found to bring the British Commonwealth into the picture, but there is no present tendency to make that a *sine qua non* to integration with the United States. Canadians loyal to the Commonwealth idea find themselves on the horns of a dilemma. They realize the necessity for joining with the United States in defense of this continent, yet they fear such action may lead eventually to withdrawal of Canada from the Commonwealth. There remain some members of the Cabinet who are of this group and who are still skeptical of the intentions of the United States. The convictions of these men are so patently honest that the Prime Minister seems unwilling to ride rough shod over their objections. It seems to me that if some way can be found to allay the suspicions of this element and to assure to Canada that joint defense with the United States will not lead to withdrawal from the Commonwealth our path would be much easier. This must be done, however, I believe, at the very highest level.

In the matter of defense as in other fields, the Canadian Government hopes desperately that it will not have to choose between the United States and the British Commonwealth. This was evident in the remarks made by Douglas Abbott, Minister of National Defense, Army and Navy, during the debate when he said:

"We should like to see standardization of equipment between our forces, those of our neighbor to the south, and those of the other members of the Commonwealth. Naturally, as a junior partner we are not in a position to initiate such a move, but we can do everything in our power to encourage it, and that is what we intend to do. Considerable headway has been made along those lines. I cannot conceive of any war we would be fighting in which Canada, the United Kingdom, and the United States, would be fighting on opposite sides, and therefore it is pretty self-evident that we all have an interest in standardizing equipment as far as possible in order that the industrial potentials of our countries may be available one to another."

² W. L. Mackenzie King.

And when the naval estimates came up, on the subject of naval co-operation, he said that Canadian policy envisaged

“a relatively small but modern navy of ships of the most modern type, capable of operating in close cooperation, if needed, with either the British Navy or the Navy of the United States. . . . At the present time the equipment is British type. There is no indication that that will change in the near future, but that does not mean that the Navy cannot operate in the closest possible cooperation with the United States Navy. . . . We will endeavor to assure that the closest possible relations exist between our Navy and that of the United Kingdom and our great ally to the south.”

Except for Tommy Church, the ultra Tory Member from Toronto, and a back bench left-wing, C.C.F.er, these statements of the Minister of National Defense caused no dissenting voice in the House of Commons. There was evidence in the House, and I am told there has been similar evidence in Committee meetings, of a desire of members to know more about the Permanent Joint Board on Defense³ and about cooperation with the United States in defense matters, but no indication at any stage of opposition to the measures being taken by the Government.

I think it is safe to say, therefore, that . . . we may expect slow but steady progress toward that integration of our defense systems which seems so essential to the defense of the North American continent. Our requests will not be granted until we have justified them, nor will they be granted with the rapidity that was evident under the stresses of war, but they will be given unprejudiced consideration, and where we can offer convincing evidence of the necessity of a project, I believe we may count upon the full cooperation of the Canadian Government and the people.

Respectfully yours,

RAY ATHERTON

842.20 Defense/10-146

Memorandum by the Acting Secretary of State to President Truman

SECRET

WASHINGTON, October 1, 1946.

The Canadian Ambassador, Mr. Pearson, who is to call on you Wednesday⁴ at 12 noon is leaving to become the active head (Under Secretary) of the External Affairs Department at Ottawa, where he will be in daily contact with the Prime Minister. . . .

³ This body was provided for by the Ogdensburg Declaration, August 18, 1940, issued jointly by President Roosevelt and Prime Minister Mackenzie King; the text of the Declaration is printed in the Department of State *Bulletin*, August 24, 1940, p. 154. For information on the activities of the Board, see Stanley W. Dziuban, *Military Relations Between the United States and Canada, 1939-1945*, in the official Army history *United States Army in World War II: Special Studies* (Washington, Government Printing Office, 1959), pp. 31-54.

⁴ October 2.

The planning and application of joint defense measures remains the most active and important aspect of our current relations with Canada. Our military authorities are naturally insistent on closing the gap between Alaska and Greenland For this we are dependent on the cooperation of the Canadian Government.

The Canadian military authorities are in full agreement with ours and planning under the Permanent Joint Board on Defense is progressing steadily. The Canadian Government has, however, not as yet formally approved the 35th Recommendation of the Board (approved by you on May 6),⁵ although tacitly permitting its practical application to be commenced. This Recommendation laid down principles for close peacetime collaboration between the armed forces of the two countries.

In view of Canada's traditional close association with the United Kingdom, the shift to an even closer association with the United States armed forces is a matter of great moment in Canada and one which involves considerable political risk for the present Government. Some Canadians fear we would encroach on their sovereignty and some fear that Canada might ultimately have to withdraw from the British Commonwealth.

I am sure that it would help a great deal if you felt inclined to express to the Ambassador your interest in the effective carrying out of joint defense plans.

DEAN ACHESON

⁵ The text of the 35th Recommendation reads as follows :

"Discussions which have taken place in the Permanent Joint Board on Defence, established on August 17th, 1940, have reaffirmed the importance of continuing to maintain in peacetime a close relationship between the Armed Forces of Canada and the United States. It is submitted that the obligations of the Governments of Canada and the United States under the Charter of the United Nations for the maintenance of international peace and security would be fulfilled more effectively through such a relationship. The Board, accordingly, makes the following recommendation :

In order to make more effective provision for the security of the northern part of the western hemisphere, Canada and the United States should provide for close cooperation between their Armed Forces in all matters relating thereto, and in particular, through the following measures :

(a) Interchange of personnel between the Armed Forces of both countries in such numbers and upon such terms as may be agreed upon from time to time by the respective military, naval and air authorities.

(b) Adoption, as far as practicable, of common designs and standards in arms, equipment, organization, methods of training and new developments to be encouraged, due recognition being given by each country to the special circumstances prevailing therein.

(c) Cooperation and exchange of observers in connection with exercises and with the development and tests of material of common interest to the armed services to be encouraged.

(d) Reciprocal provision of its military, naval and air facilities by each country to the Armed Forces of the other country ; each country continuing to provide reciprocally for transit through its territory and territorial waters of military aircraft and public vessels of the other country.

(e) Allocation of responsibility to each country for mapping and surveying its own territory and providing maps to the other country in accordance with agreed needs.

Approved 5/6/46
Harry S Truman"

S42.20 Defense/10-2646

Memorandum by the Acting Secretary of State to President Truman

TOP SECRET

WASHINGTON, October 26, 1946.

Subject: Joint Defense Measures with Canada

When Prime Minister Mackenzie King of Canada calls on you on October 28 at 2:30 p. m. it is hoped that you will emphasize that you consider that the time has now come for the basic decisions in this field to be made by yourself and the Prime Minister. The Permanent Joint Board on Defense and the planning authorities in our respective Armed Services have defined the problem and made recommendations but it is now up to the statesmen of both countries to direct the carrying out of joint defense measures with minimum disturbance to the two peoples and maximum advancement of world security through the United Nations.

The foregoing is suggested as the highlight of your conversation because Mr. King is reluctant to reach any decision until events have made it imperative to do so. We understand, moreover, that some in authority in Canada think that our military sometimes proposes more extensive plans than are necessary. It will be doubly helpful, therefore, to assure Mr. King that our non-military authorities are convinced that the program is necessary and also that you and they are watching to prevent any over-extension of military plans.

The former Canadian Ambassador, Mr. Pearson, with whom you talked recently, has remarked to Ambassador Atherton in Ottawa that it would also be helpful if you wished to provide Mr. King with some written document on this problem. Accordingly, there is attached a memorandum which you may wish to hand to him. . . .

These problems which we now ask Mr. King himself to decide are the most important problems currently before the Canadian Government. The following quotation from my memorandum to you of October 1 suggests why this is so:

“In view of Canada’s traditional close association with the United Kingdom, the shift to an even closer association with the United States armed forces is a matter of great moment in Canada and one which involves considerable political risk for the present Government. Some Canadians fear we would encroach on their sovereignty and some fear that Canada might ultimately have to withdraw from the British Commonwealth.”

Now that General Eisenhower ⁶ and Field Marshal Montgomery ⁷ have discussed standardization and the United States and British

⁶ General of the Army Dwight D. Eisenhower, Chief of Staff, United States Army.

⁷ Field Marshal Viscount Montgomery, Chief of the Imperial General Staff.

Navies have agreed to continue to make their facilities reciprocally available, it should be somewhat easier for Mr. King to approve similar steps proposed in the 35th Recommendation of the Joint Defense Board.

Outside the joint defense field we do not have any particular questions to raise. We do not know if Mr. King has any. Our relations with Canada continue excellent. We have, however, been disappointed by the Anglo-Canadian wheat agreement, a long-term bulk purchase deal, which we consider to be somewhat at variance with our proposals for liberalizing trade. On the other hand, the Canadians are troubled about our customs administration which they consider to be unduly restrictive in its effect on Canadian exports.

Mr. King's Government has lost three by-elections over the past few weeks but, while his majority in Parliament is narrow, the opposition groups are split. One of the by-elections was fought and lost on the issue of the Anglo-Canadian wheat deal.

DEAN ACHESON

[Enclosure]

*Memorandum by President Truman to the Canadian Prime Minister
(Mackenzie King)*

ORAL MESSAGE

The Government of the United States is grateful to the Government of Canada for the favorable consideration which the latter has given to proposals relating to joint defense. In no case has any military project which this Government considered urgent been delayed by any lack of cooperation on the part of Canada.

Because of the extreme importance in an unsettled world of continuing and reinforcing measures of joint defense it is believed that the consideration of these matters, hitherto primarily in military hands, should also now be taken up directly by the governments. In suggesting this course, the Government of the United States is determined that the actions taken shall in no way be inconsistent with commitments under the Charter of the United Nations,⁸ full support of which is the cardinal point of United States policy. The decisions which the governments take and the further advancement of North American security through the recommendations of the Permanent Joint Board on Defense must always accord with the framework of the United Nations.

⁸ 59 Stat. (pt. 2) 1031. For related documentation, see *Foreign Relations, 1945*, vol. I, pp. 1 ff.

Early in 1946, pursuant to views expressed by the Joint Board, the two Governments decided to collaborate as partners in drawing up a basic security plan for the United States and Canada. A Joint Appreciation⁹ of the situation was prepared and planning has progressed satisfactorily. It may, however, not be practicable to proceed much further without assurances of support from the highest authorities of both Governments. Such assurances could take the form of concurrence in the Appreciation. Meanwhile, events at Paris¹⁰ and in the international field generally have not lessened the anxiety of those charged with assuring the security of the United States. Moreover, in the opinion of this Government, those events have demonstrated that decisions in the field of home defense should be taken now and implemented as rapidly as practicable. Only by being secure at home can Canada and the United States strengthen the United Nations and discharge their responsibility for contributing to world order and security.

Under these circumstances, it appears to the Government of the United States that close collaboration in defense matters with the Government of Canada must be carried forward actively. It believes this for the following reasons:

Two world wars have demonstrated that an aggressor must destroy the power of North America or be defeated.

Due to post-1945 technological advances, North America is no longer adequately protected by geography.

Canadian and United States military advisors agree that in five years North America must be prepared to meet major enemy capabilities.

While the peaceful foreign policies and intentions of Canada and the United States are clearly defined, there can be no guarantee that the governing officials of the U.S.S.R. will make decisions on the basis of a correct appraisal of the world beyond Soviet borders, or that the long term policy of the U.S.S.R. is not one of unlimited aggrandizement.

For the foregoing reasons North American nations henceforth must be prepared at home just as less fortunately placed nations have had to be in the past. Furthermore, under conditions of modern technology, defenses must be as far out from Canadian and American industrial centers as possible.

⁹ Not printed.

¹⁰ Reference is to the Second Session of the Council of Foreign Ministers and to the Paris Peace Conference; for documentation on U.S. participation in these sessions, see volumes II, III, and IV.

If within only five years another major power will be capable of jeopardizing North American security, action should be based on realization:

That Canada and the United States lag in cold weather knowledge and experience,

That, because of this lag and because of the expense involved, defense plans will take years to implement.

That, to be efficient in an emergency affecting North American territory, the Canadian and American forces should have the experience of working together, experience of the north, and increasing uniformity of equipment and methods.

The United States Government realizes that close collaboration with Canada in basic defense matters presents both governments with new problems of great complexity and difficulty. The responsible United States officials are aware of the special problems that face Canada, a member of the British Commonwealth of Nations. They have been instructed that the sole purpose of close military collaboration is defense, that every precaution must be taken to protect the traditional relations of the two countries and the position which each, respectively, enjoys.

The United States Government is also aware that the question of the financial cost of defensive measures is most serious for both Governments. It must not, however, be permitted to delay the planning of security at home and should not delay the attainment thereof. While no final commitments can yet be made by either Government, it seems clear that the Joint Defense Board should recommend and the two Governments should negotiate some equitable means of sharing the financial burden of any defenses agreed to be necessary around the northern perimeter of the continent. Possibly the United States might agree to assume an equitable proportion of the cost of any facilities jointly found to be necessary on Canadian soil if the Canadian Government were to take into account that United States expenditures in Alaska and Greenland, for instance, contribute to Canadian as well as United States security.

Although many problems remain for future determination, the United States Government believes for the reasons set forth in this memorandum that decisions by the Canadian Government on the following existing problems would be timely and would enhance the security of the Canadian and American people:

1. Further Canadian Government endorsement of joint planning now in progress would assure the United States authorities of continuing Canadian cooperation and an adequate measure of joint action between Alaska on the west and Greenland on the east.

2. Approval of the 35th Recommendation of the Permanent Joint Board on Defense would help to define the relations between the armed forces of Canada and the United States and would provide authoritative guidance as to the nature and limits of the collaboration desired by both Governments.

3. It is hoped that the Canadian Government, with Newfoundland concurrence, will permit the stationing of certain United States Army Air Force units at the Canadian 99-year leased base at Goose Bay, Labrador. Reciprocally, (as soon as the present congestion can be relieved), the United States authorities will be agreeable to a similar arrangement at United States bases in Newfoundland proper. While remaining an important feature of the defenses of the northeastern approaches to the continent, these latter bases are, however, too close to Canada and the United States to provide adequate protection against ultra-modern high speed aerial attack. Moreover, they do not afford as would Goose Bay, a highly favorable situation for the acquisition by United States and Canadian Air Force units of the experience of training together under cold weather conditions, of testing northern equipment and of coordinating their respective methods and tactics. Finally, arrangements of this kind at Goose Bay and the other bases would be consistent with the joint responsibilities which the two Governments have discharged in the past for the defense of Newfoundland.

In conclusion, the United States Government reiterates that it has been gratified by the cooperative attitude of the Canadian Government and by the informality, frankness and mutual trust which have prevailed during discussions of the delicate and momentous problems of joint defense. It believes that final decisions, not only on the three points just mentioned, but also on others in this field can be reached without necessity of any more formal documentation than has been customary since establishment of the Permanent Joint Board on Defense in 1940. There is no doubt that public opinion firmly supports effective collaboration with Canada and, in the view of the United States Government, this is a strong and satisfactory basis for joint action.

842.20 Defense/10-3146

*Memorandum by the Assistant Chief of the Division of British Commonwealth Affairs (Parsons)*¹¹

TOP SECRET

[WASHINGTON,] October 31, 1946.

Ambassador Atherton reported the substance of the conversation between the President and the Prime Minister as related to him by Mr. Pearson, Under Secretary of External Affairs in Ottawa. Mr. Pearson's account is based on a telegram from the new Canadian Ambassador, Mr. Wrong, with whom Prime Minister King talked immediately after leaving the White House.

¹¹ J. Graham Parsons was also Secretary, United States Section, Permanent Joint Board on Defense.

Following an exchange of amenities and discussion of their respective domestic political problems, the gist of the conversation was as follows:

1. The President and the Prime Minister discussed the closest possible cooperation in defense matters in the interest of efficiency and economy. Under this heading was included full exchange of military information, not only between the United States and Canada but also with the United Kingdom. It was agreed by both that the closest cooperation was necessary.

2. The President mentioned the need for a strong air force and mentioned the possible stationing of United States units at Goose Bay. It was agreed that further discussion through the Cabinet Ministers concerned or through diplomatic channels should be held.

3. The Prime Minister stressed the need for the closest consultation on publicity relating to defense measures. This was agreed upon and the Prime Minister understood it would be a commitment binding on the United States.

4. The Prime Minister stated that he would wish to inform the United Kingdom of any agreements or arrangements of consequence on defense matters. The President raised no objection and referred in this connection to Field Marshal Montgomery's visit.¹² He spoke with great approval of the latter's talks on standardization.

5. The President raised the question of the 35th Recommendation, Permanent Joint Board on Defense (which the Canadian Government has not yet approved), but it was not discussed in any concrete way. Mr. Wrong's telegram stated that the President had been briefed on this matter by the State Department.

6. There was no discussion of any basic defense plan.

7. The President gave the Prime Minister a summary of Ambassador Bedell Smith's views as to the Soviet potential for offensive action.¹³ The Prime Minister stated that these views agreed with those of the Canadian Ambassador in Moscow.

8. The general effect of the conversation was to clear the way for further talks on joint defense at a high level but leaving in United States hands the initiative as to timing and channel.

9. The possibility of a visit by the President to Ottawa was discussed and both were enthusiastic. They agreed that a visit at some time late next spring when Parliament was in session would probably be most advantageous.

In regard to point 8 above, placing the initiative for further high level talks on joint defense in United States hands, it is suggested that after a suitable interval I be authorized to instruct Ambassador Atherton to ask Mr. Pearson, Under Secretary for External Affairs, for the

¹² Field Marshal Montgomery had visited the United States in September 1946.

¹³ For documentation pertaining to Soviet military and atomic capabilities, see vol. vi, pp. 673 ff., *passim*. In addition, a report prepared by the Joint Working Committee of the American Embassy in Moscow, dated September 1, had been transmitted to the Department under cover of despatch 379, September 9, from Moscow. This report, entitled "Analysis of Soviet Strength and Weakness", was subsequently passed on to the Canadian Section of the Permanent Joint Board on Defense. Neither despatch 379 nor the report is printed (861.00/9-946).

reaction of the Canadian Government to the questions raised by the President. The President, it will be recalled, read to the Prime Minister an oral message, copies of which, at the President's direction, were given to Ambassador Wrong here and Mr. Pearson in Ottawa. The oral message sets forth United States position on the joint defense matters mentioned above and on several others as well.

842.20 Defense/11-446

*The Canadian Under-Secretary of State for External Affairs (Pearson) to the Ambassador in Canada (Atherton)*¹⁴

TOP SECRET

OTTAWA, November 1, 1946.

DEAR MR. ATHERTON: As requested, I have given to the Prime Minister the "oral message" from Mr. Truman, on which the President based certain of his remarks to Mr. King last Monday,¹⁵ which concerned North American defence questions. This message was not read to Mr. King by the President, but the Prime Minister agrees that, though his talk with the President was in general terms, most of the subjects in the "message" were touched on. He is agreeable that this message should be used as a basis for discussions between the two Governments.

In this connection, agreement was reached at the White House last Monday that these discussions should be on the political and diplomatic level. It is hoped that they may result in some form of written agreement covering the principles on which defence cooperation between our two countries should be based. Mr. King feels sure that such an agreement can be reached between the two Governments which will preserve their rights and safeguard their legitimate interests, without conflicting in any way with the letter or the spirit of their obligations under the United Nations Charter. The previous record of our two Governments in discussions of this kind is an earnest to Mr. King that such an understanding is possible.

Yours sincerely,

L. B. PEARSON

842.20 Defense/11-1246

Memorandum by the Assistant Chief of the Division of British Commonwealth Affairs (Parsons)

SECRET

[WASHINGTON,] November 12, 1946.

The following developments, all related to Canadian consideration of basic joint defense problems, took place during the first ten days of November and are summarized for the record.

¹⁴ Transmitted to the Department under cover of a note from Mr. Atherton to Mr. Parsons, November 4, not printed.

¹⁵ October 28.

Ambassador Atherton reported in late October the resentment of Canadian military authorities faced with a peremptory request from Field Marshal Montgomery to rubber stamp his alleged agreement with General Eisenhower on standardization of arms. The London press story of October 30 on this subject extended Canadian resentment to high civil service and political levels. Mr. Atherton reported that the Prime Minister had been particularly annoyed at the false allegation that standardization was first broached by him in London last April at the Prime Ministers Conference. Moreover, he acted promptly (*a*) to make the position clear to the British High Commissioner at Ottawa, (*b*) to instruct the Canadian High Commissioner at London to do likewise, and (*c*) to advise the United States through Mr. Pearson that no commitments to the British had been made. Mr. Atherton also reported that there remained a definite undercurrent of concern lest General Eisenhower had somehow been persuaded that Montgomery was in a position to speak for Canada as well and had made commitments on that basis. Additionally, in contrast to the official sensitivity, the press in Canada had been generally enthusiastic over the reported Anglo-American agreement in principle on United States-British Empire standardization.

On November 5, I called on Major General Norstad¹⁶ and made the following points:

1. The resentment of the Canadian military (earlier communicated through General Henry¹⁷ to General Eisenhower) was not personal but rather stemmed from Canadian concern as to her sovereign freedom of action.

2. I sought and received authorization to ask Ambassador Atherton to make clear at his discretion that General Eisenhower was fully aware of Field Marshal Montgomery's inability to commit Canada and that no commitments have been made on that basis.

3. I hoped that at the technical meetings commencing November 11 between United States, United Kingdom and Canadian military authorities, a special effort could be made to recognize Canada's equal status, if not stature.

4. I impressed upon General Norstad that Montgomery's action and the British press statement had created a situation favorable to the United States as was evidenced by the fact that Prime Minister King had now accepted the President's oral message of October 28 as a basis for further consideration of joint defense. Moreover, Mr. Atherton had received a letter from Mr. Pearson recommending that the matter be pursued through high political and diplomatic channels.

¹⁶ Maj. Gen. Lauris Norstad, Director, Plans and Operations Division, War Department General Staff.

¹⁷ Maj. Gen. Guy V. Henry, Senior U.S. Army Member, Permanent Joint Board of Defense.

General Norstad was emphatic in his denial that General Eisenhower had in any way accepted Montgomery as a spokesman for Canada or had made any commitments. He pointed out that the record now showed and would continue to show that we deal with Canada on a basis of equality and that when any question of concern to Canada came up in U.S.-U.K. talks, we invited Canada to participate. . . .

General Norstad also stated that General Foulkes¹⁸ would be coming to Washington the week of November 11-16 and that General Eisenhower personally wished to see him.

Subsequent to the foregoing, Mr. Atherton reported that General Foulkes had no plans to come to Washington and apparently had no invitation to do so. In General Norstad's absence, General Lincoln¹⁹ informed me that the Army member of the Canadian Joint Staff Mission, General Brownfield, was the source of the information that General Foulkes would be coming to Washington.

The question of a visit from General Foulkes at this time becomes academic because General Lincoln also stated that all Canadian high military officials in Washington have been called to Ottawa next week when the Defense Committee of Cabinet will consider the President's oral message. In addition, the Secretary of State for External Affairs is being called back from the Assembly Meeting in New York for the same purpose.

(Finally, as reported in a memorandum of conversation²⁰ dated November 7, 1946, between the Canadian Ambassador and Minister and Messrs. Hickerson²¹ and Parsons, it was suggested that the next discussions on basic joint defense problems might be carried on in Ottawa by Ambassador Atherton with no U. S. military participants. However, the Canadian Ambassador made clear the desire of the Canadian Government for information from our top military people on broad strategic concepts in as much as the Canadian Government is mindful that in any future war it would have to provide for offense as well as defense.)

SWNCC Series 341/2

Recommendation of November 20, 1946 by the Permanent Joint Board on Defense

SECRET

Discussions which have taken place in the Permanent Joint Board on Defense, established on August 17th, 1940, have reaffirmed the im-

¹⁸ Lt. Gen. Charles Foulkes, Chief of the General Staff, Canadian Army.

¹⁹ Brig. Gen. George A. Lincoln, Chief of the Strategy and Policy Group, Plans and Operations Division, War Department General Staff.

²⁰ Not printed.

²¹ John D. Hickerson, Acting Director, Office of European Affairs.

portance of continuing to maintain in peacetime a close relationship between the armed forces of Canada and the United States. It is submitted that the obligations of the Governments of Canada and the United States under the Charter of the United Nations for the maintenance of international peace and security would be fulfilled more effectively through such a relationship. The Board, accordingly, makes the following recommendation:

In order to make more effective provision for the security of the northern part of the western hemisphere, Canada and the United States should provide for close cooperation between their armed forces in all matters relating thereto, and in particular, through the following measures:

(a) Interchange of personnel between the armed forces of both countries in such numbers and upon such terms as may be agreed upon from time to time by the respective military, naval and air authorities.

(b) Adoption, as far as practicable, of common designs and standards in arms, equipment, organization, methods of training and new developments to be encouraged, due recognition being given by each country to the special circumstances prevailing therein.

(c) Cooperation and exchange of observers in connection with exercises and with the development and tests of material of common interest to the armed services to be encouraged.

(d) Reciprocal provision by mutual arrangement between the Governments of its military, naval and air facilities by each country to the armed forces of the other country. Each country shall continue to provide reciprocally for transit through its territory and territorial waters of military aircraft and public vessels of the other country.

(e) Subject to any special arrangement which may be entered into, each country will be primarily responsible for the mapping of its own territory and for the provision of maps in accordance with agreed needs.

(f) In time of peace certain principles should govern the joint construction or maintenance of military projects, the carrying out of joint tests or exercises and the use by one country of military facilities in the other country, when such activities have been approved by the appropriate authorities of both governments, and these principles should be applied on a reciprocal basis as follows:

(i) Military projects or joint tests or exercises undertaken within the territory of one country, or the territory leased by one country, should be under the supervision of that country.

(ii) Military projects, tests or exercises, agreed to by both countries, whether jointly conducted or not, are without prejudice to the sovereignty of either country, confer no permanent rights or status upon either country, and give only such temporary rights or status as are agreed upon by the appropriate authorities of the two countries in authorizing the projects, tests or exercises.

(iii) Public information in regard to military projects, tests or exercises, jointly conducted or conducted by one country in

the other country, or in the territory leased by it, should be the primary responsibility of the country whose territory is utilized. All public statements on these subjects shall be made only after mutual agreement between the appropriate authorities of the two countries.

Approved 4/Feb/47

HARRY S. TRUMAN

NOTE: Approved by Canadian Government, 16 January 1947.

842.20 Defense/11-2246

*Memorandum of Conversation, by the Ambassador in Canada
(Atherton)*

SECRET

OTTAWA, November 22, 1946.

I talked with General McNaughton²² this afternoon on his estimate of the world situation which I venture very briefly to put down as a result of our combined efforts.

If a potential enemy to the democratic way of life threatening the North American continent begins an attack outside the limits of this hemisphere, we have time with an awakened public opinion to prepare and to some degree mobilize even sufficient forces to make available strength overseas. If, on the other hand, the main attack of a potential enemy is directed in the first instance against the North American continent, we have no time to prepare. This first attack on North America would not be for the purpose of conquering the continent, it would be of the same nature as Pearl Harbor at certain strategic points within the North American economy which would reduce our economy and our war industrial potentials to such a degree that we would be more nearly at an equality with the potentials of the unnamed enemy. Such bombing for the destruction of our economic resources would, of course, give occasion for sabotage through fifth column agents and would largely increase the destruction of our industrial system.

Should the enemy be Soviet Russia, it should be realized they are in a mood of exultation at the present time, of feeling that their way of life has proven successful in overcoming Nazi strength and the virus is pretty well all through the Soviet governing people. The only way this could be maintained by the Soviet is through never permitting through outside contact the Russian people to realize the standard of living of the democratic world. Therefore there can be no permitted penetration of the Eurasian continent by the democratic

²² Gen. Andrew G. L. McNaughton (ret.), Chairman, Canadian Section, Permanent Joint Board on Defense.

countries. For this reason alone, Russia will never permit disarmament by inspection, since that inspection would mean foreign setups within the limits of the Soviet border. What then is the ultimate deterrent to aggression by Soviet Russia? It consists in a static defensive-offensive potential of the North American continent. We have over the next five or six years time to prepare this defense of North America. It is doubtful if in the first year more than twenty-five to thirty millions can be spent. It should further be realized that the greater we can encourage laboratory research in certain lines the more eventual expenses in years to come will be reduced, i.e., development of radar specifically. It should be realized that with this potential defense of the North American continent within the confines of the North American continent completed that we shall be in a greater position to render effective service overseas, especially in navy and manpower, than if we, for fear of present-day political or international complications, defer this action until the moment of attack when all our energies would of necessity be concentrated for an indefinite period on home defense.

842.20 Defense/12-1746

Memorandum of Canadian-United States Defense Conversations Held in Ottawa in Suite "E" Chateau Laurier Hotel, December 16 and 17, 1946 ²³

TOP SECRET

PRESENT:

CANADIAN	AMERICAN
Mr. L. B. Pearson, Undersecretary of State for External Affairs	Ambassador Atherton
Mr. Arnold Heeney, Clerk of the Privy Council	Major-General Henry
Mr. R. M. Macdonnell, Department of External Affairs ²⁴	Brig.-Gen. Lincoln
Mr. Evan Gill, Cabinet Secretariat	Rear-Admiral Carey Jones ²⁵
Major-General Mann, Vice Chief of the General Staff	Capt. Anderson
Commodore de Wolf	Col. Van Devanter
A/V/Marshal Curtis ²⁶	Mr. J. G. Parsons, Dept. of State
Mr. Mitchell Sharp, Department of Finance	Mr. George Kennan, Dept. of State
	Mr. Edward A. Dow, Jr., American Embassy, Ottawa

I. GENERAL CONCEPT OF THE SITUATION

A. Political

Mr. Pearson opened the meeting by referring to the working papers ²⁷ which had been prepared and circulated by the Canadians and

²³ Prepared by the Second Secretary, U.S. Embassy in Canada, Mr. Edward A. Dow, Jr.

²⁴ Mr. Macdonnell was also Secretary, Canadian Section, Permanent Joint Board on Defense.

²⁵ Air Vice Marshal Wilfred A. Curtis, Air Member for Air Staff and Senior RCAF member, Permanent Joint Board on Defense.

²⁶ Senior U.S. Navy member, Permanent Joint Board on Defense.

²⁷ None printed.

by summarizing the first section, which dealt with the background and purposes of the meetings. He said that he thought the main point to be borne in mind was that the Canadian Cabinet had neither accepted nor rejected the Joint Appreciation ²⁸ prepared by the Military Cooperation Committee but desired to have the latest American views on the political and military aspects of potential threats to North American security and the steps regarded as essential to meet the situation.

Ambassador Atherton said that the Canadian memorandum ²⁸ was a most able document and in effect fully covered a number of the points which he had in mind, among which were that home security must be our first thought and that it is now necessary for us to consider not the *probability* of action on the part of a potential enemy but its *possibility*. It was clear that any enemy must endeavor to paralyze North American industrial production and if such an effort were made the reaction on our two peoples might be psychologically most important. In this connection there would be serious interference with the normal life of the people and there was the possibility of sabotage. In so far as concerned the timing of our defense measures, this could be either accelerated or decelerated in the light of any situation which might be found to exist. Finally, Mr. Atherton reviewed briefly the sequence of events beginning in 1934 when Mr. Baldwin ²⁹ had said, "The Rhine is our frontier", at which time, however, the British Government did not even begin to take any adequate precautions. In 1935 an Anglo-German Naval Agreement was signed in clear violation of the Treaty of Versailles and against the wishes of France. In 1937 a United States Government suggestion for the stockpiling of strategic raw materials was rejected by the British. Only in March 1939 was the first public announcement made in England of the intention to re-arm and only in 1940 was full armament commenced in Britain or, for that matter, in the United States. The Ambassador said that he hoped that this sorry sequence would never be repeated. In those years action was not taken because of fear of the reaction of the potential enemy. This should not occur again and with specific reference to the present problem it should be borne in mind that Russia had never hesitated to boast of her development of the Arctic and it seemed unnecessary for us to approach the problem of possible Russian reaction to our own Northern defense plans with undue hesitancy.

Mr. Pearson said that he did not feel that our basic appreciation of the situation should be changed because of such apparent fluctuations in Soviet policy as had recently been witnessed at the General Assembly meeting in New York.

²⁸ Not printed.

²⁹ Stanley Baldwin, British Prime Minister, 1923-24, 1924-29, 1935-37.

Mr. Kennan agreed that Soviet policy does not change basically, its elements always remaining the same. It was virtually certain that the Russians were not planning a direct attack but there was always the danger of a Russian misunderstanding or miscalculation of the situation which might lead to an outbreak of hostilities which did not form part of any long range plan. Mr. Kennan felt that our best policy was to "contain" Russian expansionism for so long a time that it would have to modify itself. This would require the utmost firmness and patience.

Mr. Kennan said that although once a decision had been made by the Kremlin there was no one in the Soviet Government or the Communist Party who could ever criticize it, yet there was a relatively moderate element in the Kremlin and we could best encourage the moderates by a policy of firmness rather than vacillation. In other words, we should place the moderates in a position to point out to Stalin³¹ the extent of our strength and the dangers of an aggressive Soviet policy. At the same time the extremist element in the Kremlin must not be given ammunition for arguments that we were attempting provocation. This could be exploited by the extremists who were certainly not above giving deliberately false information to Stalin. A firm and patient policy of "containment" pursued by us over a period of 10 or 15 years might well result in a frustration which would in itself lead to a period of peaceful policy on the part of Moscow.

Mr. Heeney indicated that in connection with Mr. Kennan's last point, the Cabinet must be convinced that planning itself would not be provocative. At present the Cabinet was anxious to have as much civilian "cover" for defense projects as possible.

B. *Military*

General Lincoln said that peace-time planning was much more difficult than war-time planning but that the technique of strategy remained basically the same, starting with the estimate and proceeding through the capabilities of the potential enemy. This was a purely military approach but there was also the political intention to be considered. Russian expansion could no doubt be to some extent controlled by our military posture and here there were two "musts":

- 1) We should continue to maintain those of our capabilities apparent to the world.
- 2) We should maintain the capability to undertake offensive action in case war comes.

If our "military posture" remained strong in this way, we might overcome many difficulties.

³¹ Generalissimo Iosif V. Stalin, Chairman of the Council of Ministers of the Soviet Union.

Finally, said General Lincoln, the North American continent would inevitably take a certain amount of punishment in case of war. We could not secure total protection and must be prepared to take calculated risks.

Mr. Pearson mentioned that the United Kingdom might feel some concern lest North American defense be over emphasized to the detriment of overseas potential.

Mr. Atherton emphasized at this point that it was not being suggested that anything in the nature of a Maginot Line should be created in the north but that it would seem apparent that Canada and the United States could not go to anyone's assistance either in the Middle East or elsewhere unless the Arctic were secure. The voter in the United States at least would make this politically impossible.

General Henry, agreeing with General Lincoln that there was no rigidity about our plans, added that one must appreciate the position of the Canadian Government on these questions. In his view there was no serious threat of war within five or six years. The interceptor plan, for example, was being broken down into stages. If they were all carried out at once it would be very expensive but what is being planned for the next three or four years should prove no great drain on the Canadian treasury and at the end of that time a new appreciation of the situation would certainly be made.

Mr. Pearson pointed out that the entire problem was of far greater internal political importance in Canada than in the United States.

General Lincoln said that there was no borderline between the offensive and the defensive in total warfare of the future and victory could only be obtained by the offensive. There would be constant fluctuations in the estimate of the situation and we must maintain flexibility in planning and avoid rigidity in thinking, particularly with respect to the time element. For the present, he said, the United States considered the present appreciation to be basic and sound but the entire situation was subject to periodic, probably annual, re-estimate.

Captain Anderson said that there was a two-and-one-quarter to four-year time lag in creating adequate security measures and the main point we should strive for was to try to minimize this time lag. He fully agreed that the whole plan was subject to new review and re-estimate.

General Henry referred to paragraphs 2, 22, 23, 25 and 26 of the Outline of the Basic Security plan.³² He stressed that the potential enemy would have additional initial capabilities by 1950 but that in the short-term future his capabilities were more or less limited, a fact of which we must take advantage. With respect to the December 11

³² Not printed.

memorandum³³ by the Military Cooperation Committee, General Henry stressed paragraphs 1, 3, 4 and 5 (*a* and *c*). For long-range planning, therefore, the Committee recommended, 1) prompt initiation of an accelerated research program with emphasis on radar research; 2) maintenance of certain vital existing airfields; 3) immediate accomplishment of air surveys; 4) establishment of appropriate training schools with provision for exchange of students; 5) continuation of present RCAF mapping program; 6) gradual development of weather coverage of the Arctic; 7) initiation of Loran program.

It was agreed that there was no substantial difference between the viewpoint of the Canadian and United States representatives as to the objectives of the Soviet Union and as to the effect on Soviet foreign policy of joint North American defense measures.

II. "CIVILIANIZING" OF DEFENSE PROJECTS

The Canadians expressed the view that there were advantages in providing a civilian "cover" for at least some of the defense projects in their early stages, air warning research, mapping and weather coverage being mentioned. The U.S. side felt that this was primarily a Canadian problem but that such "cover" could probably be provided in certain cases, although it would tend to complicate the problem in most fields.

It was agreed that there might be advantages to carrying out certain of the earlier parts of the projected program under civilian auspices and that whenever this was practicable the U.S. would cooperate to that end.

III. SHARING OF COSTS

There was some general discussion under this heading as to the desirability of formulating a definite policy on cost-sharing at present, Mr. Sharp urging the exploring of the possibility of an agreed principle and Mr. Parsons stating that the U.S. State Department felt that this might be difficult and premature at the moment. During discussion, it was pointed out that radar and other research offered no real problem inasmuch as both countries were working on parallel but purely national lines and that a considerable problem would arise with regard, for example, to the maintenance of such airfields as might be intended for heavy bombing. The Canadians indicated that they might wish to follow the policy of providing land and buildings at their expense.

It was agreed that while no definite principles should be set down at present as regards cost-sharing, annual programs for joint plans should be examined jointly by the appropriate financial authorities of

³³ Not printed.

both countries and that they should make joint recommendations on the allocation of expenses as between governments. It was suggested that a "Joint Finance Committee" could appropriately be set up for this purpose.

IV. GOOSE BAY

Colonel Van Devanter read from a prepared statement, the substance of which was that the most probable route of approach to North America included Iceland, Greenland and the line Newfoundland-Labrador-Eastern Canada, the latter portion of which was only about 1200 miles from the main continental industrial centers. Goose Bay was considered to be the only suitable base for very heavy bombardment groups and in fact could be said to be the most important all-round strategic air base in the western hemisphere.

During the ensuing discussion Mr. Pearson and Mr. Heeney referred to the desirability for political reasons of emphasizing the training side of the Goose Bay project, although Mr. Parsons pointed out that Goose Bay was intended for offensive purposes. He added that it was a "facility in being" and there were evident advantages to be derived from this fact.

Mr. Pearson said that regardless of the general question of how far the U.K. should be brought into the Canadian-American discussions it would be essential to discuss the disposition of Goose Bay with the U.K., as Canada was only a limited lessee there.

It was agreed that there was urgency with respect to the basing of a VHB group at Goose Bay and that a very preliminary discussion should be held immediately in Ottawa between certain of those present at the meeting and the United Kingdom High Commissioner to Canada.

V. PUBLICATION AND REGISTRATION OF JOINT DEFENSE BOARD'S RECOMMENDATION OF NOVEMBER 20, 1946

Several of the Canadians present, including Mr. Pearson, stated that as soon as Parliament reconvened it was almost inevitable that questions would be asked of the Government concerning the status of joint defense planning and in any event the Government would certainly have to reply to such questions during examination in Parliamentary Committee of the Defense Budget estimates. It was possible that publication of the November 20 Recommendation might tend to ward off detailed questions and in other ways minimize publicity which it was impossible to avoid entirely. At the same time there were of course disadvantages in publication.

Mr. Parsons said that the United States State Department would prefer on the whole that there should be no publication either of the

Recommendation or of its substance although the Department recognized the Canadian Government's difficulties.

Various suggestions were made by several present, including one that publication of any statement should be accompanied by an emphasis of the provisos to the original 35th Recommendation of the Board,³⁴ while Ambassador Atherton suggested that the solution might be a statement not quoting the Recommendation textually but containing something close to it. A copy might then be sent for information purposes to the Secretariat of the United Nations.

It was agreed that it would be preferable not to publish the Recommendation itself if only because any suggestion of making a practice of publishing Recommendations might seriously hamper their drafting. There was general agreement in favor of the issuance of an agreed statement containing the substance of the Recommendation, referring to past defense cooperation arising naturally from the Ogdensburg Declaration and to the UN relationship. A copy of the statement would then be sent to the United Nations Secretariat. It was agreed that it would be unnecessary to register any such statement formally with UN.

With respect to the formalization of the two Governments' decisions to cooperate in the defense of North America it was agreed that this might best be accomplished by following the normal procedure of an exchange of letters between the Canadian and United States sections of the Permanent Joint Board which would notify acceptance by their respective governments of the Recommendation of November 20.

VI. POSITION OF UK IN CONNECTION WITH CANADIAN-US DEFENSE PLANS

Mr. Pearson invited the attention of those present in this connection to the Canadian memorandum of December 6³⁵ on the subject and emphasized paragraph 6 thereof which states that in the recent conversations between the Prime Minister and President Truman it was agreed that it was to the interests of both the United States and Canada that the UK Government be kept informed of Canadian-United States joint planning. Mr. Pearson said that the United States representatives on the Joint Board apparently had had no objection to informing the U.K. in general terms of what was being done but that details should be transmitted only in matters in which cooperation with the U.K. was essential.

It was brought out in the discussion that information transmitted to the U.K. would normally be passed on to the various Dominion

³⁴ For text, see footnote 5, p. 56.

³⁵ Not printed.

governments, although it seemed probable that if the U.K. were asked not to transmit information on any specific subject she would not do so.

It was agreed that no effort should be made at present to arrive at any formal or hard and fast agreement on the subject of informing the U.K. but that the policy should normally be followed of keeping the U.K. informed in general terms and not in detail, except in those matters in which U.K. cooperation was essential.

Conclusion of Meeting. Before the meeting concluded certain of the American representatives stated that in connection with questions which had arisen during the meeting concerning the existence of a geographical limit to which the Russian expansionist policy could be permitted to proceed, the United States Government did have in mind certain specific limits but although they could be expressed geographically they should not be considered on a purely geographical basis since ethical considerations also entered into the matter. It was pointed out, for example, that in the case of the entry of troops into certain areas it would be necessary to consider whether this was or was not being done in contradiction to the wishes of the nation affected.

It was decided that a few of those present would remain behind after the meeting in order to discuss with Sir Alexander Clutterbuck, United Kingdom High Commissioner to Canada, the question of Goose Bay in a preliminary manner in view of the unusual opportunity offered by the presence in Ottawa of several of those concerned with the problem.

EDWARD A. DOW, JR.

ARRANGEMENT BETWEEN THE UNITED STATES AND CANADA REGARDING DISPOSAL OF CRUDE OIL FACILITIES OF CANOL PROJECT

[For text of Arrangement effected by exchange of notes signed at Ottawa November 7 and December 30, 1946, see Department of State, Treaties and Other International Acts Series No. 1697, or 61 Stat. (pt. 4) 3681.]

AGREEMENT BETWEEN THE UNITED STATES AND CANADA REGARDING WAIVER OF CERTAIN CLAIMS INVOLVING VESSELS OF THE TWO GOVERNMENTS

[For text of agreement effected by exchange of notes signed at Washington September 28, November 13 and 15, 1946, see Department of State, Treaties and Other International Acts Series No. 1582, or 61 Stat. (pt. 3) 2520.]

AGREEMENT BETWEEN THE UNITED STATES AND CANADA RELATING TO TRANSFER OF DEFENSE INSTALLATIONS AND EQUIPMENT FOLLOWING THE END OF THE WAR

[For text of Agreement effected by exchange of notes signed at Ottawa March 30, 1946, and Amendment effected by exchange of notes signed July 11 and 15, 1946, see Department of State, Treaties and Other International Acts Series No. 1531, or 60 Stat. (pt. 2) 1741.]

AGREEMENT BETWEEN THE UNITED STATES AND CANADA ON DISPOSITION OF STORAGE AND LOADING FACILITIES AT PRINCE RUPERT

[For text of Agreement effective by exchange of notes signed at Ottawa December 21, 1945 and January 3, 1946, see Department of State, Treaties and Other International Acts Series No. 1565, or 60 Stat. (pt. 2) 1930.]

UNDERSTANDING BETWEEN THE UNITED STATES AND CANADA REGARDING STATIONING OF NAVAL VESSELS ON THE GREAT LAKES FOR THE TRAINING OF NAVAL RESERVE PERSONNEL

[This Understanding, effected by an exchange of notes signed at Washington November 18 and December 6, 1946, was based upon a new application and interpretation of the Rush-Bagot Agreement of 1817. For text of Understanding, see Department of State, Treaties and Other International Acts Series No. 1836, or 61 Stat. (pt. 4) 4069.]

INDIA

INTEREST OF THE UNITED STATES IN THE POLITICAL SITUATION IN INDIA; ELEVATION OF THE STATUS OF THE MISSIONS IN THE TWO COUNTRIES; EFFORTS OF THE UNITED STATES TO ALLEVIATE FAMINE CONDITIONS IN INDIA ¹

701.4511/1-746 : Telegram

The Secretary of State to the Commissioner in India (Merrell)

SECRET

WASHINGTON, January 7, 1946—5 p. m.

18. For your information, Brit Govt through BritEmb here has asked Dept to reconsider question of raising status of Indian Agent General² to that of fully accredited Minister. It is understood Chinese Govt has agreed to raise status of Indian representative in China and of Chinese representative in India.

Dept has informed BritEmb that, for reasons previously given (Dept's 869 Nov. 7³), it prefers to postpone making any decision in this matter.

Repeated to London and Chungking.

BYRNES

701.4511/1-946 : Telegram

The Commissioner in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, January 9, 1946—3 p. m.

[Received 5:11 p. m.]

24. Deptel 18, January 7, 5 p. m. Secretary External Affairs⁴ and private secretary⁵ to Viceroy⁶ have on several occasions indicated to me great interest of Govt of India and HMG in raising status of Indian Agent General.

This is naturally a most difficult subject for me to comment on in view of the fact that the Dept may believe that I consider myself a

¹ For previous documentation on the political situation and the status of the respective missions, see *Foreign Relations*, 1945, vol. VI, pp. 249 ff., and pp. 255 ff., respectively.

² Sir Girja Shankar Bajpai.

³ See *Foreign Relations*, 1945, vol. VI, p. 263, footnote 44.

⁴ Sir Olaf K. Caroe.

⁵ Sir Evan M. Jenkins.

⁶ Field Marshal Viscount Wavell.

candidate for Minister which I do not but I feel that I must now offer my opinion which is as follows:

1. If the Office of Chinese Commissioner is changed to Legation it would be most embarrassing to this mission to retain present status, particularly since we have never endeavored to conceal the fact that HMG's attitude has been responsible for our "quasi-diplomatic" status.

2. If it is learned that US Govt is stumbling block, adverse criticism will be incurred on all sides.

3. I believe that hesitancy on ground that such action would be criticized as a stop-gap or delaying measure is not well founded. On balance, I think reaction of Indian Nationalist Group would be one of gratification rather than the reverse and would make for atmosphere more favorable to a political solution.

4. In addition, raising status of missions would constitute further step toward independence of GOI from Whitehall and pave way for projected appointment of Indian member [*minister?*] for external affairs. This in my opinion would facilitate conduct of relations between US and India.

MERRELL

701.4511/1-946 : Telegram

The Acting Secretary of State to the Commissioner in India (Merrell)

SECRET

WASHINGTON, January 14, 1946—8 p. m.

47. Dept has carefully considered views expressed your 24 January 9 but continues to believe that the proposed exchange of fully accredited diplomatic representatives with India would be tantamount to a public announcement that this Govt considers India at the present time self-governing and in effective control of its external relations and also would be interpreted as indicating US approval of present unrepresentative GOI.

Important factor in Depts decision is possible establishment this year of representative interim Viceregal council at Delhi which would constitute far more appropriate occasion than present for change in form of diplomatic representation. Change then might be made on US initiative and would clearly reflect US approval such significant step toward Indian self-government.

ACHESON

845.00/2-2146 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

SECRET

LONDON, February 21, 1946—7 p. m.
[Received February 22—6:12 a. m.]

2179. In discussing Cabinet Mission to India,⁷ Patrick⁸ Under Secretary of India Office observed to us that essential point was emphasis on urgency in implementing announced policy as soon as elections are completed and he said that no change in basic policy was involved nor would Mission affect position of Viceroy who had been previously consulted and fully approved. Reason for handling matter in this way was to avoid loss of time such as had characterized Cripps' negotiations⁹ by enabling Mission to make decisions on spot within scope of its terms of reference and at same time to give clear evidence of earnestness of British intentions. Patrick said he personally entertained misgivings regarding "throwing in all our reserves" at one time and observed that it would be difficult in circumstances to determine next step if Mission failed. Govt higher ups, however, had thought otherwise and in addition it had been necessary to take weather conditions into account since it might be difficult for man of Pethick-Lawrence's advanced years to make journey later in season. Asked whether famine and riots had been motivating causes for decision to send Cabinet Mission Patrick replied in negative.

Regarding work of Mission Patrick said its main task would be to get representative Indian leaders to work together in setting up constitution making body and new executive council. If that could be achieved Mission could pack and come home and leave actual constitution making to Indians but if it failed job of attempting to carry through plan with only partial Indian support would have ominous implications. Stumbling block was of course Pakistan and Patrick observed that whereas he had felt at the time that Jinnah¹⁰ might be using this demand primarily for bargaining purposes it was obvious that movement had now gained such momentum that doubtful if Jinnah or anyone else could apply the brakes. It was on this point

⁷ British Prime Minister Clement Attlee had announced on February 19 that a special mission of Cabinet members would be sent to discuss with Indian leaders and the Viceroy an agreement on constitutional issues with the object of preparing India for independence. The mission was to be composed of Lord Pethick-Lawrence, Secretary of State for India, Sir Stafford Cripps, President of the Board of Trade, and Mr. A. V. Alexander, First Lord of the Admiralty.

⁸ Sir Paul J. Patrick, Acting Assistant Under Secretary of State, India Office.

⁹ Sir Stafford Cripps, then Lord Privy Seal, had headed a mission to India in 1942. For documentation on efforts by the United States to prevent failure of the Cripps Mission to India, see *Foreign Relations*, 1942, vol. 1, pp. 619 ff.

¹⁰ Mohammed Ali Jinnah, President of the Muslim League.

that talks between Gandhi¹¹ and Jinnah had broken down last year when in reply to Gandhi's question re possible integration of Pakistan in common defense plan for India Jinnah had replied that "his people" looked to linking up with the Arab states.

Referring to persistent allegations particularly in US that British exploiting communal and native state issues to prolong British control Patrick said that irrespective of degree to which such considerations may or may not have figured in British official thinking in past there was no question regarding complete sincerity of present Govt's desire to fulfill its pledges in respect of India. Such difference of opinion as does exist is largely between those who feel that Britain has certain responsibility to be discharged and others usually the inexperienced who would be willing to cut India loose without further ado.

Re Parliamentary group which recently returned from visit to India Patrick said that Mission had not been productive of any constructive result because views of members had been so widely divergent. He did not think that group would prepare depart [*report*] but assumed that members would use floor of Parliament as means for ventilating their views.

Sent Dept. as 2179; repeated New Delhi as 2.

WINANT

845.00/2-2846: Telegram

The Commissioner in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, February 28, 1946—7 p. m.

[Received 8:50 p. m.]

266. Department's telegram No. 191, February 26, 6 p. m.¹² Evidence obtained from secret British sources lends support to opinion expressed in official British circles here that in both Calcutta and Bombay riots Communists probably played an active part in efforts to regain prestige which has waned since last August. Current position according to these sources may be summarized as follows:

Since end of war Communists have given ample evidence of reversion to aggressive tactics employed in their illegal days. In face of waning influence as a party, in a country too obsessed with idea of independence to give much thought to class war, they feel necessity of using all means available to attract public eye. Confirmation of this change of front

¹¹ Mohandas K. Gandhi, Indian nationalist leader, formerly President of the Indian National Congress.

¹² Text reads as follows: "Press reports that Brit are attributing recent disturbances in India to Communist instigation. Please telegraph your views re this charge, together with Brit estimate of possible Soviet implication." (845.00/2-2646)

is found in resolution passed by Central Committee in December, contents of which has only recently been learned. Resolution declares unprecedented opportunity to make final bid for power is offered by present situation in view of unparalleled hatred against British rule. Resolution expresses fear opportunity may be lost through drift of Congress and Muslim League into "suicidal channels of national strife" or unilateral compromise with British, expresses determination to prevent "factional games" of Congress and League leaders from turning mass discontent against each other instead of against common enslavement by taking the lead in "organizing struggles of workers and peasants" and by participating fearlessly "in every outburst of popular fury against British rule and police terror".

As Department is aware, Communists have, since September been faced with widespread hostility from Congressmen and others acting in name of Congress. Noteworthy incident in this connection was looting of party headquarters printing press and book store January 23 during Subhas Bose's¹³ birthday disturbances in Bombay. Among more recent incidents is assault described by source as "brutal" on a leading Bihar Communist at election meeting addressed by D. C. Joshi, General Secretary of the Communist Party, who subsequently fled from the province in disguise escorted by party volunteers; and in Cawnpore feeling between Communists and the Congressmen is so bitter that the Congressmen have decided to soft pedal their agitation against a cut in rations rather than allow Communists to utilize resulting discontent to organize a general strike.

While Communists have been expelled from Congress and anti-Communist feeling is widespread among Congress membership, there is no doubt that certain Congress leaders hope to win over groups now under Communist influence—particularly trade unions. Gandhi, for example, publicly condemned looting of Communist headquarters in Bombay referred to above and Vallabhbhai Patel¹⁴ visited premises week after incident occurred. In Tanjore a new association of pro-Congress landowners has been formed with view to enticing farmers away from Communist influence by offering increased wages.

Of possible significance is fact that following riots in Calcutta in November, Secretary of Bengal Provincial Communist Party Committee publicly denied charges that Communists were responsible for disorders. No such denial in connection with Bombay disorders has

¹³ Subhas Chandra Bose was an Indian nationalist leader who collaborated with the Axis during World War II and formed, under Japanese auspices, the Indian National Army from Indian prisoners of war in Burma and Malaya. He had been killed in an air crash in 1945 but many Indians refused to believe that he was actually dead.

¹⁴ Indian nationalist leader, formerly President of the Indian National Congress.

to date come to attention of Mission. Telegram re possible implication of Soviet follows.¹⁵

Sent to Department; repeated to London, Moscow, Chungking, Calcutta, paraphrase to Bombay.

MERRILL

845.00/2-2846 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, February 28, 1946— 7 p. m.

[Received 11:14 p. m.]

2441. RefDeptel 1801, February 26.¹⁶ Indication of official British view in recent disturbances in India furnished in statement made by Attlee in Commons on February 22 when he said Congress Party had disclaimed participation in mutiny but that "left wing elements and Communists were trying to work up sympathy".

Following are personal observations made to us on this subject by various officials:

Patrick, Assistant Under Secretary of India Office, who several months ago attributed disorders largely to Socialist Congress Party, an extremist offshoot of the Congress Party (reEmbtel 12927, December 10, 1945¹⁷), recently, but prior to naval mutiny, stressed complicity of left wing youth groups whom he referred to as "Communists", but he said he had no knowledge of tie-up between these factions and Moscow. In this, as in previous discussions, he described Indian extremism as essentially a local product with little evidence of Soviet inspiration.

Henderson, Parliamentary Under Secretary for India, spoke without hesitation of implication of Indian Communist Party in recent disturbances and of association of that party with Moscow. In further discussion, however, he said that he had no actual proof of exertion of Soviet influence in India but that by process of rationalization he had arrived at that conclusion in same way that he assumed that Communist Party in Britain was Soviet backed, although he could not produce evidence to that effect. Henderson added that there was, of course, much more than the Communist activity behind recent disturbances and he mentioned such trouble—creating elements as natural reaction from war examples set by unruly British and American troops, economic maladjustments and various other factors. Lord

¹⁵ See telegram 272, March 1, from New Delhi, p. 84.

¹⁶ Same as telegram 191 to New Delhi; see footnote 12, p. 80.

¹⁷ Not printed.

Pethick-Lawrence speaking on general question of further status of India, made significant remark that British wanted to set up an India for Indians but not an India for some other power.

Major Baig, now here en route to Washington to serve as First Secretary in Indian Agency General, discounted importance of Communist agitation and said greatest trouble lay with leaders of both Congress and Moslem League who follow policy of arousing masses by tendentious statements and then of turning innocent when natural violent reaction is produced. He also attributed present situation to announcement of British intention to turn over government to Indians, which he said interpreted by Indian public as sign of weakness of which advantage to be taken.

GALLMAN

845.00/2-2846: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, February 28, 1946—7 p. m.

[Received 7:21 p. m.]

2442. Reference Department's 1800, February 26.¹⁸ Patrick did not go so far as to indicate that British Government actually prepared to establish interim council without participation of one of major parties. He merely mentioned difficult prospect that would be presented in event that situation should develop in such a way as to make it necessary to face that problem.

This point was also raised by member of Embassy staff last night in a conversation with Henderson, Parliamentary Under-Secretary of State for India, who replied indirectly to effect that formation of an interim council with only one of main parties participating would be "one of the alternatives" which would be presented if mission failed but he took great pains to emphasize that this time British Government intends making an all-out effort to persuade Indians of complete sincerity of British intentions and to bring about reconciliation between Congress and Moslem League. He seemed intent on keeping aim fixed on this objective and on avoiding discussion of possible retreat to less desirable positions.

Asked in what way he envisaged a compromise between currently irreconcilable attitudes of Congress and Moslem League, Henderson said he thought that key lay in degree to which Jinnah might yield on

¹⁸ Text reads as follows: "Did you gather that Brit Govt intends establish interim representative Executive Council (ref second sentence of second paragraph urtel 2179 Feb 21) even though one of major political parties refuses to participate?" (845.00/2-2146)

Pakistan issue and he made it clear that he personally viewed Pakistan concept as unsound. It was he said just about as practical as suggest making southern England an independent country. On whole Henderson seemed less pessimistic re prospective solution than most observers but it was difficult to determine to what extent this was result of his natural buoyant idealism and to what extent a deduction from something more tangible.

GALLMAN

845.00/3-146 : Telegram

The Commissioner in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, March 1, 1946—6 p. m.

[Received March 9—4:30 a. m.]

272. Reference Department's telegram 192, February 26¹⁹ and Mission's 266, February 28. Consensus among British Civil and Military Intelligence officials here is that evidence gathered to date indicates Communists were noticeably active [apparent omission] disorders in Bombay but did not initiate them and did not organize street fighting or looting. Officials in question state Communists have been endeavoring form cells in armed forces but it is not clear at present whether they were directly responsible for RIN mutiny. In opinion of best informed Military Intelligence officer here inflammatory speeches by Congress leaders during recent months probably had more to do with causing mutiny than any other factor. (On other hand an officer of Mission is informed by a US Government official recently arrived from Bombay [apparent omission] him main cause was failure of Naval HQ Delhi over period of many months to take action of fully justified complaints of ratings.) Intelligence officer under reference is somewhat puzzled by report that Red Flag Union ordered workers back to work in mill while disorders were at height. Whether this was experiment to test organizational discipline is not clear.

Intelligence officials here state they have been unable discover any direct contact between Moscow and Indian Communists although, as Department is aware, it is assumed direct control may be initiated at such time as positions on various other USSR frontiers may be consolidated. In this connection continuation of anti-imperialist broadcasts in Hindustani from Moscow indicates clearly a desire to spread disruptive influences without becoming directly involved in

¹⁹ Not printed; it stated that expressions of regret tendered by the Government of India for the desecration of an American flag at Bombay were acceptable and suggested that further action by the Government of India might consist of formal presentation of a new flag to the Consulate General at Bombay in a private ceremony (811.015345/2-2146).

Indian politics (reference Department's telegram 142, February 8; ²⁰ report going forward by mail ²¹).

Intelligence officer under reference states there has been no Moscow directed activity in India for 10 years, a contention which does not seem to jibe with a remark made to our Military Attaché at Kabul some months ago by USSR Military Attaché who said in a suspiciously frank manner his government had "only about 30 agents" operating in India but they were so closely watched that their work was ineffectual.

Sent Department repeated to London, Moscow; Chungking; Calcutta. Paraphrase sent to Bombay.

MERRELL

845.00/4-446

Memorandum by the Assistant Chief of the Division of Middle Eastern Affairs (Berry) to the Director of the Office of Near Eastern and African Affairs (Henderson)

[WASHINGTON,] April 4, 1946.

You will recall that a mutiny in the Royal Indian Navy at Bombay and Karachi during February was accompanied and followed by civil disturbances in various places in India, more particularly in Bombay and Delhi. We cabled George Merrell and Howard Donovan ²² for their estimates of possible Communist implications. They both replied that while the Communists undoubtedly took advantage of the situation to fan the flames, there was no evidence that they actually instigated the riots.

The civil disturbances which occurred in Karachi and Madras were on a somewhat smaller scale and involved fewer people. It is accordingly interesting to note that reports just received from the Consulates in Karachi and Madras indicate that both offices consider that the riots in those two cities were actually organized by the Communists. Macy, ²³ for example, says that "there was undoubted evidence of organization—probably of Communistic origin." Bower ²⁴ of Madras reports that an official from the Communist Party Headquarters in Bombay was identified during the riots in Madras.

²⁰ This telegram stated that the Department would appreciate any available information on a report from British sources that radio transmission had been inaugurated from Moscow to India with special emphasis on Bengal (845.7461/2-846).

²¹ Not printed.

²² Consul General at Bombay.

²³ Clarence E. Macy, Consul at Karachi.

²⁴ Roy Bower, Consul at Madras.

The following excerpts from Bower's report are of interest and are in substantial agreement with Macy's estimate of what occurred in Karachi:

"Anti-White feelings were exploited, certainly, but the emphasis was on labor solidarity against employers of any race. It was all permeated with anti-British and anti-White feelings, but there was ample evidence that the prime movers were ready to attack fellow Indians.

In summary, one notes an intermingling of anti-British and anti-class impulses. While the former is more obvious, the evidence points to premeditated Communist exploitation of it for their special ends, that is, to promote class friction as a means of influencing the masses."

It is possible that these reports from Karachi and Madras are more accurate reflections of Communist implications than the one received from New Delhi and Bombay where the riots were on a much larger scale and where, accordingly, the underlying impulses were much more difficult to identify.

LAMPTON BERRY

845.00/4-1546 : Telegram

The Commissioner in India (Merrell) to the Secretary of State

CONFIDENTIAL

NEW DELHI, April 15, 1946—3 p. m.

[Received April 17—1 : 20 a. m.]

491. My telegrams 477 and 487, April 12 and 13.²⁵ Such reactions to Reuter Washington story regarding willingness US to offer assistance as have come to attention of Mission have in general been unfavorable. Certain responsible individuals among Congress and League leaders and British officials have indicated that if the report implies US has any intention of intervening at this time, they would not view such intervention with enthusiasm. In this connection I feel following remark made to Weil²⁶ in course of private conversations during past two days is not without significance.

When the subject was mentioned to Asaf Ali²⁷ he said "I don't like it". He went on to say that if it were decided to hold plebiscites there might be some merit in asking a UNO commission to supervise them, but he somewhat inconsistently added that plebiscites might quite possibly come out in exactly same way as recent elections, which he felt had been conducted unfairly.

²⁵ Neither printed; telegram 477 reported on an article in the *Statesman* alleging that the United States favored submitting the Pakistan question to international arbitration (845.00/4-1246). Telegram 487 related the highlights of interviews held by the British Cabinet Mission with Indian political figures (845.00/4-1346).

²⁶ Thomas E. Weil, Secretary, U.S. Mission, New Delhi.

²⁷ Prominent Muslim member of the Indian National Congress.

Liaquat Ali Khan ²⁸ reiterated official Muslim League opposition to international arbitration on ground that Congress through its extensive publicity channels had unfair advantage over League in influencing world opinion and, whatever the award, would "have three quarters of India" while Muslims—if decision was against Pakistan—"would have nothing".

A particularly well-informed British officer on General Staff whose friendly attitude toward Mission is unquestioned indicated tactfully that if statement had been official he would have regarded it as gratuitous.

Major Wyatt of Cabinet Delegation said "What? Are they going to interfere now?" While Mrs. Naidu Congress working committee member and confidante of Gandhi, remarked: "It would probably be too late in any case". The perhaps most unfortunate effect of Reuter story is that it tends create impression officials in Washington may have decided—a week before completion of Cabinet Delegation's talks with political leaders—that present negotiations will fail.

In referring to possibility of international arbitration Gandhi and Rojagopalachari ²⁹ are undoubtedly confident any American involved would be likely to lean toward idea of a United India—partly as result of British and Congress publicity in US and partly because of history of our own country. I am convinced that whatever decision is made—whether by Cabinet Delegation or by international tribunal—millions of Indians of one community or another are going to consider it unjust and not only will those making decision fail to win prestige or good will among these millions but there will arise question of how decision is going to be enforced.

I feel consideration should be given to fact that US initiative in Indian political settlement which did [not?] please Muslims, being already embittered by US official views on Palestine immigration announced last year,³⁰ might create repercussions in other countries of Middle East.

While it is clear that if Indian problem is eventually taken up by UNO the US would inevitably play its part in attempting to reach a solution, it is my considered opinion that no useful purpose would be served if US were on its own initiative to intervene at this juncture.

Sent Department 491 repeated London 50, Calcutta 75, paraphrase to Bombay.

MERRELL

²⁸ General Secretary of the Muslim League.

²⁹ Chakravarti Rajagopalachari, Indian nationalist leader and member of the Indian National Congress.

³⁰ For documentation on the U.S. attitude toward the future status of Palestine and toward the question of Jewish immigration into Palestine, see *Foreign Relations*, 1945, vol. VIII, pp. 678 ff.; also *ibid.*, 1946, vol. VII.

[For text of an exchange of messages between the Viceroy of India, Lord Wavell, and President Truman, dated April 15 and May 3, respectively, on the food crisis in India, see Department of State *Bulletin*, May 19, 1946, page 861. A Department of State press release, May 24, on shipment of grain to India is reprinted *ibid.*, pages 857-858.]

845.48/6-1046

The Commissioner in India (Merrell) to the Secretary of State

CONFIDENTIAL

NEW DELHI, June 10, 1946.

No. 632

[Received July 2.]

SIR: I have the honor to enclose, for the information of the Department, a copy of an article³¹ published in the Communist organ *People's Age* for June 2, 1946, under the heading "100 Million Indians Threatened with Starvation Death—Where Anglo-American Food Politics Has Brought Our Country"; and to comment on the generally unfavorable publicity the United States has received in the Indian press during the last two months in connection with the food problem. The article in question not only represents an effort on the part of Indian Communists to exploit the food crisis, but is also indicative of the attitude of the Indian press in general on the subject of the United States and food.

It will be noted that the *People's Age* article quotes the Indian Food Mission in Washington as stating: "Not a grain of American wheat has reached India", and attributes to the President the following remark: "The world is a bitch with too big a litter. We have to decide which of the puppies to drown." The article states Americans are eating twice as much as is necessary to maintain good health; that they are feeding cattle more than enough to make up "India's total 1946 shortage" because feeding cattle "brings more profit"; that the United States' "new . . . colony", Japan, is receiving food at the expense of India because General MacArthur³² obtains his food data from Japanese officials "who are by and large the same who ruled Japan in war-time"; that "there is no requisitioning of food at the farms and rationing at the food shops" in the United States because "it would be bad for trade"; that the Truman administration is "tied hand and foot to the big banks which control American farming interests" and that "MacArthur, boss of Japan, is himself linked up with American high finance"; that Mr. Hoover's³³ plan for a World Food Administration

³¹ Not herein reprinted.

³² General of the Army Douglas MacArthur, Supreme Commander, Allied Powers in Japan.

³³ Former President Herbert Hoover, at the request of President Truman, undertook a special mission at this time to study and coordinate the food supplies of 38 countries.

represents a plot "to guarantee unlimited profits" and means that "the bitch has not got 'too big a litter' but it is chained to American big business butchers and the puppy which does not pay a cut-throat price will be 'drowned'".

The article then accuses the British of "playing the same game with some variations arising from the fact that they have a huge political empire—not one but many Japans to feed". The British, the article continues, "pretend they can't blackmail the world with food simply because they are a 'poor importing country'" but that in reality two of the four big exporting countries—Australia and Canada—are "under her thumb", and a third, the Argentine, "is soaked with British capital, with a Fascist government kept in power by them"; the British "attack Americans for 'eating too much' but eat "twice as much as is needed for good health" and have in stock over 4,000,000 tons of grain; the British criticize Americans for favoring Japan but put the British zone in Germany first and India next; the biggest scandal of all is the British refusal to allow shipment to India of 500,000 tons of rice offered by the Indonesian Republic. The British, says the article, "like the Americans, would like to use food as a weapon for political domination" but they need food from America to carry out this policy and try to frighten Americans by saying that if sufficient food is not provided for scarcity areas they will play into the hands of "political extremism".

The concluding paragraphs of the article may be summarized as follows: American policy is "to let the British burn their fingers in an Indian famine and then rush in to the rescue on their own terms—cut-throat profits and a share in the political and economic domination of India", while it appears "the British game" is "to warn America that an Indian famine would mean the blowup not only of British Imperialism but of the whole world Imperialist system". The British want to use the threat of famine to push through the Cabinet Mission's plan and obtain American backing for it. India is "starving to death in a mad world in which two gangs of cut-throats are using food to dominate nations"; leaders of the "two great parties" are "blind to the American game, blind to the British game, and blind to their own people's suffering". The only way out is to unite and form an interim government with full powers to appeal to the world for food; other Asiatic countries and the Soviet Union will help such an Indian government, and if Anglo-American reaction still holds out, India will have the whole world's support if it goes in for trade sanctions against Britain and America.

Alleged U.S. Opposition to Soviet Exports to India

The article summarized above is followed by a story headed "U.S. Won't Allow Soviet Food Exports to India". Opening with an excerpt from a report in the *Times of India* for May 28 to the effect that American officials in Washington "are understood to be opposed to India's seeking help from Soviet Russia in the matter of food", the story goes on to say that the U.S.S.R. has pledged to export 1,100,000 tons of grain to France, Poland, Finland and Rumania; that this grain will be delivered because "Socialist harvests don't fail"; that the Soviet Government "never thinks of using food as a weapon of political blackmail like the Anglo-American Imperialists" and that this is why "she has saved most of Europe from starvation—despite her limited resources". Three months ago, the article alleges, the United States and British were "mainly interested in preventing Soviet food aid to starving countries because they wanted to dictate their own terms and wanted no Soviet 'competition'".

It will be noted that on the same page as the articles in question there is a cartoon showing the President seated at a table almost hidden by a mammoth loaf of bread. He is flanked by physically gross characters, one of whom is apparently intended to represent Japan, while the other two probably represent Britain and Germany. While the people at the table make ready with knives and forks an emaciated Indian child in the foreground stares at a "Notice" which reads: "Dogs or Indians Not Allowed". The caption is the aforementioned remark attributed to the President regarding "a bitch with too big a litter".

The Party Line

People's Age has thus utilized a collection of half-truths and maliciously twisted facts (*a*) to attack the two leading Western democracies jointly, (*b*) to present a picture calculated to create discord between the two countries, and (*c*) to support the current official policy of the Communist Party of India—namely, to advocate political unity among Indians in order to oust the British. In view of the Labor Government's announced intention of granting independence to India, Indian Communists can hardly be criticized for encouraging agreement among Indian political parties, but one cannot avoid the suspicion that the Communists' eagerness to see the British go stems from the belief that if British authority is withdrawn their opportunities for spreading their doctrines will improve.

Generally Bad Press Received by the United States in India

Attacks on the United States in connection with the food problem are not confined to the Communist press in India. During the past few months virtually all dailies read by the Mission—pro-Hindu, pro-

Muslim and pro-British—have exhibited a remarkably anti-American bias in their editorials and in their handling of news stories on the subject of food. Even the *Statesman*, a paper which often manifests a friendly attitude toward the United States, has recently carried a series of special articles cabled from the United States by a correspondent named Stuart Gelder from which the reader gains the impression that the average American is not only a glutton, but a racketeer, or at best a candidate for an institution for the feeble-minded.

Reasons for anti-American attitudes in the Indian press have been referred to in previous communications. In the first place, it has become obvious that during the early part of our participation in the recent war, our Government—through various official channels—“oversold” itself to Indians. Rightly or wrongly many of them gained the impression that the United States was going to “liberate” them from British rule. When this hope was not realized, Indians were bitterly disappointed and in many cases not only decided to question the United States’ “sincerity” as a democratic nation, but began to class the United States with Britain as an imperialistic power. In some cases this disillusionment dates back to the first World War: Vallabhbhai Patel, for example, remarked to an officer of the Mission some months ago that many Indians had entertained high hopes when President Wilson announced his Fourteen Points, and that when these failed to materialize they came to the conclusion that Britain and the United States’ professions of belief in democracy could not be taken seriously.

Having experienced disillusionment as a result of our Government’s official publicity during the early part of the late war, Indian editors have found it easy, and well suited to their own political objectives, to continue to class the United States as an imperialist power: our Government’s participation—direct or indirect—in the reoccupation of the Dutch East Indies and Indo-China, and its policies vis-à-vis China and Palestine, have been seized upon as material for scores of unfriendly or bitterly critical editorials. Currently the difficulties experienced by the U.N.O. and by the Foreign Ministers at Paris³⁴ are being cited as evidence that the Western democracies are sincerely interested neither in world peace nor in the welfare of small nations and dependent peoples.

Some of the strongest criticism of the United States in recent months has centered around the Government’s reported attitude toward the Palestine problem. Indian editors and commentators, as has been indicated in previous communications to the Department, frequently

³⁴ For documentation on the Second Session of the Council of Foreign Ministers at Paris, see vol. II, pp. 1 ff.

ask how a Government dedicated to democratic principles can justify support of an immigration policy for Palestine which is reportedly opposed by the majority of the population of that country.

When the foregoing factors are considered it is perhaps not surprising that the Indian press in general is hypercritical of the United States' efforts to avert famine. An additional factor in this case is the series of contradictory reports which have emanated from Washington—from both official and press sources. In this connection there is no evidence that British officials in London or in New Delhi have gone out of their way to dispel the illusion created in some quarters that Great Britain is making a more determined effort than the United States to cope with the food problem.

The Remedy

Under the circumstances I feel the prevailing attitude of the Indian press toward the United States is not apt to change as a result of any obvious attempt to bring pressure on editors. An increase in the quantity of official handouts and releases cabled from Washington would, in my opinion, merely aggravate the suspicion which Government-sponsored news services so frequently arouse.

Officers of the Mission will, of course, continue to cultivate acquaintance with members of the Indian press with a view to helping them understand the United States. As the Department is aware, this is a long and delicate procedure, and the number of individuals which can be influenced in this way is necessarily limited. For the time being, however, I believe this is the only positive approach which is advisable. Any sort of program patently designed to influence the Indian press would do more harm than good.

Respectfully yours,

GEORGE R. MERRELL

845.00/9-346

*Memorandum by the Acting Secretary of State to President Truman*³⁵

CONFIDENTIAL

WASHINGTON, August 30, 1946.

Subject: Raising of Status of Indian Agency General in Washington, and of the American Mission in New Delhi

As a result of negotiations which have been going on between the Viceroy of India and representative Indian leaders, a new Executive Council (Cabinet) is to take office on September 2, 1946. The new Cabinet will be composed of outstanding leaders of the principal Indian political party, [*parties?*] together with representative leaders of certain minority groups. The British plan likewise calls for the convening of a Constituent Assembly in the immediate future, which will

³⁵ A marginal notation reads: "Approved Sept. 3 '46 Harry S Truman."

have authority to draft a new Indian constitution providing for the complete severance of India from the Empire and Commonwealth if the Indians so desire. Although the second most important Indian political party has refused to participate thus far in these developments,³⁶ it is believed that the new government will be representative of at least 80 percent of the Indian people.

It is anticipated that one of the first acts of the new government will be to request the exchange of fully accredited diplomatic representation between India and the United States.

While the Viceroy will continue legally to have the power of veto, until the new constitution comes into effect, we feel that representative Indian leaders capable of speaking in the name of the great majority of the Indian people will now be in effective *de facto* control of the affairs of India in view of the violent repercussions which would probably follow a decision of the Viceroy to act contrary to the advice of his new Cabinet on any important issue. We accordingly believe that if the new government should express a desire for the exchange of fully accredited representatives with the United States, we should without hesitation agree to receive an Indian Ambassador and to send an American Ambassador to India.

I should appreciate receiving your views on the subject in order that we may act with a minimum of delay in case the new Indian Government would like to have such an exchange effected.

DEAN ACHESON

701.4511/9-946 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, September 9, 1946—11 a. m.

[Received September 9—7 a. m.]

8026. We informed Patrick on Saturday of contents of Dept's 6479, September 6.³⁷ He seemed pleased at decision because: (a) it would give a certain prestige to interim government and (b) it might have some effect on Moslem League's intransigence and possibly make Moslems more conciliatory to Congress following this direct evidence that US Govt considers Interim Govt respectable enough for an exchange of ambassadors.

³⁶ Reference is to the Muslim League.

³⁷ This telegram was also sent as No. 708 to New Delhi. The pertinent portion reads as follows: "For your confidential info Dept indicating Bajpai informally we are now prepared exchange Ambassadors with India should GOI request. Important, however, initiative be taken GOI." (701.4511/9-646)

However, Patrick showed some concern that US willingness to establish direct diplomatic relations with India might encourage Nehru³⁸ to take decisions in foreign policy which would meet with British disapproval. Technically, said Patrick, Interim Govt comes under Govt of India Act, where it will remain until a new Indian constitution is formulated. Therefore, he continued, there might still be "Whitehall interference" in decisions of Interim Govt, but British Govt would make every effort to avoid such interference. He added that nevertheless subject might be raised by questions in Parliament as to decisions and activities of Interim Govt.

Patrick said he would immediately inform Pethick-Lawrence of remarks made to Bajpai, and that a telegram would be despatched to Wavell.

Repeated New Delhi 31.

GALLMAN

845.5018/9-2046 : Telegram

The Commissioner in India (Merrell) to the Secretary of State

RESTRICTED
US URGENT

NEW DELHI, September 20, 1946—2 p. m.
[Received 5:10 p. m.]

965. Pandit Jawaharlal Nehru is sending following personal message to Acting Secretary through Agency General:

"In view of very serious food situation in India which is being aggravated by delay in arrival of promised allotments due to shipping strikes in America, would earnestly request you and, through you, the labour leaders to permit and arrange for earliest despatch of food ships to India. We would be very grateful to you and to the labour leaders concerned if they will make a special exception in favour of sending food grains abroad which will bring urgently needed relief to millions of people".

Am sure Nehru would appreciate widest publicity.

MERRELL

845.5018/10-746

The Acting Secretary of State to the Agent General for India (Bajpai)

WASHINGTON, October 7, 1946.

MY DEAR SIR GIRJA: Although I addressed a letter to you on September 30,³⁹ in answer to the message from the Honorable Pandit

³⁸ Jawaharlal Nehru, President of the Indian National Congress, as well as Vice-President of the Executive Council, Minister for External Affairs and Minister for Commonwealth Relations, Interim Government of India.

³⁹ Not printed.

Jawahar Lal Nehru, Vice-President of the Viceroy's Executive Council and Minister in Charge of Foreign Affairs, new information concerning shipments of bread grains to India is now available. I should appreciate, therefore, your disregarding the information contained in the previous letter referred to.

In spite of the maritime strikes, 87,052 tons of wheat were loaded in United States ports for shipment to India during September. In addition to this, it is my understanding that the officials of your staff procured a considerable amount of wheat flour in the commercial market.

Although we are now experiencing another maritime strike, some loading of grain for India is proceeding. One cargo is being loaded in Albany now. Officials of the Department of Agriculture informed me that 117,500 tons of wheat have been scheduled for loading in the early days of October for shipment to India. This latter quantity represents the carry-over from the September allocation. You may rest assured that we will continue to emphasize the loading of this grain until the total quantity has been shipped.

I should appreciate your transmitting this information to the Honorable Pandit Jawahar Lal Nehru.

Sincerely yours,

DEAN ACHESON

701.4511/10-1646 : Telegram

The Acting Secretary of State to the Commissioner in India (Merrell)

SECRET

WASHINGTON, October 16, 1946—7 p. m.

US URGENT

801. Following pertinent excerpts from Dept's reply to Indian Agent General's proposal to raise respective Missions to Embassies are for your confidential info only :

“The Govt of U.S. is very glad to agree to proposal of GOI, it being understood that Indian Amb to US and American Amb to India shall in no case enjoy less favorable treatment in matters of precedence than is accorded to reps of like rank from other countries.

As you doubtless aware, Ambs accredited to Govt of US are accorded precedence just after the President, the Vice President, and Ex-Presidents, and just before Chief Justice of Supreme Court and Secretary of State. It would be expected that American Amb to India would enjoy no less favorable treatment in this regard than that accorded to Indian Amb to US.

Upon receipt of concurrence of GOI to foregoing, it is suggested that Dept and Agent General arrange for simultaneous announcements to be made in Washington, New Delhi, and London.”

Following paragraph will appear in Dept's press release at appropriate time:

"The Honorable George R. Merrell, at present American Commissioner to India with personal rank of Minister, will act as Chargé d'Affaires ad interim of American Emb with personal rank of Minister pending designation and arrival in India of an American Amb."⁴⁰

ACHESON

701.4511/11-846

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] November 8, 1946.

Sir Girja paid me a courtesy call this morning in order to be presented by Mr. Woodward⁴¹ in the capacity of Chargé d'Affaires. He mentioned two matters in the course of our conversation which are worth recording.

First, I told him, in answer to his inquiry, that we had not yet selected anyone as Ambassador to India and that we were going about this carefully and might take some time because we attached great importance to the post. Sir Girja said that he would like to say to me in a purely personal way, not under instructions or officially, that he thought conditions in India made it possible for an American Ambassador, if he so desired and if he were well qualified, to exercise a peculiarly important influence at this time. He said that in his opinion any constitution which would come out of a constituent assembly in India would create a relationship between the Government of India and the Government of Great Britain more attenuant than that of such dominions as Canada, Australia and New Zealand and more in the nature of Eire. He thought, therefore, that there would be factors which would result in the Indian Government not leaning heavily upon Great Britain for advice or guidance. He felt also that while Nehru would not wish to be put in a position of choosing between close relationships with the Western Powers and with the Soviet Union nevertheless the facts were such that ultimately he must choose. In the light of these conditions an American Ambassador might exercise very considerable influence in the direction of friendly and helpful advice—in fact rather more so than might be possible in countries which we might consider more important and whose constitutional structure and foreign policies were more settled.

⁴⁰ For text of the Department of State press release, October 23, on elevation of the missions at Washington and New Delhi to Embassy rank, see Department of State *Bulletin*, November 3, 1946, p. 827; see also *ibid.*, November 24, 1946, p. 971; and December 1, 1946, p. 1001.

⁴¹ Stanley Woodward, Chief of Protocol.

Sir Girja stated the reasons, which he had already mentioned to Mr. Henderson,⁴² why he thought the United States might wisely support India for membership in the Security Council.⁴³ In this connection I said to Sir Girja that I recognized the very weighty reasons making for a conclusion that India should be a member and also the reasons leading to the conclusion that an Arab state, Syria, should be. As I understood our position it was that we were not opposing anyone, certainly not India, but that at the present time the balance, in our judgment, fell on the side of supporting Syria. Should it appear that the general view in the Assembly did not accord with our views but favored India we should certainly not interpose stubborn objection but would be willing to reconsider and very probably go along with such a view.

DEAN ACHESON

845.00/11-3046 : Telegram

*The Acting Secretary of State to the Chargé in the United Kingdom
(Gallman)*

SECRET

WASHINGTON, November 30, 1946—3 p. m.

US URGENT

7979. Dept deeply concerned serious deterioration Indian political situation and believes any halt in constitutional progress there may well cause widespread chaos similar China which would last for many years and could have worldwide repercussions. U.S. also looks forward mutually advantageous economic relations with stable peaceful united India in which all elements population including Muslims have ample scope realize their legitimate political and economic aspirations. It is in interest of all UN that early and amicable settlement Indian constitutional problem be reached and that Indians grasp this historic opportunity start on road political stability and economic well-being. Dept believes decisions Indian leaders will affect world peace and prosperity for many future generations.

In light foregoing Emb requested cable fully progress impending London talks using both Brit and Indian sources. Informal contact should be established Indian leaders for this purpose. As opportunities offer Emb might in its discretion impress upon Indian leaders particularly Nehru and Jinnah deep interest U.S. in successful conclusion talks pointing out U.S. has long taken sympathetic interest

⁴² Reference is to Loy Henderson, Director of the Office of Near Eastern and African Affairs.

⁴³ For documentation on this subject, see volume I.

progressive realization Indian political aspirations and has also welcomed forward-looking spirit behind programs social and economic advancement recently formulated in India.

For Emb's confidential info Dept believes it would be wise for Congress as most powerful party to accept Brit and Muslim League interpretation those features Brit constitutional plan pertaining compulsory groupings of provinces northeast and northwest India by majority decisions of appropriate representatives of constituent Assembly. Though this might mean downfall present Congress govts Assam and NWFP these areas have little economic importance and their strategic significance would in any event enable Indian Union Govt through defense and foreign affairs powers to concern itself with developments there.

Dept believes concession by Congress this point would probably bring Muslim League into Constituent Assembly and might also be basis for League's public acceptance Brit constitutional scheme as providing adequately for legitimate Muslim aspirations and for undertaking by League it would cooperate loyally within framework Indian Union subject only to proviso re re-opening constitutional question after 10 years experiment.

Sent London rptd Delhi.⁵⁰

ACHESON

845.00/12-246: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET
US URGENT

LONDON, December 2, 1946—5 p. m.
[Received December 2—1: 54 p. m.]

9849. According India Office Viceroy and Indian leaders will arrive London about 4: 30 p. m. today. Viceroy has telegraphed that flight has been tiring and that passengers have been deafened by noisy airplane. Talks themselves will take place Tuesday, Wednesday and Thursday when an extremely tight schedule of Cabinet level appointments has been arranged. Leaders will probably depart Friday on return journey.

India Office emphasizes that talks will not have character of a conference and will consist largely of personal and separate interviews between Indian leaders and PriMin and his ministerial colleagues dealing with India. India Office said that this is "Prime Minister's party" and that regular officials might or might not be consulted.

India Office assumes that PriMin will keep Mr. Bevin⁵¹ informed

⁵⁰ As telegram 893.

⁵¹ Ernest Bevin, British Secretary of State for Foreign Affairs.

and that sooner or later reports of talks will be sent to the Dominions but India Office is not aware of arrangements having been made in this regard. India Office said that in circumstances decision regarding extent to which Embassy will be kept informed will have to be taken by PriMin who may decide that it is more appropriate for Mr. Bevin to advise the Secretary of developments.

India Office understands and appreciates US interest re Indian problem as outlined paragraph (1), Dept's 7979 of November 30 and said that in the past American sympathy and statements have been "helpful".

In light foregoing Embassy will do its best to carry out Dept's instructions reference telegram but it is uncertain to what extent information re talks will be obtainable and it is unlikely that brief stay Indian leaders will embrace opportunity for establishing appropriate informal contact during which deep US interest can be impressed upon Indian leaders. Moreover, there is distinct possibility that existing tension may cause Nehru, Jinnah or both to interpret whatever is said to them by Embassy as US interference or taking sides. While Congress and League are capable of bending any statement made to their own purposes, Embassy believes that Dept should consider whether the thought that eyes of the world rest anxiously upon the Indian leaders in London might find more palatable and effective expression in a Departmental statement or at a Departmental press conference.

Embassy will not fail to keep Dept advised of developments as fully as possible.

Repeated New Delhi as 50.

GALLMAN

845.00/12-246 : Telegram

*The Acting Secretary of State to the Chargé in the United Kingdom
(Gallman)*

SECRET
US URGENT
NIACT

WASHINGTON, December 3, 1946—4 p. m.

7996. In press conference today I made following statement on India:

"The United States awaits with deep concern the outcome of the current talks in London between the Indian political leaders and the British Government. I feel most strongly that it will be in the interest of India, as well as that of all the whole world, for its leaders to grasp this opportunity to establish a stable and peaceful India.

The crux of the internal problem now confronting India appears to arise from differences of opinion between the two principal parties as to the conditions under which provinces can elect to join or remain out of sub-federations in northwest and northeast India. I am confident that if the Indian leaders show the magnanimous spirit the occasion demands, they can go forward together on the basis of the clear provisions on this point contained in the constitutional plan proposed by the British Cabinet Mission last spring to forge an Indian federal union in which all elements of the population have ample scope to achieve their legitimate political and economic aspirations.

The United States has long taken a sympathetic interest in the progressive realization of India's political destiny. It has welcomed the forward-looking spirit behind the comprehensive programs of industrial and agricultural advancement recently formulated in that country. Lastly, by our recent establishment of full diplomatic relations with the interim government of India, we have expressed in tangible form our confidence in the ability of the Indian leaders to make the vital decisions that lie immediately ahead with full awareness that their actions at this moment in history may directly affect world peace and prosperity for generations to come."

Please transmit copies this statement appropriate Brit authorities⁵² and Indian leaders.

Difficulties establishing informal contact Indian leaders (urtel 9849 Dec 2) appreciated but if at all feasible suggest you convey text press statement personally Nehru and Jinnah and if opportunity offers elaborate US position along lines last two paragraphs Deptel 7979 Nov 30.

Delhi requested take parallel action in transmitting press statement personally to Weightman⁵³ and Vallabhai Patel and in discussing US position with Patel.

Sent London, repeated New Delhi.⁵⁴

ACHESON

845.00/12-746 : Telegram

The Acting Secretary of State to the Chargé in India (Merrell)

SECRET

WASHINGTON, December 7, 1946—1 p. m.

US URGENT

NIACT

912. Brit Govt has told us through Brit Emb here it believes it might be helpful if we expressed informally to Congress leaders, particularly Nehru, views this Govt as indicated last two paragraphs

⁵² Telegram 9912, December 5, from London, transmitted the text of a brief note from Mr. Attlee expressing his appreciation for being sent a copy of Mr. Acheson's statement (845.00/12-546).

⁵³ Hugh Weightman, Secretary, External Affairs Department, Government of India.

⁵⁴ As telegram 897.

Deptel 893 Nov 30 to you.⁵⁵ Upon arrival Nehru New Delhi and prior meeting Congress Working Committee tomorrow night, please emphasize to him views this Govt as expressed aforementioned telegram.

ACHESON

845.00/12-1146 : Telegram

The Chargé in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, December 11, 1946—4 p. m.

[Received December 12—1:35 a. m.]

1200. 1. When I called on Patel to discuss Acting Secretary's statement (reference Department's telegram 915, December 10⁵⁶) and reiterated points therein Patel said he appreciated Department's concern over possible effect of conditions in India on rest of world but felt US Government unduly influenced by British. He recited familiar story of how British had created communal electorates for purpose of dividing Indians and said India was now reaping results. Nowhere else in world said Patel had a constitutional plan been set up on basis of communal divisions. He said Congress had been ready to believe in sincerity of Labor Government's offer of independence but that Labor Government was not living up to promises.

He went on to say Churchill⁵⁷ "had won the war" but still had "a finger in India"; that Jinnah had gone to London to solicit Churchill's help and to some extent had gained it. Patel said he had been opposed to sending Congress representatives to London and had asked Nehru not to go; that Congress could never accept HMG's statement in which British had altered original cabinet mission plan; that Congress had been tricked but was "bearing it patiently"; and that Indians were peace loving people and Congress policy had always been one of non-violence but that if Labor Government persisted in deception it would be "bad" for British in India.

Patel remarked that US Government seemed to follow policy of favoring the "strong"; that vote of US Delegation at UN against Indian proposal re South Africa was an example.⁵⁸ He went on to say that if US Government had been in "full possession of facts" he was sure it would not have adopted attitude parallel to that of HMG re cabinet mission plan. When asked by Weil, who accompanied me, what facts he thought might not have been brought to attention of US Government he reiterated Congress view that Congress had been

⁵⁵ Same as telegram 7979 to London, p. 97.

⁵⁶ Not printed; it requested reports on the reactions of Nehru and Patel to the statement by Mr. Acheson (845.00/12-1046).

⁵⁷ Winston S. Churchill, British Prime Minister, 1940-1945.

⁵⁸ For documentation on this subject, see pp. 126 ff.

brought into interim government under false pretenses and that neither Viceroy nor League had lived up to respective promises. It was pointed out to Patel that US Government was familiar with Congress views as expressed by him and that it was Embassy's impression that attitude expressed in Acting Secretary's statement was influenced not by question of whether US wished to support British but entirely by considerations affecting future of Indian people and people of world. Patel, however, did not seem inclined to accept view that US Government's attitude was not determined by policy of supporting British whenever possible. Since Patel seems obsessed with idea British are insincere in their independence offer I felt no useful purpose would be served by pursuing this point further.

Toward end of conversation Patel with reference US Government's concern over peace in India and throughout world repeated Congress argument that if they made "concession" currently requested by British they would be putting a "premium on violence" and he remarked that in course of American revolution there was period when fighting became necessary.

While Patel showed considerable animation when stating his case his manner throughout conversation was cordial.

2. Rajagopalachari told me last night at dinner [apparent omission] at my house he had read my message to Nehru⁵⁹ and thought it "very good"; said I should "not waste my time" talking to him (implication being that he agreed) but should talk with other Congressmen—particularly Patel. He said Congress had made concessions to Sikhs, untouchables and Hindu Mahasabha as well as to League and if it continued making concessions would itself "become a minority".

He went on to say US view as presented in approach to Nehru was strong endeavor to support British; that Jinnah should be persuaded to accept HMG's latest statement.⁶⁰ When asked if Congress would accept it if League did he replied Congress could not commit itself in advance.

Rajagopalachari made the surprising statement that US had been first to introduce idea of ten year experiment—that British had not

⁵⁹ Telegram 1196, December 10 (not printed) reported on a brief conversation in which Nehru invited Merrell to dine with him on Friday, December 13. At the time, Merrell had given Nehru a personal and confidential communication on the U.S. view on the Indian situation which, Merrell said, Nehru "had undoubtedly introduced into thus far inconclusive deliberations of Working Committee." (845.00/12-1046)

⁶⁰ Reference is to a statement of December 6 by His Majesty's Government in the United Kingdom supporting the Muslim League's contention that decisions by simple majority vote should prevail in the inter-provincial groups of the regional areas. The Congress Party had contended that each province should be allowed to vote separately on whether or not to join the groups. The position of the Department of State was given in telegram 7979 to London, November 30, p. 97.

recommended this. I told him I was under impression this had been envisaged in original cabinet mission proposal and [apparent garble] called upon by Rajagopalachari to verify his belief confirmed my statement.

Later in evening Rajagopalachari said Congress could not possibly agree to interpretation of cabinet proposals which would inevitably place millions of Hindus under Muslim rule particularly in Bengal-Assam group. When asked how basis for a democratic government could be established as long as mutual distrust between Hindus and Muslims exemplified by this view persisted, Rajagopalachari evaded the issue.

For report on my brief interview with Nehru see my telegram 1196, December 10.⁶¹

Please repeat to London.

MERRELL

845.00/12-1046 : Telegram

The Acting Secretary of State to the Chargé in India (Merrell)

SECRET

WASHINGTON, December 11, 1946—7 p. m.

US URGENT NIACT

919. When you see Nehru (re last para urtel 1196 Dec 10⁶¹) suggest you stress following points re US position toward Indian political impasse:

(1) Recent expressions of US interest in Indian political impasse were made solely on US initiative and stem from US feeling that early establishment Indian Federal Union by peaceful means would be great step forward toward world stability and prosperity at a time when there are so many dark clouds on international horizon elsewhere. Important dispel any Indian belief US actions inspired at instance Brit.

(2) US realize that Indian problems must in last analysis be solved by Indians themselves.

(3) We believe that since we are in position of a politically disinterested outsider and since we have had considerable experience in problems of a federal system our views might be given sympathetic consideration by the responsible Indian leaders.

(4) While we are aware that some features of the Brit cabinet mission plan are open to honest and objective criticism, particularly the limited powers of union center, we feel that the plan presents a fair basis for constitution-making in a difficult situation where current political realities cannot be ignored.

⁶¹ See footnote 59, p. 102.

(5) US historical experience in federalism indicates necessity inaugurate federal union in atmosphere of unsatisfactory compromises and with weaker central govt than desired by forward-looking elements.

(6) We have found that a central govt initially with limited powers gradually acquires, as experience demonstrates necessity therefor, the additional authority which it must have to meet problems of the Federal Union.

(7) Our hope that Congress accept clear implications Brit Cabinet Mission plan re pronounced groupings is based on understanding that revision Congress attitude this point would rest on reciprocal undertaking by Muslim League to work loyally within framework Indian Federal Union subject only to reopening constitutional issue after 10 years of experiment.

Sent Delhi, rptd London.⁶²

ACHESON

845.00/12-1246: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, December 12, 1946—6 p. m.
[Received December 12—4:50 p. m.]

10059. I had the opportunity today to talk with Jinnah at a luncheon given by him. During conversation I was able to touch on points brought out in paragraphs 1, 2, 3 and 6 of Dept's 8133 December 11.⁶³

Jinnah said he appreciated sympathetic interest shown by US Government in political situation prevailing in India and he was especially appreciative of statement issued by Mr. Acheson on December 3rd. The problem of India, however, was a very complicated one and while leading US Government officials had shown an understanding of that problem, public in the States, and in fact throughout the world, was ill-informed. Much remained to [be] done to develop an informed world opinion. That, he seemed to think, had to be done first and that would take time.

During our talk Jinnah gave no evidence of thinking that a solution of the present impasse might be worked out within a reasonable time. He did not seem disturbed by this but seemed to view future developments coldly, calmly and in a very detached way.

Sent Department 10059; repeated New Delhi 61.

GALLMAN

⁶² As telegram 8133.

⁶³ Same as telegram 919 to New Delhi, *supra*.

845.00/12-1146: Telegram

The Chargé in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, December 14, 1946—11 a. m.

[Received 2: 18 p. m.]

1206. I had good opportunity of stressing points in Deptel 919, December 1 [11] to Nehru last night. He replied at once that neither he nor his colleagues had any idea that expressions of US interest had been made at instance British; they realized opinions were offered spontaneously and in interest of India and world. He said also that Congress realized thoroughly necessity of starting union with weak center.

He then embarked on restrained but lengthy attack on Jinnah who he said had Hindu background and lived according to Hindu law, Nehru himself being imbued with more Muslim culture, linguistically and in other ways, than Jinnah. He said Congress had endeavored at various stages to learn what Jinnah wanted and had never been able to receive satisfactory replies; that even Pakistan had never been adequately defined. Congress was convinced that whereas Jinnah might want some change he did not want democratic government; that prominent Leaguers being landholders preferred to continue under antiquated land laws. Congress had not liked British cabinet mission proposal but in interest of peaceful and fair settlement had formed interim government on understanding that League would cooperate. On contrary League members had announced publicly that they joined Cabinet in order to fight. Now they were saying privately that if they entered Constituent Assembly it would be with purpose of wrecking it.

Nehru believed League was on point of joining Constituent Assembly when London talks were called and HMG "threw spanner into works" by announcing that constitution would not be forced on any unwilling parts of country. There was now little incentive for League to join. Nevertheless he felt League would join in end just as it had joined interim government.

Finally Nehru stated that despite foregoing Congress would probably shortly follow HMG's suggestion of submitting question of voting in sections to federal court although it realized that under circumstances it would be difficult for court to give fair decision and that in any event if decision were unfavorable to League and HMG they would not accept it.

Please repeat to London.

MERRELL

845.00/12-1946 : Telegram

The Secretary of State to the Chargé in India (Merrell)

SECRET

WASHINGTON, December 19, 1946—7 p. m.

939. Your reports on talks with Congress leaders most helpful. Suggest you now in your discretion seek early opportunity discuss with Jinnah or Liaquat Ali Khan or both our attitude re present constitutional impasse as outlined Deptels 893, 897, and 919.⁶⁴ Point to be particularly stressed is our doubt that Congress attitude re provincial groupings can be modified unless accompanied by public declaration or other tangible evidence of Muslim League willingness to cooperate loyally within framework of Indian Federal Union to be established in accordance Cabinet Mission plan.

You may add that we are fully aware as indicated Acheson statement of need for providing in Indian Federal Union ample scope for Muslim political and economic aspirations but that atmosphere for creating necessary safeguards can never be achieved unless the concept of union itself is generally accepted by the principal parties.

We perceive no objection your mentioning that you have also discussed question with Congress leaders.

Sent to New Delhi, repeated to London.

BYRNES

845.00/12-2746 : Telegram

The Chargé in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, December 27, 1946—4 p. m.

[Received December 28—1:15 a. m.]

1228. From Weil. In conversation lasting hour and 50 minutes yesterday, I discussed with Liaquat Ali Khan points indicated in Deptel 939, December 19. With reference to Acheson December 3 statement, Liaquat said he agreed chaos in India would have repercussions throughout world and added he felt statement had been timely and was appreciated since in past he had felt perhaps Muslim League position had not been fully understood in Washington. He stressed "sacrifice" made by League in accepting Cabinet Mission plan June 6 even though it had not provided fully for realization of Muslim aspirations.

Liaquat said that under circumstances it was not likely a "miracle" would occur to bring about Congress-League agreement. He then discussed at length communal warfare in Bihar; said official estimates of 5,000 Muslims killed and 60,000 driven out of province were incor-

⁶⁴ November 30, December 3, and December 11, respectively.

rect—that figures being collected by League indicated 30,000 Muslims killed and 100,000 Muslim refugees. He said his proposals to govt that rural Muslim population in Bihar be concentrated in villages of their own, that arms be issued to limited number of “responsible” persons for self defense and that Muslim personnel in Bihar police force be increased had been turned down. When I asked if these proposals presupposed impossibility of restoring communal harmony Liaquat said not necessarily but that even if conditions remained quiet for a while there was no telling when Hindus might again attack Muslims.

I asked whether Jinnah’s renewed references to Pakistan indicated League had abandoned idea of trying to work Cabinet Mission plan. Liaquat said not necessarily but that as result of Congress behavior League was beginning to feel that perhaps outright Pakistan would be only means of obtaining their objectives—namely to give Muslims scope for development culturally, educationally and economically. Liaquat said the next move was up to Congress; that League could do nothing until AICC announced decision regarding Dec 6 statement; ⁶⁵ that if Congress accepted statement unconditionally, League Council would decide whether to reverse July 29 resolution to stay out of Constituent Assembly.

I said that while logic of League position was understandable it had occurred to Dept that if some sort of assurance were given to Congress that League was willing to cooperate within framework of Indian Federal Union doubts and fears now affecting Congress attitude might be reduced and chances of unconditional acceptance of Dec 6 statement by Congress correspondingly increased. Liaquat said he did not see why Jinnah should give any assurances of this sort; that Congress with its “brutal” majority in Constituent Assembly was unjustified in entertaining fears; that if any party had cause to fear it was League; that if League intended to join Constituent Assembly merely for purpose of making false gesture of cooperation it could have done this long ago; that fact that League was waiting for Congress decision regarding Dec 6 statement was in itself evidence of League’s sincerity vis-à-vis Constituent Assembly. When I referred to Congress fears regarding group constitutions in sections with majority of Muslim members Liaquat said Muslim members would not be so stupid as to formulate constitutions which would be unfair to non-Muslim population.

When I inquired whether he thought that in spite of bitterness now prevailing there was any sort of move, however dramatic, which either Gandhi or Jinnah might make in effort to avoid disaster Liaquat said he doubted it; that declarations seemed to have little value and that

⁶⁵ See footnote 60, p. 102.

Congress would have to prove by deeds whether it really desired to cooperate with League. When I asked if unconditional acceptance of Dec 6 statement would be regarded as evidence of Congress sincerity Liaquat said that this might be a beginning.

Liaquat discussed at some length his suspicion that Congress had no intention of trying to work the Cabinet Mission plan; that their aim was to establish a "Hindu Raj"; and that they felt strong enough to succeed. Liaquat said HMG had made two major mistakes: (a) they should never have regarded Congress acceptance of Cabinet Mission plan as genuine but Cabinet Mission was so eager to make negotiations appear successful that it recognized Congress acceptance even though Congress interpretation of plan was contrary to Cabinet Mission's; (b) HMG should never have allowed interim govt to be formed in first instance without League participation.

Liaquat cited, as examples of Congress lack of desire to cooperate, its refusal to adopt Viceroy's suggestion of coalition govts in all provinces. He said that when he and Nehru discussed this proposal with Viceroy he maintained that if Congress-League coalition were formed in Bengal Congress-League coalitions should be formed in all provinces with a view to establishing a basis for Congress-League cooperation at center. Liaquat said that Nehru flatly refused to consider Congress-League coalitions in Hindu majority provinces. As further evidence of Congress' lack of sincerity Liaquat also cited Nehru's speech at Meerut and referred with some bitterness to Patel's Meerut speech in which he reportedly referred to "balance sheet" of communal riots.

Liaquat said in London he had told HMG that if they intended to withdraw from India within two or three years whether conditions at that time were peaceful or not they should withdraw immediately since after two or three years Hindus would have most of administrative machinery in their hands and Muslims fight for survival would be more difficult than it would be in immediate future. Liaquat also stated he had said in London that if chaos developed in India, USSR would move in but that officials in London had merely stated they hoped Cabinet Mission plan would work and a peaceful transfer of power would be possible.

I gathered from Liaquat's remarks that he is not convinced British will withdraw from India regardless of conditions but probably believes and hopes they will remain indefinitely in hope of managing peaceful transfer of power.

With reference to Assam which is causing so much concern in Congress circles Liaquat said Muslim majority in section would not lay themselves open to charges of unfairness by formulating a group constitution which would ignore rights of non-Muslim population.

He reiterated familiar League contention that large proportion of Assam population—particularly hill people—claimed by Congress as Hindus are merely non-Muslims; that having gained control of their votes Congress fears possibility of losing this control and therefore opposes grouping system which might result in their changing their political loyalties.

In accordance Deptel 939, I told Liaquat Dept felt acceptance by Congress of British and League interpretation of Cabinet Mission plan would be desirable and that this view had been conveyed to Congress leaders.

Throughout conversation Liaquat's manner was cordial and he seemed anxious to explain every angle of League position. His bitterness against Congress however is so strong that he seems unable to recognize merits of League's volunteering assurances of cooperation at this time.

Please repeat London. Paraphrase sent Moscow. [Weil.]

MERRELL

845.00/12-2946 : Telegram

The Chargé in India (Merrell) to the Secretary of State

SECRET

NEW DELHI, December 29, 1946—noon.

[Received 8:45 p. m.]

1231. From Weil. In accordance Deptel 947, December 26⁶⁶ I asked Liaquat Ali Khan yesterday to convey Department's views to Jinnah. In course of an hour's conversation Liaquat undertook to explain why he felt Jinnah would not be receptive at this time. Liaquat expressed opinion that if Congress accepted December 6 statement and prior to League Council meeting which Jinnah would call to consider Congress decision we conveyed to him our views on importance of League cooperation within framework of Indian Union establishment in accordance Cabinet mission plan he believed expression of our views might have its effect on Jinnah but seemed convinced Jinnah could not be persuaded to offer assurances of any sort until such time as Congress might accept December 6 statement.

In support of his position Liaquat reviewed and expanded on points brought out in conversation December 26 (Embtel 1228, December 27) : He said Congress fears regarding grouping were quite unjustified; that he felt that if assurances concerning treatment of minorities under grouping plan were to be given by any one they should come from Congress—in regard to Muslims living in Hindu majority provincial group; that in any case His Majesty's Government had declared they

⁶⁶ Not printed.

would not agree to independence unless adequate safeguards for minorities were provided. With framework provided by Cabinet mission plan—if League agreed to participate—Liaquat said League position was that Congress had never officially raised this question and that it would be difficult for Jinnah to give Congress assurances on this point when Congress had not actually accused League of not intending to work within framework of Cabinet plan once it accepted it.

I said I appreciated his point of view re Congress fears about grouping but that these fears were a potential obstacle to acceptance by Congress of December 6 statement; and that regardless of whether Congress had made any definite accusations concerning League's intentions vis-à-vis working Cabinet mission plan there seemed to be considerable doubt on this point in Congress circles—increased possibly by Mr. Jinnah's recent references to Pakistan. I said that while I understood logic of Liaquat attitude question arose as to whether in view of gravity of situation assurances to Congress that League would cooperate within framework laid down by Cabinet mission in [*if?*] Congress accepted December 6 statement might not encourage him to accept statement.

Liaquat said Jinnah could not commit himself until such time as League Council might meet; that since Bihar massacres feeling against Hindus had been running so high that if Jinnah gave Congress assurances without consulting Council many of his followers might think they were being betrayed and chances of Council members following Jinnah's lead when they met would be reduced accordingly. Liaquat said he could tell me frankly that when Council met in June to consider Cabinet mission plan Jinnah had brought pressure on various members to gain their support for acceptance of plan but that now situation was different; if Jinnah appeared to prejudice issue he might be faced with rebellious Council. Liaquat added he felt it would be better to allow League followers as long a time as possible in which to "blow off steam" (re Bihar riots) after which they would be more likely to accept Jinnah's lead at a Council meeting.

I asked Liaquat whether he thought same argument would apply if Jinnah merely said he would recommend to Council that it accept and work Cabinet mission plan *in toto* if Congress accepted December 6 statement. Liaquat said for my private information Attlee had asked Jinnah this question in London and Jinnah had said he could make no commitment but that if Congress accepted December 6 statement he would call meeting of Council.

I remarked it was my impression that US public who had long taken friendly and lively interest in Indian independence were now somewhat puzzled by events in India; that they seemed to feel Indian lead-

ers were moving toward an abyss with their eyes wide open to danger ahead; and that observers interested in peace in India and world at large wonder whether it was not in the power of one Indian leader or another to make a move at this time—however “illogical” from a partisan point of view—which might clear atmosphere and lead to a peaceful settlement. Liaquat said he could understand these views but did not see how Jinnah could be expected to volunteer assurances to Congress when League was minority party merely trying to defend itself against Hindu majority.

Liaquat then discussed at length his conviction that Congress leaders have no intention of trying to work Cabinet mission plan conscientiously but are determined to seize power without regard for Muslim rights. As evidence of Nehru’s lack of interest in Congress—League cooperation he said for my “private information” Asaf Ali was appointed Ambassador⁶⁷ without any consultation with League members of interim government—that first he (Liaquat) had known of appointment was when he read press report in London. Asaf Ali he added did not command respect or confidence of Muslim Indians. Liaquat said that as soon as League joined interim government he proposed two League representatives—Begum Shah Nawaz and Ispahani—be appointed to UN delegation but that Nehru refused on ground that number was limited to five and appointment of these two would mean replacing two who have already prepared themselves for work at UN meeting. Liaquat also said when League joined interim government he proposed that in interest of efficiency and cooperation questions concerning more than one department be discussed by Ministers concerned prior to full Cabinet meetings regardless of whether these Ministers were Congress or League members but that Nehru refused to agree on ground it was preferable to thrash out all questions in full Cabinet meetings. When I asked whether all votes in Cabinet meetings were along party lines Liaquat answered in affirmative.

In reply to my question Liaquat said he was convinced Gandhi had no desire for Hindu—Muslim cooperation but was working for Hindu domination of India—to be attained through violence if necessary. When I asked Liaquat whether he believed Gandhi’s activities in East Bengal were deliberate attempt to embarrass Bengal govt and to divert attention from Bihar he said there was no question about it.

Liaquat’s suggestion that Jinnah might be receptive to an expression of our views if Congress accepts December 6 statement is clear indication that he (Liaquat) does not resent our present approach and would seem to indicate he is quite sincere in belief that Jinnah would not respond if approached at this time. Incidentally Liaquat told me

⁶⁷ To the United States.

December 26 Jinnah was fatigued by London trip and has not been well since return which may mean he is currently in one of his touchier moods.

There is no doubt in my mind that a "statesmanlike" declaration by Jinnah at this time even though it involved risk of loss of prestige among his followers might make Congress leaders feel they would be placed "in wrong" if they did not accept December 6 statement but partisan bitterness on both sides is so great that I am afraid it may be too much to hope for "statesmanlike" behavior on part of any of the leaders involved. None of them has yet demonstrated clearly that he has the vision or courage to rise effectively above party and communal considerations.

If Gandhi advises Congress leaders to turn down December 6 statement it will be difficult to believe he is more interested in preventing suffering among Indian people than he is in preserving power of Congress Party.

With reference to possibility of approaching Jinnah in event that Congress does accept December 6 statement it occurs to me that if Jinnah is in Bombay at time there might be some advantage in conveying views through Consulate General and copying telegram to Delhi so that Embassy can inform Liaquat. If message were given to Liaquat in Delhi for transmission to Jinnah in Bombay time might be lost and security involved since Liaquat does not appear to have any regular means of direct secret communication with Jinnah.⁶⁸

Please repeat to London. [Weil.]

MERRELL

**AGREEMENT BETWEEN THE UNITED STATES AND INDIA ON AIR
TRANSPORT SERVICES**

[Signed at New Delhi, November 14, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 1586, or 61 Stat. (pt. 3) 2573.]

**AGREEMENT BETWEEN THE UNITED STATES AND INDIA RESPECTING
A MUTUAL AID SETTLEMENT**

[Signed at Washington, May 16, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 1532, or 60 Stat. (pt. 2) 1753.]

⁶⁸ In answer to this point, the first paragraph of Department telegram 953, December 31, to New Delhi, reads as follows: "Since Liaquat Ali Khan obviously reluctant convey our views to Jinnah (urtel 1231 Dec. 29) suggest you request Bombay discuss US position with Jinnah. Question of timing left yours and Bombay's discretion." (845.00/12-2946)

IRELAND

UNWILLINGNESS OF THE UNITED STATES TO BECOME INVOLVED IN THE IRISH PARTITION QUESTION

841D.00/1-346

*The Acting Director of the Office of European Affairs (Hickerson)
to the Minister in Ireland (Gray)*

CONFIDENTIAL

WASHINGTON, February 11, 1946.

DEAR DAVID: May I express my thanks for your letter of January 3, 1945 [1946].¹

You may be right and I may be wrong, but I am inclined to think that you exaggerate the danger of the Irish being successful in the efforts which they will make to bring us into the Partition question. You will recall the ringing letter which Mr. Stettinius sent, with F.D.R.'s approval, to Senator Danaher on this subject.² If efforts are made to inject us into the Partition question, we plan to answer along the lines of that letter. We have heard nothing from Congress on this subject in a long time.

The memorandum enclosed³ with your letter to me is an excellent account of the Partition issue, and the attitude which, in my opinion, the United States Government should take toward it. It is, and rightly so, a scathing indictment of the Irish Government's attitude toward us during the war. Although it is unsigned and confidential, there probably would not be much doubt of its ultimately being tracked down to your typewriter. It is true that, as you say, you have written it in your personal capacity. The thing that troubles me about that, as well as one or two statements in your personal

¹ Not printed.

² The letter from Acting Secretary of State Stettinius to Senator John A. Danaher of Connecticut was dated June 7, 1944. The pertinent portion reads as follows: "The constitutional relationship between Northern Ireland and the Irish Free State is, of course, a matter for the proper authorities within the British Commonwealth to determine. The American Government could only take the position that the altering of political boundaries between the Irish Free State and Northern Ireland was not a matter in which it might properly intervene. International law and comity would permit no other course." (841D.00/6-744)

³ The memorandum was entitled *The United States and Irish Partition*. In his letter of January 3, 1946 Mr. Gray explained that the memorandum was to be used by him for distribution to certain private individuals and thus he had not made it the subject of a despatch which would have categorized it as a State Paper. He had, however, sent it to the Department in order to keep it informed on what he was doing. (841D.00/1-346)

letters to the Archbishops,⁴ is that I think it is almost impossible to distinguish between what you do in your official capacity as American Minister and what you do in your private capacity as citizen David Gray.

Let me hasten to add that I have a high personal admiration for both individuals and I send you regards and every good wish.

JOHN HICKERSON

841D.00/2-1446

The Minister in Ireland (Gray) to the Secretary of State

TOP SECRET
No. 2094

DUBLIN, February 14, 1946.
[Received February 27.]

SIR: I have the honor to report as follows. On February 11, 1946, the Most Reverend Archbishop John Mooney^{4a} of Detroit and the Most Reverend Archbishop Stritch of Chicago, Cardinals Designate, arrived at Rineanna Airport enroute for Rome about 4:30 p. m. Their plane departed about 6 p. m. for Rome via Paris. Their arrival had been scheduled for 8 a. m. and their departure for 9:30 a. m. Official engagements in Dublin prevented me from presenting myself at Rineanna at 8 a. m. on the morning of the 11th and no notification reached me of the delay until 6 p. m. that evening. I therefore arranged that Vice Consul McKnight at Rineanna should greet them for me and present personal letters to each of them.

The Most Reverend Archbishop Spellman of New York and the Most Reverend Archbishop Glennon of St. Louis were scheduled to arrive at Rineanna at 8 a. m. on the morning of February 12. I arranged, therefore, to leave Dublin on the afternoon of the 11th to spend a night in Limerick and to greet the American Cardinals Designate the following morning. Mr. de Valera,⁵ the Permanent Secretary for

⁴Reference is to letters sent by Mr. Gray to Archbishops Francis Spellman, Edward Mooney, and Samuel Stritch offering congratulations on their nominations as Cardinals. The letters also enclosed copies of Mr. Gray's memorandum. The sensitive passages in these letters were pointed out to Mr. Hickerson in a memorandum of January 16, not printed, by Mr. John C. Pool, Assistant Chief of the Division of British Commonwealth Affairs, who felt that the quoted portions were subject to possible misinterpretation. The pertinent section of his memorandum reads: "To Spellman he [Gray] states, 'It would be God's blessing on this country (Ireland) if and when His Holiness designates a successor to the late Cardinal MacRory, he should select someone like you or Dr. Mooney.' To Archbishop Stritch he states, 'If there were anything I could do to bring about a united Ireland, I should gladly do it; for I believe it inevitable but to be achieved only by mutual conciliation and mutual compromise.' To Archbishop Mooney he states, 'I am more than ever convinced that his (de Valera's) policy is designed to win political support rather than to unify the country as I should like to see it unified.'" (841D.00/1-346)

^{4a}The reference is to Archbishop Edward Mooney.

⁵Eamon de Valera, Irish Prime Minister and Minister for External Affairs.

External Affairs, Mr. J. P. Walshe, and a military aide of the President of Eire, Mr. S. T. O'Kelly, welcomed the Cardinals Designate officially in the name of the Irish State. No invitation to me had been extended, but I had notified Mr. Walshe of my intention to be present and subsequently was invited to the breakfast after Mass in the Limerick Cathedral. Dr. Spellman's plane was three hours late and arrived at Rineanna at 11 a. m. A plane containing the Reverend Dr. Gannon, President of Fordham University, and a dozen representatives of American newspapers arrived an hour earlier. On the plane with Archbishop Spellman was Archbishop Glennon and Dr. Tien, Archbishop of [Peiping] China, also a Cardinal Designate. Mr. James A. Farley⁶ was one of the company. The party proceeded to Limerick where Dr. Spellman said Mass, but in view of the lateness of the hour the breakfast, which had been arranged by the Bishop of Limerick, was called off and the official party proceeded to a special train as the guests of the Irish Government and left for Killarney at 2 p. m. As I was not invited to join this party, I said goodbye to Dr. Spellman and Mr. Farley and extended an invitation to each of them to be my guests at this Legation if they returned to America via Ireland.

The program arranged by Mr. de Valera for the American Cardinals made it seem likely that the occasion was to be used for propaganda and to launch Mr. de Valera's American campaign for American intervention in the Partition question. On the 5th day of January there was published in *The Leader*, a weekly Dublin review, an editorial article on the subject of American intervention in regard to ending Partition. In the course of this article a letter purporting to have been written by the Secretary of State to Senator Mead in reply to a letter from the Senator transmitting resolutions from an Irish society in the United States requesting American intervention in the Partition question⁷ is printed in *The Leader*. The Secretary was reported to have said:

"Despite our traditional friendship for the Irish people, the interests of the United States require the most careful consideration of any proposal affecting our relations, not only with Ireland, but also with the United Kingdom, our close associate and ally in the war. It is the considered view of this Government that the constitutional relationship between Ireland and Northern Ireland, a part of the United Kingdom, is a matter for determination by the two interested Governments. The United States Government feels, therefore, that it must

⁶ Postmaster General of the United States, 1933-1940.

⁷ The letter under reference was sent by Secretary of State James Byrnes to Senator James Mead of New York on October 15, 1945 in reply to a message from the Senator forwarding resolutions received from the Clanna Gael of New York and Bronx counties (841E.00/10-145).

take the position that the altering of the political boundaries between Ireland and Northern Ireland is not a matter in which it might properly intervene."

In view of this publication, which presumably was read by Mr. de Valera and the Department of External Affairs, the Irish Government had notice of the Secretary's published position in regard to this question. It would appear, therefore, that in his address at the dinner, which he gave to the American visitors in Killarney on the evening of February 12, he was aware that he was asking the Cardinals to oppose American policy when he asked for their help in "freeing" the Six Counties of the North as he termed it. The relevant portions of his address, as reported in his official organ, *The Irish Press*, read as follows:

"When we look over the various States in the world today (said Mr. de Valera) we find that in them our people, and the descendants of many of those driven out of our country, have been regarded worthy enough to be in places of the greatest responsibility and the greatest dignity.

"When you come here then to Ireland, you are coming back to a land that would like to give you a welcome associated with a mother's welcome.

"It was the welcome of a motherland you gave me when I went to the United States to represent this country.

"One of the objects we had when we were trying to win the independence of this country was that it would be a worthy country to which our people could come back. We knew you wanted to come back and we know you wanted to come back to a free nation.

"We are glad that as far as this part of Ireland is concerned, we can greet you as a free people—free in every sense.

"I went to the United States to ask for the help of all friends to aid us in our struggle, and I still want their powerful aid and influence to see that it is not merely the Twenty-Six Counties of this country which will be free, but the whole Thirty-Two Counties. (Applause)

"I know you will not regard this as a matter of politics when I introduce this matter here. I do so because in welcoming you back to the motherland we know that you feel as we do, that the motherland has the right to be completely and absolutely free.

"We are very glad to welcome you here and delighted that you found it possible to drop in on us before you go to Rome. We hope that you will find it possible to do so on your return from Rome, and I would like to extend once more the invitation which I already gave yesterday.

"The President and the Government will be delighted and proud to see you and I can assure you that you will get just as happy a welcome as you got in the streets of Killarney this evening."

Mr. de Valera's statement, "I know you will not regard this as a matter of politics when I introduce this matter here," is somewhat noteworthy. No member of the American party is reported as having made any comment on Mr. de Valera's appeal. Dr. Spellman, in

speaking to the crowd from the hotel entrance, is reported to have said, "I am very happy that New York has given the gift of Mr. de Valera to Ireland, because Ireland has given many gifts to New York."

As my telegrams and despatches have reported to you, it has been evident for many months that Mr. de Valera has been planning to inject the question of Partition into American politics. I have believed that if this program became effective and threatened the integrity of Northern Ireland that the Government of Northern Ireland would retaliate with an aggressive propaganda that might well result in raising a mischievous religious issue in the United States. Confidential advices from Northern Ireland have borne out this view, and I therefore decided personally and unofficially to advise certain Catholic dignitaries in the United States, whom I knew personally, of my anxiety regarding the situation. I prepared the attached Memorandum⁸ and sent copies of it to Archbishop Stritch, Archbishop Mooney and Archbishop Spellman; also to certain Catholic Senators, with whom I have a friendly relation, and to other Catholic leaders of importance, whom I know are as anxious to avoid the raising of religious issues in the United States as I am. I believed that it was opportune that this Memorandum reached the Cardinals before their arrival in Ireland. I wish to make it clear that although I am enclosing a copy of the Memorandum to the Department, I do so as a private paper sent personally to friends on my personal responsibility and without purporting in any way to speak for the Department of State, which, of course, has full liberty to disavow my action.

Respectfully yours,

DAVID GRAY

841D.00/3-1946: Telegram

The Minister in Ireland (Gray) to the Secretary of State

CONFIDENTIAL

DUBLIN, March 19, 1946—5 p. m.

[Received 5:40 p. m.]

42. Yesterday's news feature in Eire was De Valera's broadcast to America on Partition. Since the Secretary's letter to Senator Mead making clear that US would not intervene in this matter has been published in Dublin and doubtless communicated to Irish Mission in Washington it is evident that De Valera is attempting to go over the Secretary's head and apply political group pressure on German [*American?*] Govt. This of course might be regarded as a suitable matter for diplomatic representations. Our interpretation is that De Valera has two ends in view. One is to strengthen his domestic political situation by keeping the Partition issue before the people. The

⁸ Not printed; see footnote 3, p. 113.

second is to appeal for American sympathy in anticipation of unfavorable reaction when his refusal to cooperate in the matter of German property and personnel in Eire becomes known.⁹

We regard broadcast as speciously clever and dangerous suppressing and twisting as it does many pertinent and determining facts. His assertion of policy of neutrality as being only profitable policy for small nation serves notice on world that if Irish facilities were again needed for defense purposes against an aggressor they would again be denied. Please send us report of reception by American press and estimate of the significance you attach to it. If he got good press he will doubtless follow it up.¹⁰

GRAY

841D.00/7-2646

*Memorandum by the Acting Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

[WASHINGTON,] August 8, 1946.

Our Minister to Ireland, Mr. Gray, has recently been up to Belfast, where he saw the Governor General of Northern Ireland¹¹ and the Prime Minister.¹² The Prime Minister asked for Mr. Gray's view as to the feasibility of a joint United States-Northern Ireland memorial to American troops in Northern Ireland during the war. Mr. Gray discouraged the idea, pointing out that a joint enterprise between the United States Government and Northern Ireland would be susceptible to political attack by Irish extremists in the United States.

He did not discourage the establishment of such a memorial by Northern Ireland alone, however, and pointed out that it would doubtless be well received by the American public.

Soon getting around to the Partition issue, Mr. Gray restated our position that we wanted nothing to do with the controversy. The Prime Minister asked him if it would be regarded as an unfriendly act if the Northern Irelanders sent over a deputation to counteract the effects of any group which the Irish Nationalists might send over. Mr. Gray replied that no one could blame them for meeting fire with fire, but that we would prefer that both sides refrain from using our country as a debating ground. The Prime Minister assured Mr. Gray that he would not send any one unless the other side did.

⁹ For documentation on repatriation of German personnel in Ireland, see pp. 794 ff.

¹⁰ The Department's reply, in airgram A-20, March 22, to Dublin reads as follows: "Urtel 42, March 19. De Valera's speech received very slight coverage in the American press extracts from it appearing only in leading papers. No editorial, columnist, nor radio comment." (841D.00/3-1946)

¹¹ Lord Granville.

¹² Sir Basil Brooke.

Mr. Gray returned to Dublin and soon saw the President of Eire, Mr. O'Kelly. Mr. Gray took the opportunity to point out to the President that all talk of coercing Northern Ireland was impracticable, that everyone knew that the responsibility for any spilling of Irish blood would be on Eire, and that world opinion would take a poor view of it. Mr. Gray added that we would not regard with favor their sending Mr. Maxwell¹³ or any other Irish Nationalist over to the United States to agitate on the Partition question, and that if it were done Ireland would get some bad publicity because the American people did not like Ireland's stand during the war. Mr. Gray went on to say that as far as he could discover, even among important Catholic American public men there was no sympathy with the effort to inject this issue into American politics, and they, as well as others, deplored the prospect of a Catholic-Protestant duel being forced upon us. The President expressed agreement with Mr. Gray's views, and said he was personally opposed to Maxwell's going.

Mr. Gray was very impressed by the understanding view which Mr. O'Kelly seemed to have of our position. He detects a more tolerant and reasonable attitude toward the Partition issue in general—much more so than a year ago—and feels there is a greater realization on both sides that the matter may only be settled satisfactorily by conciliatory measures. Mr. Gray is becoming really hopeful that the Partition issue will not be injected into American politics.

JOHN D. HICKERSON

¹³ Patrick Maxwell, Nationalist Member of Parliament for the Foyle Division of Londonderry City in the Parliament of Northern Ireland.

NEW ZEALAND

AIR TRANSPORT SERVICES AGREEMENT BETWEEN THE UNITED STATES AND NEW ZEALAND SIGNED AT WASHINGTON DECEMBER 3, 1946

[For text of Agreement, see Department of State, Treaties and Other International Acts Series No. 1573, or 61 Stat. (pt. 3) 2453.]

AGREEMENT BETWEEN THE UNITED STATES AND NEW ZEALAND ON SETTLEMENT FOR LEND-LEASE AND RECIPROCAL AID, SURPLUS WAR PROPERTY, AND CLAIMS

[Signed at Washington July 10, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 1536, or 60 Stat. (pt. 2) 1791.]

UNION OF SOUTH AFRICA

ATTITUDE OF THE UNITED STATES TOWARD THE PROPOSAL OF THE UNION OF SOUTH AFRICA TO ANNEX THE MANDATE OF SOUTH WEST AFRICA

862R.014/7-2646 : Telegram

The Minister in the Union of South Africa (Holcomb) to the Secretary of State

SECRET

PRETORIA, July 26, 1946—4 p. m.
[Received July 27—5:01 p. m.]

121. See my 969, July 3 and 983, July 12 both dispatched courier July 16 describing reaction to substance your 370, June 3¹ conveyed orally Smuts July 3 summarized as follows:

Smuts received suggestion friendly manner agreeing it requires consideration. No other indication his attitude but gained impression would not reject advice US Govt though compliance entails difficulties as he publicly announced would raise question special meeting General Assembly.

Conversation with Forsyth² July 11 revealed Smuts under misapprehension US desired mission report concerning mandate coming session. I emphasized my Govt hoped Union would not propose incorporation coming session that proposal if made by other member assembly Union Govt simply recognize international character question reserving position until establishment trustee system, meanwhile expressing willingness make available annual report mandate. Forsyth, obviously reassured, stated Union Govt grateful US and anxious its support question incorporation and that he believes Smuts willing defer matter but hopes settlement within one year. He added his Govt recognizing evils Union's native policy is determined continue existing policy in mandate. Union hopes this would convince Southern Rhodesia that Union capable handling such matters and would influence colony join Union.

HOLCOMB

¹ None printed. In instruction No. 370 reference was made to a statement made in Parliament by Field-Marshal J. C. Smuts, Prime Minister and Minister of External Affairs in Union of South Africa, to the effect that he intended to take up the question of the future status of the mandated territory of South West Africa at the meeting of the General Assembly of the United Nations in September (862R.014/6-346).

² Douglas D. Forsyth, Secretary to Prime Minister Smuts.

862R.014/7-2646 : Telegram

The Acting Secretary of State to the Minister in the Union of South Africa (Holcomb)

SECRET

WASHINGTON, September 24, 1946—4 p. m.

149. Please discuss informally with External Affairs Office following US attitude re annexation South West Africa. An *Aide-mémoire*³ in sense of this telegram is being left with South African Minister here.

US appreciates Union's desire, in accordance declaration made London session General Assembly, submit matter to GA "for judgment".⁴ Also appreciates willingness (urtel 121, July 26) postpone discussion of substance this year when trusteeship agreements affecting other mandates will, we hope, be consummated. The US has special interest in disposition of South West Africa because of its position as one of remaining effective Principal Allied and Associated Powers to whom Germany renounced all her rights and titles over her overseas possessions. US would not wish keep South West Africa future uncertain over too long period and hopes in interest of South West Africa and of whole UN trusteeship system that decision re status of territory might be reached at 1947 session of GA.⁵

We believe, as matter of principle, that final determination of permanent status of any mandated or trust territory, whether this status is proposed as annexation, independence or some other form of self-government, should be in interests of inhabitants and in accordance with their freely expressed wishes, and with approval of GA which would have to satisfy itself on these points. While US of course has no doubt of Union's good faith we believe that determination of desire of inhabitants of any mandated or trust territory re their future status and decision as to their welfare must be made as matter of principle by competent UN organ on basis of objective and impartial inquiry of its own.

Accordingly, we would welcome and strongly support at GA meeting beginning October 23 a proposal by General Smuts, who has already made notable contribution to mandates idea and whose contributions to preamble and other parts of UN Charter are well remembered, that a UN commission be established for purpose of visiting South West Africa, and, on basis estimate of desires of inhabitants and of their best interests, formulating recommendations to 1947 session of

³ Not printed.

⁴ For declarations, see United Nations, *Official Records of the General Assembly, First Session, First Part, Fourth Committee*, p. 10.

⁵ For documentation regarding U.S. policy concerning the termination of the mandate system and the establishment of a trusteeship system under the United Nations Charter, see volume I.

GA as to whether mandate should be annexed or placed under trusteeship. We would, of course, abide by GA decision and not insist on any special voice by reason of our position as one of Principal Allied and Associated Powers.

The commission might include representatives of US, UK and France as remaining effective Principal Allied and Associated Powers and perhaps four other Members of UN selected by GA. This question would of course have to be decided by GA.

In event such commission should recommend trusteeship Union would be in position, of course, to propose terms which would fully protect its interests. In view of apparent South African misunderstanding of UN trusteeship system (Legs 982, July 12, pp. 14-15⁶) it would be useful to point out that Union, as sole administering authority, would obtain all practical advantages of assimilation. For example, terms could include following provisions: (1) continued administration of South West Africa as integral part of Union (2) Union's maintenance of bases and use of military forces and facilities in the territory (3) self-government instead of independence as goal (4) representation in Union Parliament (5) customs union and (6) control of immigration.

We hope only procedural question of establishing commission will be discussed at forthcoming session GA. During interval between 1946 and 1947 sessions GA terms of present mandate would apply as announced by Union at final League Assembly.

Sent Pretoria 149; rptd London 6795, and Paris 5048.

CLAYTON

862R.014/7-2646: Telegram

*The Acting Secretary of State to the Chargé in the United Kingdom
(Gallman)*

SECRET

WASHINGTON, September 25, 1946—6 p. m.

6827. *Aide-mémoire* handed to South African Minister Andrews here Sep 25 repeats Deptel 6795⁷ except reference in para 6 to "In view of apparent South African misunderstanding of UN trusteeship system (Legs 982, July 12, pp. 14-15⁶)."⁸ Andrews suggested you make similar *aide-mémoire* available to Marshal Smuts.⁸

⁶ Not printed.

⁷ Same as telegram 149, September 24, *supra*.

⁸ In telegram 8441, September 26, 7 p.m., Mr. Gallman telegraphed Mr. Clayton that Mr. Smuts was not expected in London until mid-October at which time he would obtain Smuts' probable attitude in United Nations General Assembly (862R.-014/9-2046).

Please explain US attitude to Smuts and report any indications his probable attitude at GA. For your information South African Legation today has handed us memorandum from Smuts to Acting Secretary State setting forth arguments attempting to justify Union's desire for outright annexation of Southwest Africa.

Sent London 6827; rptd Pretoria 151.

CLAYTON

862R.014/9-2646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, September 26, 1946—noon.

[Received 9:18 p. m.]

4819. Department's 5049, September 24.¹⁰ We explained to Chauvel¹¹ the U.S. attitude regarding proposed annexation Southwest Africa which Union has placed on UNO agenda. He replied that our proposal would have to be studied before he could give us an official reply but to him personally it appeared "very reasonable".

CAFFERY

862R.014/10-1546 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 15, 1946—noon.

[Received 12:32 p. m.]

5178. Deptel 5049, September 24.¹⁰ Officials FonOff stated informally they would be opposed to suggestion that UN Commission be established for purpose of visiting Southwest Africa and formulating, on basis of findings, recommendations as to whether mandate should be annexed or placed under trusteeship. They averred such suggestion would be dangerous precedent which might lead GA to establish commissions for purpose of carrying on investigations in nonselfgoverning territories other than trust areas, which was not contemplated by charter. In this connection view was expressed informally by FonOff officials that proposed commission would necessarily include Soviet representative and that he would use his position as sounding board for Soviet propaganda attacking colonial system.

Speaking off record, opinion was expressed that there would be no objection on part of French Govt to annexation of Southwest Africa by the Union. Although there was no question in minds of FonOff that Union was prepared to promote to utmost the well-being of

¹⁰ Not printed.

¹¹ Jean Chauvel, Secretary General of the French Ministry of Foreign Affairs.

inhabitants of territory suggestion was made that consular officers of remaining effective principal Allied and associated powers might visit territory for purpose of estimating desires of inhabitants and of their best interests.

CAFFERY

862R.014/10-1546 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, October 15, 1946—6 p. m.

US URGENT

[Received October 15—2:29 p. m.]

8857. I have just seen High Commissioner Heaton Nicholls.¹² He told me he was authorized by Field Marshal Smuts, who has not as yet returned to London, to hand me following reply to *aide-mémoire* given Andrews on September 25, copy of which we sent the Field Marshal through High Commissioner on September 30. (See our 8441, September 26, 7 p. m., and Department's 6880, September 27, 6. p. m.¹³)

“His Majesty's Government in the Union of South Africa have given most earnest consideration to the proposal in the *aide-mémoire* handed by the Department of State to the South African Minister in Washington on September 25, that the substantive discussion of the future of the mandated territory of South West Africa should be deferred this year in order to have ample time available for consideration of the trusteeship agreements which will be presented for approval to the forthcoming session of the United Nations General Assembly.

The Union Government appreciate that this proposal is actuated by a desire to ensure that there should not be any delay in the establishment of the trusteeship system and the Union Government are anxious that no action on their part should militate against the setting up of the Trusteeship Council at the forthcoming session of the General Assembly.

The Union Government note with appreciation also that the US Government recognize that the future of South West Africa should not be kept uncertain over too long a period. In this connection, the Union Government would invite attention to the pledges given to the people of South West Africa, to the Union Parliament, to the United Nations General Assembly in January and to the league meeting at Geneva in April that they would bring the question of South West Africa's future before the next session of the General Assembly.

The Union Government feel that they would be breaking faith particularly with the people of South West Africa were they now to go back on that pledge. In the same way as other mandatory powers have felt it incumbent upon them to make every effort to arrange for

¹² G. Heaton Nicholls was also a member of the Union of South Africa delegation to the United Nations General Assembly.

¹³ Neither printed. See telegram 6827, September 25, p. 123.

the presentation of trusteeship agreements in time for the forthcoming General Assembly notwithstanding all the difficulties in the way, so the Union Government similarly feel that they should do everything in their power to honour their pledge to the people of South West Africa that they would endeavour at the earliest possible moment to secure a settlement of the future status of the mandated territory.

For these reasons, the Union Government propose to submit to the General Assembly a statement on the outcome of their consultation with the peoples of South West Africa re the future status of the mandated territory and on the implementation to be given to the wishes thus expressed.¹⁵

In handing me reply, Heaton Nicholls emphasized that no more would be done at this General Assembly than to submit the statement mentioned in the final sentence of above-quoted reply. He added that there was no intention of introducing a resolution calling for annexation or any other kind of resolution or motion.

GALLMAN

**ATTITUDE OF THE UNITED STATES REGARDING TREATMENT WITHIN
THE UNION OF SOUTH AFRICA OF INDIANS OF SOUTH AFRICAN
NATIONALITY**

848A.00/3-946

The Acting Secretary of State to the Consul at Durban (Smith)

PERSONAL AND SECRET

WASHINGTON, May 7, 1946.

MY DEAR MR. SMITH: The receipt is acknowledged of your letter of March 9, 1946,* relative to your reporting on the Indian situation in South Africa and in which you ask for information on the Department's policy in connection with this problem.¹⁶

For your strictly personal and secret information, I may tell you that the Department recognizes as chiefly of South African concern the policy of the Union Government to keep the white minority in a

¹⁵ Copy of this *aide-mémoire*, dated October 16, 1946, was given by the South African Legation in Washington to the Department of State. In it the Minister expressed the wish of his Government that discussions regarding South West Africa be continued with the United States delegation to the United Nations General Assembly when the South African delegation arrived in New York (862R.014/10-1646).

At a meeting of the General Assembly in New York the delegation of the Union of South Africa submitted a proposal that the Assembly approve the annexation of South West Africa. The Assembly referred the question to the Fourth Committee (Trusteeship). For text of the discussions at the meetings of the Fourth Committee on November 4, 5, 7, 8, 13, 14, and December 8, and its Subcommittee 2 on November 27, 28, and 29, see United Nations: *Official Records of the General Assembly, First Session, Second Part, Fourth Committee, Part I*, pp. 62-87, 96-124, and *Part III*, pp. 44-58, respectively.

* addressed to the Honorable Donald Russell, Assistant Secretary of State. [Footnote in the original; the letter is not printed.]

¹⁶ Not printed.

position of dominance among the various racial elements of the country's heterogeneous population. However, we view with concern the developments in connection with the Indian problem in Natal in that decisions taken in this regard have repercussions beyond the borders of the Union. The actions and attitudes of both South Africa and India cannot fail to affect other countries, including the United States, and may jeopardize world peace and security in general. It is hoped, therefore, that you will continue to observe and report on developments.

Sincerely yours,

For the Acting Secretary of State:

EDWARD T. WAILES

Chief, Division of

British Commonwealth Affairs

[The question of treatment within the Union of South Africa of Indians of South African nationality was later brought to the United Nations by the Government of India. For text of a letter, dated June 22, 1946, from the delegate of the Government of India to the Secretary General of the United Nations, see Department of State *Bulletin*, August 11, 1946, page 255, footnote 2. A summary of subsequent developments is contained in *Yearbook of the United Nations, 1946-47* (United Nations, 1947), pages 144-148. After consideration by the General Committee and by joint sessions of the First and Sixth Committees, the problem was debated at the 50th, 51st, and 52nd sessions of the General Assembly, December 7 and 8, 1946; see United Nations, *Official Records of the General Assembly, First Session, Second Part, Plenary Meetings*, pages 1006-1061. The United States took the position in the Assembly debate that the matter be referred to the International Court of Justice for an advisory opinion on the question of whether or not the problem lay within the domestic jurisdiction of the Union of South Africa. The statement by the United States representative, Mr. Fahy, is contained *ibid.*, pages 1010-1014.]

CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION AND FOR ESTABLISHING RULES OF RECIPROCAL ADMINISTRATIVE ASSISTANCE WITH RESPECT TO TAXES ON INCOME

[Signed at Pretoria December 13, 1946; entered into force July 15, 1952. For text, see Department of State, *Treaties and Other International Acts Series (TIAS) No. 2510*; *United States Treaties and Other International Agreements*, volume 3 (pt. 3), page 3821.]

EUROPE

CONCERN OF THE UNITED STATES OVER PROBLEMS INVOLVING DISPLACED PERSONS AND REFUGEES; TRANSFER OF GERMAN MINORITIES; REPATRIATION OF INTERNED CIVILIANS, EX-ENEMY NATIONALS, AND LIBERATED SOVIET PRISONERS OF WAR; EFFORTS TO REGULATE THE MIGRATION OF JEWS FROM POLAND INTO THE UNITED STATES ZONES OF OCCUPATION IN GERMANY AND AUSTRIA¹

840.4016/1-246: Telegram

*The United States Representative in Hungary (Schoenfeld)*² to the
Secretary of State

SECRET

BUDAPEST, January 2, 1946—4 p. m.

US URGENT

[Received 9:21 p. m.]

1. I handed Foreign Minister³ today *note verbale*⁴ in sense of first paragraph Deptel 879, Dec 27⁵ and in reply to Foreign Office note Dec 15 reported in mytel 1120, Dec 17.⁷

I inquired whether Hungarian Govt's position as stated on Dec 15 had changed in view of announcement today that Govt has issued decree relating to expulsion of Germans from Hungary. Under this decree substantially all Hungarian Nationals who at last census declared their mother tongue to be German are subject to deportation with certain authority to make exceptions vested in a commission to be appointed by Ministry of Interior. Gyöngyösi said decision of

¹ For previous documentation on displaced persons and refugees, see *Foreign Relations*, 1945, vol. II, pp. 1146 ff.; on transfer of German populations, *ibid.*, pp. 1227 ff., on repatriation of Soviet prisoners of war, *ibid.*, vol. V, pp. 1067 ff.

² H. F. Arthur Schoenfeld headed the U.S. Mission to Hungary. On January 26, 1946, upon presentation of his credentials as Minister, the office at Budapest was changed from a Mission to a Legation.

³ János Gyöngyösi.

⁴ Not printed.

⁵ *Foreign Relations*, 1945, vol. II p. 1326. The telegram stated the Department's preference that Hungary not deport all Germans from its territory.

⁷ *Ibid.*, p. 1325. The telegram reported that it was the intention of the Hungarian Government to deport only certain objectionable categories of Germans. For text of Foreign Office *Note Verbale* No. 139/Res/Be/1945 (transmitted to the Department as an enclosure to Despatch 775, January 2, 1946, not printed), see Stephen D. Kertesz, *Diplomacy in a Whirlpool: Hungary Between Nazi Germany and Soviet Russia* (Notre Dame, Indiana, University of Notre Dame Press, 1953), Document No. 11.

Govt to increase number of Germans to be deported beyond objectionable categories previously specified was not in accordance with his own ideas but he had been overruled by Cabinet.

He said January 1941 census showed about 477,000 who had declared German to be their mother tongue. This figure compares with semi-official estimate in local press that about 430,000 Germans would be subject to deportation under latest decree which is to be implemented by supplementary regulations not yet issued.

Gyöngyösi expressed fear Govt's action in this matter would be bad precedent in dealing with Hungarian minority in Czechoslovakia⁸ apart from economic effect of loss of all Germans here and humanitarian aspects.

Sent Dept, repeated to Berlin as No. 1, to London as No. 1 and to Moscow as No. 1.

SCHOENFELD

840.4016/1-446 : Telegram

The United States Representative in Hungary (Schoenfeld) to the Secretary of State

SECRET

BUDAPEST, January 4, 1946—noon.
[Received January 6—2: 48 p. m.]

19. Mytels 1 and 7,⁹ January 2. We learn on good authority that long conversation between Rakosi¹⁰ and Tildy¹¹ paved way for unexpected Cabinet acceptance of German deportation decree based on principle collective responsibility. Five members of Cabinet, including Gyöngyösi and Ries,¹² voted against proposal. Szakasits¹³ and Ronai¹⁴ who also opposed were absent. Reportedly Gyöngyösi wished to resign but was persuaded resignation on German issue impolitic and Cabinet was apparently swayed because ACC here had demanded removal maximum figure. Bevin's speech naming 500,000 was also used as argument. Unfortunately further presentation of

⁸ For documentation on concern of the United States over the dispute between Hungary and Czechoslovakia regarding the exchange of populations and revision of frontiers, see vol. VI, pp. 361 ff.

⁹ Telegram 7 transmitted the essential provisions of the government decree dated December 22 regarding eviction of the German minority from Hungary. It provided for the expulsion of all who declared that they were of German nationality, who re-Germanized their Hungarian names, or were members of the Volksbund or any armed German unit. Certain exceptions were allowed based on age, occupation, etc.; also, persons affected by the decree were forbidden to dispose of their property which was to be held in escrow. (840.4016/1-246)

¹⁰ Mátyás Rákosi, Deputy Prime Minister of Hungary.

¹¹ Zoltán Tildy, Prime Minister of Hungary.

¹² István Ries, Hungarian Minister of Justice.

¹³ Árpád Szakasits, Deputy Prime Minister of Hungary.

¹⁴ Sándor Rónai, Hungarian Minister of Commerce.

our point of view (Dept's 879, December 27¹⁵) arrived too late to affect decision.

Whether Soviet chairman ACC deliberately misunderstood 500,000 figure as a Potsdam directive rather than merely a maximum for planning purposes is unknown. Preface to Govt's decree states decree was being issued with regard to execution of a decision of Allied Control Council (Berlin) on November 20.¹⁶ That decree is now based on collective responsibility and may be result of honest confusion as to Allied aims (mytels 1104, December 15¹⁷ and 1129 [1120], December 17¹⁸ and despatch 645, December 5¹⁹) but there is also possibility that Czechs may have made representations in Moscow after Praha negotiations on Hungarian minority raised spectre of Hungarian claims for land (last para mytel 1104, December 15²⁰). Consequently local Communists may have been directed to support present decree prepared under direction of Communist Min of Interior.²¹

Gyöngyösi believes there may be this connection and is dismayed that Hungarians have now accepted the collective principle. Moreover, it may be Pan-Slav policy to remove all Germans in Central Europe westward of *cordon sanitaire* line (mytel 1124, December 19²²).

Sent Dept; rptd London as 5; to Moscow as 5; to Berlin as 3 and Praha as 1.

SCHOENFELD

¹⁵ See footnote 5, p. 128.

¹⁶ The text of the plan for transfer of German populations from Austria, Czechoslovakia, Hungary, and Poland into the four occupied zones of Germany is contained in telegram 1147, November 30, 1945, from Berlin, *Foreign Relations*, 1945, vol. II, p. 1316.

¹⁷ This telegram stated that the Hungarian Foreign Minister reported confusion in the government over whether to deport 500,000 Germans, basing the figure on strict nationality lines, or 300,000, if only objectionable categories were expelled. For text, see *Foreign Relations*, 1945, vol. II, p. 1324.

¹⁸ See footnote 7, p. 128.

¹⁹ Not printed; it transmitted text of a note from the Hungarian Government, dated December 1, 1945, on expulsion of the German minority, which is reprinted in Kertesz, *Diplomacy in a Whirlpool*, p. 247. The note distinguished between expatriation of objectionable categories and expatriation based solely on ethnic origin. The Hungarian Government expressed itself as being in opposition to the latter as well as to any kind of collective punishment.

²⁰ This paragraph expressed the thought that the Soviets might be pressuring Hungary to expel as many Germans as possible since the resulting vacuum would allow for the repatriation of all Hungarians from Slovakia. For text, see *Foreign Relations*, 1945, vol. II, p. 1324.

²¹ Imre Nagy.

²² Not printed; it transmitted a recent report that the Soviets had settled 1300 Ukrainian families in Western Hungary. This was alleged to be the first step in a Slavic *cordon sanitaire* in Western Hungary linking the Slovaks and Yugoslavs. (840.4016/12-1945)

800.4016 DP/1-1046 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

BERLIN, January 10, 1946—6 p. m.
[Received January 12—11:33 p. m.]

79. Reference Dept's 1137, December 26, 7 p. m. my 1074 of November 22, 2 p. m. and my 1343 of December 28, 2 p. m. pertaining to infiltration of Polish Jews into Berlin.²³

Matter discussed in Kommandatura and Soviet member stated that as obviously migrant Jews could not reach Berlin without crossing Soviet zone, Soviet authorities propose establishing camp at Prenzlau for subject persons found in Soviet sector. Camp was to be unguarded and a temporary haven only as Jews subsequently were to be allowed to settle any place in Soviet zone desired. This was believed temporary and partial solution to problem as migrants first appeared at Jewish areas in Soviet sector. Latter housed approximately 2000 Jews.

When Soviets appeared with trucks on morning of January 7 to transfer Jews to Prenzlau [Gemeinde], shelters were found deserted. On same morning pregnant Polish Jewish women admitted to camp in US sector refused to accept transportation to take them to Soviet sector to join husbands in transfer to Prenzlau, stating their husbands were not in Soviet sector.

Approximately 400 Jews who had been in Soviet sector were discovered on January 9 at self-established camp in US sector. Later same day delegation from this group received appointment with Colonel F. L. Howley, Director, Office of Military Govt, Berlin, and deputy to General Barker, US representative on Kommandatura, to present petition. Delegation "demanded" (to use Colonel Howley's word) food, clothing, and fuel. Delegation insisted that none of Polish migrant Jews wanted to or would move east. Howley believes nucleus in US sector will attract majority of those formerly in Soviet sector and perhaps many of 2700 accommodated in French sector. At present it is estimated about 6000 Polish Jews are in Berlin.

²³ None printed; for documentation on the migration of Polish Jews into Germany, see *Foreign Relations*, 1945, vol. II, pp. 1224 ff. Telegram 1137 requested specific information concerning alleged acts of persecution from Polish Jews who had emigrated. Telegram 1074 estimated that roughly 200 Jews were entering Berlin daily from the East and stated that since approximately November 1, 90 percent were Polish Jews. It also reported the suspicion of some officials in the U.S. zone that the westward flow of Polish Jews was a planned movement. Telegram 1343 stated that approximately 4000 Polish Jews had arrived in Berlin. Most of them had fled fearing persecution in Poland and did not intend to return, expressing a preference to migrate to Palestine, the United States, South America, France, and England. Evidence from interviews seemed to indicate that the movement was organized. (840.48 Refugees/12-2645; 840.48 Refugees/11-2245; 800.4016 DP/12-2845)

While recognizing current phase of problem is Kommandatura's responsibility, Howley argues that ultimately it will be a Control Council matter. On that basis he approached General Clay²⁴ on afternoon of January 9 to ascertain Allied Control authority policy in order that he might adjust his actions accordingly. He was advised by General Clay to provide for these migrants in US sector but on a temporary basis only, using military supplies if necessary.

Repeated to Warsaw respectively as Dept's 362, my 88 and 121.

MURPHY

840.48 Refugees/1-1146: Telegram

The Ambassador in Poland (Lane) to the Secretary of State

RESTRICTED
PRIORITY

WARSAW, January 11, 1946—10 a. m.
[Received January 12, 1946—11:07 a. m.]

53. At suggestion of Vice President Szwalbe,²⁵ I invited three Jewish leaders to visit me re influx of Polish Jews into US occupied zones of Germany. As Sommerstein²⁶ was seriously ill, only Szuldenfrei²⁷ (member of KRN and Jewish bund) and Adolf Berman²⁸ (brother of Jakub²⁹ and Communist) called January 9 and reported substantially as follows:

There have been a few murders of Polish Jews in some small towns but none in large cities. Chief reason for desire of Polish Jews to leave country is psychological: They do not wish to remain in country which to them is a cemetery with three million Jews dead during occupation. Those Jews coming from east of Curzon Line³⁰ return without finding families and with only small percentage of Jewish population. They naturally prefer to leave country with view of going Palestine or US. Zionist movement (Poalej-Syon) is encouraging exodus of Jews although Central Committee of Jewish Party in Poland is not unanimous in encouraging Jewish exodus.

Reports of ill-treatment of Polish Jews in Poland greatly exaggerated. No pogroms. Exaggerated stories are told partly due to

²⁴ Lt. Gen. Lucius D. Clay, Deputy Military Governor, U.S. Zone of Occupation in Germany; U.S. member, Coordinating Committee, Allied Control Council for Germany; Director, Office of Military Government of the United States for Germany (OMGUS).

²⁵ Stanislaw Szwalbe, Vice President of the Polish National Council of the Homeland.

²⁶ Emil Sommerstein, Chief, Bureau of Damages and Compensation, Praesidium, Polish National Council of the Homeland.

²⁷ Michal Szuldenfrei, Director, Legal Bureau, Praesidium, Polish National Council of the Homeland.

²⁸ Adolf Berman, Deputy, Praesidium, Polish National Council of the Homeland.

²⁹ Jakub Berman, Under Secretary of State, Council of Ministers, Polish National Council of the Homeland.

³⁰ For information on the Curzon Line, see *Foreign Relations*, 1945, vol. v, p. 116, footnote 27a.

hatred between Jews and Poles but principally to justify their desire to leave Poland. Remnants of anti-Semitic policy pursued not only by Hitler but by Beck³¹ Govt as well still remain in Poland. Every effort being made by Govt to stamp out anti-Semitism. Osobka-Morawski's³² recent speech confirms this.

Central Jewish Committee about January 6 appealed to Jews in Poland to avoid panicky flight from country ensuring them that possibilities exist for building their future life within Poland.

In foregoing, report from group outstanding Polish Jews seems to me to be objective. I am, however, sending a member of staff to Lodz which is regarded now to be assembling point for those Jews to be sent from country to investigate whether any group of persons or organization is organizing transport of Jews to our zones.³³

Sent Dept as 53; repeated Berlin as 5.

LANE

800.4016 DP/2-646: Telegram

Mr. Alexander C. Kirk, United States Political Adviser to the Supreme Allied Commander, Mediterranean Theater, to the Secretary of State

SECRET

CASERTA, February 6, 1946—noon.

[Received 4:37 p. m.]

151. Reference our 55 of 14 Jan 10 a. m.³⁴ British authorities at AFHQ requested clarification from WarOff regarding question of handing over by force liberated Soviet citizens. WarOff has now instructed them along following lines:

³¹ Josef Beck, Polish Foreign Minister, 1932-39.

³² Edward Osobka-Morawski, Polish Prime Minister.

³³ In telegram 65, January 14, Ambassador Lane reported on four interviews which he had had during the last 2 days concerning the Jewish exodus. The evidence therefrom indicated that Jews were being assembled in Lodz under Zionist auspices and persuaded to go to the American zone in Germany whence they could proceed to Palestine. This emigration process, however, was not officially sanctioned by the Polish government. (840.48 Refugees/1-1446)

In telegram 78, January 18, Ambassador Lane stated that he was told by Vice President Szwalbe of the formation of a committee of leading Polish gentiles to persuade the Jews to remain in Poland. The committee would try to insure guarantees of personal liberty. (840.48 Refugees/1-1846)

³⁴ This telegram reported a request from a Soviet official that a number of recalcitrant Azerbaijanian refugees be turned over to him. He was informed that the United States and British Governments would return them if they were proven to be Soviet nationals. Otherwise, they would be returned only on *prima facie* evidence that they acted as traitors or war criminals. Nor could statements they had made to United States or British officials be used as evidence against them (800.4016 DP/1-1446).

His Majesty's Government in interpreting Yalta agreement³⁵ has always followed policy that liberated Soviet citizens recognized as such shall be repatriated regardless of their wishes and that if necessary force should be used.

In British zones in Austria and Germany, for instance, where HMG's policy can be put into effect on unilateral basis, the Commander in the field applies such policy under direction of HMG.

However, in Italy, where military authorities act under instructions from Combined British and American Chiefs of Staff, an agreed policy between the two Govts must be sought. Such agreement has not yet been reached, because of divergence on interpretation of Yalta Agreement by the two Govts.

In Italy, use of force has not been employed in repatriation of those Soviet citizens recognized as such by HMG and in formal British custody, and to whom British policy alone could be applicable, as British wish to obtain backing of US Government.

British policy of using force is currently being reconsidered by Ministers, and during interim period no force is to be applied. HMG will inform British authorities at AFHQ of any change in policy.

Only exception to policy of not repatriating nationals other than Soviet citizens against his or her wishes is in the case of war criminals against whom *prima facie* case has been made out by Govt concerned.

KIRK

840.4016/1-2946: Telegram

The Secretary of State to the Ambassador in Yugoslavia (Patterson)

RESTRICTED

WASHINGTON, February 7, 1946—8 p. m.

83. Report on Yugo note urtel 78 Jan 22 apparently garbled in stating 110 persons comprise "German minority" remaining in Yugo. Please clarify this figure.³⁶

Regardless of extent of minority remaining you may point out to FonOff in answer to undated note that expulsion of Germans from Yugo not specifically covered in Potsdam agreement. US would

³⁵ For text of the Agreement between the United States and the Soviet Union concerning liberated prisoners of war and civilians, February 11, 1945, see *Foreign Relations*. The Conferences at Malta and Yalta, 1945, p. 985. The final text of the parallel Anglo-Soviet agreement is not printed, but for a draft text thereof, see *ibid.*, p. 417.

³⁶ The text of telegram 78 was subsequently corrected to make the figure read 110,000. This telegram reported on the receipt of a note, undated, from the Foreign Office stating the desire of the Yugoslav government to return to Germany the remainder of the German minority numbering 110,000. Yugoslavia felt that its wishes coincided with those of the great powers which had authorized similar transfers on the part of Czechoslovakia, Hungary, and Poland (840-4016/1-2246).

agree to extension of principles of orderly and humane transfer to any transfer of Germans from Yugo agreed to by ACC Berlin. Action of Yugo Govt reported in Vienna's 134 Jan 29³⁷ repeated to you as 14 is not likely to elicit support of four powers on ACC Berlin since unauthorized expulsion of Germans into Austria is contrary to requests made to Yugo Govt by US, British, French and Soviet representatives acting in accordance with resolution of Allied Council Austria of Nov 10 Deptel 429 Nov. 28.³⁸ US would consider request in Yugo note only if assurances are received that unauthorized expulsions into Austria have ceased and Yugo Govt will take strict measures to insure adherence to its reply Dec 11 to US note urtel 743 Dec. 12.³⁹

Sent to Belgrade as 83; repeated to Vienna as 118.

BYRNES

840.48 Refugees/2-1446 : Circular airgram

*The Secretary of State to Certain Diplomatic and Consular Officers*⁴⁰

SECRET

WASHINGTON, February 14, 1946—1:45 p. m.

General Assembly of United Nations now in session at London has voted that the Economic and Social Council establish a special committee to examine the problem of refugees and displaced persons in all its aspects and to report to the second part of the first session of the General Assembly.⁴¹ Action on problem at current meeting was initiated by original British proposal that work for refugees and displaced persons should be incorporated as an executive function of United Nations. US position was that current session of United Nations should not take up substantive questions but should be devoted exclusively to matters of organization. UK position was supported by the Netherlands. UK and the Netherlands finally accepted US view and draft of resolution which became US proposal. US pro-

³⁷ Not printed; it reported on recent cases of expulsion by the Yugoslavs of Germans into Austria in which the expellees had been roughly handled to the extent that several deaths resulted (840.4016/1-2946).

³⁸ This telegram repeated, *mutatis mutandis*, telegram 417 to Prague, for text of which see *Foreign Relations*, 1945, vol. II, p. 1315.

³⁹ *Ibid.*, p. 1323. This telegram quoted a Yugoslav note stating that there was no intention of instigating an expulsion of Germans from that country.

⁴⁰ Sent to the embassies at London, Paris, Brussels, Madrid, Lisbon, Rome, Ankara, Oslo, Belgrade, Athens, Praha, Ottawa, Moscow, Warsaw, The Hague, La Paz, Panama City, Rio de Janeiro, Chungking, Teheran; the legations at Bern, Cairo, Stockholm, Copenhagen, Dublin, Budapest, Canberra, Wellington, Pretoria, Beirut, Baghdad; the U.S. Political Adviser for Germany at Berlin; the U.S. Political Adviser for Austria at Vienna; the American Representatives at Helsinki, Bucharest, Sofia; the consulates at Capetown, Shanghai, Jerusalem, Nairobi; and the American Mission at New Delhi.

⁴¹ United Nations, *Official Records of the General Assembly, First Session, First Part, Resolutions Adopted by the General Assembly during the First Part of the First Session*, p. 12. For documentation on U.S. participation in the General Assembly, see volume I.

posal, modified by inclusion of acceptable features of separate Yugoslav and Soviet proposals, finally prevailed in Committee ⁴² as follows:

"The General Assembly recognizing that the problem of refugees and displaced persons of all categories is one of immediate urgency and recognizing the necessity of clearly distinguishing between genuine refugees and displaced persons, on the one hand, and the war criminals, quislings, and traitors referred to in paragraph (D) below, on the other:

(A) Decides to refer this problem to the Economic and Social Council for thorough examination in all its aspects under item ten of the agenda for the first session of the Council and for report to the second part of the first session of the General Assembly;

(B) Recommends to the Economic and Social Council that it establish a special committee for the purpose of carrying out promptly the examination and preparation of the report referred to in paragraph (A); and

(C) Recommends to the Economic and Social Council to take into consideration in this matter the following principles:

(I) This problem is international in scope and nature.

(II) No refugees or displaced persons who have finally and definitely, in complete freedom, and after receiving full knowledge of the facts including adequate information from the governments of their countries of origin, expressed valid objection to returning to their countries of origin and who do not come within the provisions of paragraph (D) below, shall be compelled to return to their country of origin. The future of such refugees or displaced persons shall become the concern of whatever international body may be recognized or established as a result of the report referred to in paragraphs (A) and (B) above, except in cases where the government of the country where they are established has made an arrangement with this body to assume the complete cost of their maintenance and the responsibility for their protection.

(III) The main task concerning displaced persons is to encourage and assist in every way possible their early return to their countries of origin. Such assistance may take the form of promoting the conclusion of bilateral arrangements for mutual assistance in the repatriation of such persons, having regard to the principles laid down in paragraph (C) (II).

(D) Considers that no action taken as a result of this resolution shall be of such a character as to interfere in any way with the surrender and punishment of war criminals, quislings and traitors, in conformity with present or future international arrangements or agreements.

⁴² Reference is to the Third Committee of the United Nations General Assembly dealing with Social, Humanitarian, and Cultural Questions. For discussions within this body on the refugee question, see United Nations, *Official Records of the General Assembly, First Session, First Part, Third Committee*, pp. 9-30, *passim*.

(E) Considers that Germans being transferred to Germany from other states or who fled to other states from Allied troops, do not fall under the action of this declaration insofar as their situation may be decided by Allied forces of occupation in Germany, in agreement with the governments of the respective countries."

"19. The following interpretations relating to paragraph (C) (II) in the above draft resolution were given by the Chairman ⁴³ following requests:

(A) In answering the delegate for Belgium, the Chairman stated that it was implied that the international body would judge what were, or what were not, "valid objections"; and that such objections clearly might be of a political nature;

(B) In answering the delegate for Australia, the Chairman stated that it was to be presumed that the information supplied to refugees or displaced persons from the governments of their countries of origin would be made available through the responsible international body, in whatever way seemed most appropriate in view of the particular circumstances of the case.

20. The following expressions of opinion were put forward for inclusion in the report, and in the hope that they might be taken into account by the Economic and Social Council.

(A) The United States delegation urged the importance of existing international agencies maintaining their activities for the benefit of refugees pending the outcome of the proposed study and report.

(B) The delegation of Panama suggested that the Spanish Republican refugees should only return to Spain when a Democratic regime able to assure their rights had been established there; and that in the meantime they should be accorded special status by the countries of temporary residence, securing to them the same rights as men and workers as those enjoyed by the citizens of the country that had given them hospitality.

(C) The Bolivian delegation suggested that the possibility should be studied of raising the necessary funds and means of transport for the transfer to countries of immigration of bona fide refugees, or displaced persons, within the limits of the immigration quotas fixed by the countries concerned and communicated to the appropriate body.

21. The committee desires to express sympathy with the Spanish refugees and wish the Economic and Social Council to examine their case with particular attention and care."

Soviet and Yugoslav proposals rejected by Committee 3 were:

(1) (As substitute for paragraph (II) (C).) "Those refugees who are not subject to paragraph (D) and who do not wish to return to their countries of origin should receive assistance in their early settlement in a new place with the consent of the governments concerned, i.e., the countries of their origin and of resettlement. The government of the country where the refugees are established may assume the complete cost and the responsibility for their protection." Rejected by 28 to 6 votes.

⁴³ Peter Fraser of New Zealand was Chairman of the Third Committee of the U.N. General Assembly.

(2) "No propaganda should be permitted in refugee camps against the interests of the organization of the United Nations or her members nor propaganda against returning to their native countries." Rejected by 17 to 10 votes, US with majority; Australia, Brazil, Bolivia with minority.

(3) "The personnel of refugee camps should be comprised mainly of representatives of the states concerned, whose citizens are the refugees." Rejected by 21 to 7 votes.

(4) (As addition to paragraph (D).) "Quislings, traitors and war criminals, as persons dishonored for collaboration with the enemies of the United Nations in any form should not be regarded as refugees who are entitled to protection of the United Nations." Rejected by 14 to 9 votes.

(5) (As addition to paragraph (D).) "The General Assembly recommends to the governments concerned that quislings, traitors and war criminals who are still hiding under the guise of refugees should be immediately returned to their countries." Rejected by 13 to 9 votes.

Danish proposal that paragraph (E) include the following: "In the case of these persons no objection to their repatriation shall be regarded as valid in the terms of the foregoing provision" was rejected without a formal vote.

In the view of the US Government the way is now clear for a decision within the Intergovernmental Committee on Refugees as to whether that body will assume responsibility for the care and resettlement of refugees and non-repatriable displaced persons pending the submission of the report of the Economic and Social Council. UNRRA is now assisting the military in Germany, Austria and Italy by supplying personnel and supplementary welfare supplies in the care of United Nations displaced persons and those assimilated to them in treatment, but is not authorized under its resolutions to provide assistance for those determined eventually to be unable or unwilling to return home.⁴⁴

BYRNES

Editorial Note

A brief summary of subsequent handling of the refugee question in the United Nations is given below. Since the United States position was publicly stated repeatedly in the various organs of the United Nations which dealt with the problem, no attempt has been made here to document that position more elaborately. The chief sources of documentary material within the Department of State are the master files of the Reference and Documents Section of the Bureau of International Organization Affairs (IO).

On February 16, the Economic and Social Council (ECOSOC)

⁴⁴ For information concerning UNRRA, see bracketed note, p. 221. For a summary of subsequent handling of the refugee problem within the United Nations, see editorial note, *infra*.

adopted a resolution establishing a Special Committee on Refugees and Displaced Persons to investigate and report the problem to ECOSOC; see United Nations, *Official Records of the Economic and Social Council, First Year, First Session*, p. 160. The Special Committee met in London from April 8 to June 1 and presented its report at ECOSOC's second session; for the text of the report, see United Nations, *Official Records of the Economic and Social Council, First Year, Second Session, Special Supplement No. 1*, Annex 12. Its principal recommendation called for the establishment of an International Refugee Organization, in addition to which it attempted to give a definition of displaced persons and refugees. For documentation relating to certain major points in dispute during the meetings of the Special Committee, see *post*, pp. 158, 164, and 167-168. For a summary of subsequent events during ECOSOC's handling of the refugee question, see United Nations, *Official Records of the General Assembly, First Session, Second Part, Supplement No. 2, Report of the Economic and Social Council to the General Assembly covering the period from 23 January to 3 October 1946*, pp. 55-62.

On October 3, ECOSOC approved a draft constitution for the International Refugee Organization and referred the matter to the General Assembly. For a summary of subsequent developments, see *Yearbook of the United Nations, 1946-1947* (United Nations, 1947), pp. 164-170; ECOSOC's recommendations are printed *ibid.*, p. 549. The General Assembly referred the questions of IRO and its finances to its Third and Fifth Committees, respectively. The Third Committee's meetings, beginning with its fifteenth on November 4, proved to be the main forum for a continuation of the disputes on repatriation and resettlement; see United Nations, *Official Records of the General Assembly, First Session, Second Part, Third Committee*, pp. 81-319, *passim*. The financial aspects of the disputes were heard in the Fifth Committee and revolved chiefly around attempts by Yugoslavia, Byelorussia, Poland, and the Soviet Union to prevent large scale resettlement programs for refugees unwilling to return to their countries of origin; see United Nations, *Official Records of the General Assembly, First Session, Second Part, Fifth Committee*, pp. 178-284, *passim*. Ultimately, on December 15, 1946 the General Assembly at its sixty-seventh meeting, by a 30-5 vote with 18 abstentions, adopted a resolution which approved the IRO constitution and called for establishment of a Preparatory Commission to operate until the IRO came into existence; see United Nations, *Official Records of the General Assembly, First Session, Second Part, Plenary Meetings*, pp. 1453-1454. The reports of the Third and Fifth Committees to the General Assembly are printed *ibid.*, pp. 1595 and 1600, respectively.

The Constitution of the IRO was accepted by the United States on July 3, 1947 and entered into force on August 20, 1948; for text, see

Department of State, Treaties and Other International Acts Series No. 1846. The agreement on interim measures to be taken in respect of refugees and displaced persons, which established the Preparatory Commission of IRO, was accepted by the United States on December 16 and entered into force on December 31, 1946. The text is in Department of State, Treaties and Other International Acts Series No. 1583.

840.4016/2-1446 : Telegram

The Minister in Hungary (Schoenfeld) to the Secretary of State

SECRET
PRIORITY

BUDAPEST, February 14, 1946—5 p. m.
[Received February 15—3:44 p. m.]

321. Remytel 214, Jan. 31.⁴⁵ Key⁴⁶ has informed Voroshilov⁴⁷ that failure of Hungarian Govt to provide food for German deportees and give deportees adequate notice of removal is in violation of ACC Germany's policy that transfer of populations must be conducted in humane manner. Key's message specifically states that five trains arrived in US zone without food and that as result emergency rations had to be supplied by US army.

ACC Chairman was requested by Key to notify Hungarian Govt that no further movements of deportees will be approved except under following conditions:

1. Each deportee shall have 5 days' notice in advance of his scheduled departure.
2. Each deportee shall be permitted to take with him such food stuffs as he can carry.
3. In addition the Hungarian Govt shall supply 10 days' rations for consumption of deportees en route to American zone.

Key concludes letter with statement that "when these requirements are met the US authorities will permit the resumption of train movements".

Sent Dept, repeated Berlin as 18.

SCHOENFELD

⁴⁵ Not printed; this document dealt in part with Hungarian deportation of the Swabs which was proceeding with difficulty (840.4016/1-3146).

⁴⁶ Maj. Gen. William S. Key, Chief of the American Representation, Allied Control Commission for Hungary.

⁴⁷ Marshal of the Soviet Union Kliment Efremovich Voroshilov, Chairman, Allied Control Commission for Hungary.

740.62114/2-1446

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

No. 1957

BERLIN, February 14, 1946.

[Received March 4.]

SIR: I have the honor to transmit for the Department's information a report by a member of my staff on the repatriation of former Russian soldiers. There is described in the document the incident at Dachau on January 19, 1946, in which a number of Soviet nationals committed or attempted suicide, rather than be returned to Soviet Union. It will be noted that upon closer investigation of the individuals who are being repatriated that eleven individuals were released by the Soviet repatriation authorities as not being of Soviet nationality.

This latter situation is one of grave import and is only one of several reports of like nature which recently have been brought to the Mission's notice. Investigations of these other instances are being made and the Department will be informed as soon as concrete evidence or information is received.

Respectfully yours,

ROBERT MURPHY

[Enclosure]

*Memorandum by Mr. Parker W. Buhrman, on the Staff of the United
States Political Adviser for Germany (Murphy), to Mr. Murphy*

MUNICH, January 28, 1946.

Conforming to agreements with the Soviets, an attempt was made to entrain 399 former Russian soldiers who had been captured in German uniform, from the assembly center at Dachau on Saturday, January 19.

All of these men refused to entrain. They begged to be shot. They resisted entrainment by taking off their clothing and refusing to leave their quarters. It was necessary to use tear gas and some force to drive them out. Tear gas forced them out of the building into the snow where those who had cut and stabbed themselves fell exhausted and bleeding in the snow. Nine men hanged themselves and one had stabbed himself to death and one other who had stabbed himself subsequently died; while 20 others are still in the hospital from self-inflicted wounds. The entrainment was finally effected of 368 men who were sent off accompanied by a Russian liaison officer on a train carrying American guards. Six men escaped enroute. A number of men in the group claimed they were not Russians. This, after preliminary

investigation by the local military authorities, was brought to the attention of the Russian liaison officer, as a result of which eleven men were returned by the Russians as not of Soviet nationality.

The story of this group of former Russian soldiers is that after their capture they were given the option by the Germans of starvation or joining labor battalions. They joined labor battalions and were subsequently transferred as a group into the German Army without their having any choice in the matter. This story conforms to the claims which were made by former Russian soldiers who were captured in German uniform and who were imprisoned in the United States. All of these men apparently firmly believe that they will be executed on their return to Russia. The fact that so many attempted to commit suicide is an indication of the unfortunate plight in which they find themselves.

The incident was shocking. There is considerable dissatisfaction on the part of the American officers and men that they are being required by the American Government to repatriate these Russians. The incident was further aggravated by the attitude of the Russian authorities on the arrival of the train in the Russian Zone. None of the American guards were permitted to leave the train; they were threatened with shooting by Russian guards if they attempted to leave the train.

840.4016/2-1846 : Telegram

The Minister in Hungary (Schoenfeld) to the Secretary of State

SECRET
PRIORITY

BUDAPEST, February 18, 1946—7 p. m.
[Received February 19—12:24 a. m.]

353. Mytel 214, Jan. 31.⁴⁸ I mentioned to Foreign Minister today my hope that Hungarian Govt would see to it that mistaken statements attributing to Allies and particularly to American authorities alleged insistence on indiscriminate expulsion of Germans from Hungary be corrected promptly and that true facts re policy of US should not continue to be distorted.

Govt has not yet complied with directive of Chairman of ACC at instance of Gen. Key to correct wording of Hungarian decree governing deportation Germans. Balogh⁴⁹ today expressed desire to receive from US copy of Voroshilov's note to Prime Minister alleging

⁴⁸ Not printed; this telegram noted a protest by General Key against an implication on the part of the Hungarian government that the United States tended to favor expulsion of Germans from Hungary on the basis of the principle of collective guilt (840.4016/1-3146).

⁴⁹ István Balogh, Under Secretary to the Prime Minister.

that Marshal's letter had disappeared from Prime Minister's files and attributing disappearance to Deputy Prime Minister Rakosi.

Gyöngyösi told me today in response to my representation above reported that he was willing to set the record straight in form of a note taking official cognizance of our view repeatedly expressed that deportations should be on individual basis only.

Sent Dept repeated Berlin as 22.

SCHOENFELD

800.4016 D.P./2-2146 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

SECRET

WASHINGTON, February 21, 1946—7 p. m.

U.S. URGENT

1735. Kindly advise Brit FonOff that US Govt is planning to close displaced persons camps in US zone in Germany, except those in which persecuted groups are housed, on July 1, 1946, with possible announcement thereof to inmates of camps by March 1, 1946. This decision has been reached on the assumption that such an announcement will encourage and facilitate the repatriation to their countries of origin or of former residence of those willing to return and that such repatriation will be in large part completed by July 1. Kindly secure information from FonOff of Brit plans with respect to closing of camps in their zone.

No decision has yet been made with respect to closing of camps in US zone Austria where action obviously must be correlated. Decision manifestly is of interest to UNRRA. We propose to notify Director General immediately upon receipt of your reply to this cable.

BYRNES

800.4016 D.P./2-2846 : Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary
of State*

SECRET

LONDON, February 28, 1946—midnight.

U.S. URGENT

NIACT

[Received 11:17 a. m.]

2407. For Under Secretary Acheson, Assistant Secretary Clayton and Warren⁵⁰ from Penrose.⁵¹

1. My report on 3 weeks' investigation of displaced persons' questions in Germany and Austria will shortly be completed and sent air pouch.⁵²

⁵⁰ George L. Warren, Adviser on Refugees and Displaced Persons, Department of State.

⁵¹ Ernest F. Penrose, Special Assistant to the U.S. Ambassador in London.

⁵² Not printed.

This message is sent in advance because of (a) imminence UNRRA Council meeting⁵³ and (b) proposal to issue statement that camps for non-Jewish DP's in US zone will be closed July 1. I hope it is not too late to give further consideration to (b).

2. Purpose of investigation was to obtain first-hand acquaintance with DP questions which cause frequent controversy on UNRRA European Committee. I was accompanied by Mr. Ray Krane of UNRRA and Miss Amende, then Embassy liaison officer on UNRRA matters.

3. We visited numerous camps and assembly and transient centers, interviewed hundreds of DP's of many nationalities, UNRRA field teams and staff at central, zonal, district headquarters; military officers concerned with DP questions in US and UK zones both at headquarters and in local areas, including Generals Mickelsen⁵⁴ and Kenchington⁵⁵ (UK). We also had exhaustive discussions with General Morgan,⁵⁶ Sir Raphael Cilento⁵⁷ and Mr. Whiting.

4. Remarkable progress has been made, reflecting great credit on the military authorities, in repatriation of Allied nationals and in establishment of tolerable living conditions for those who remain. Over 5½ million have been repatriated and only about 900,000 remain in Germany, of whom about two-thirds are Poles and perhaps roughly five-sixths of the Poles are non-Jewish. However, difficult problems remain and I question the wisdom of committing ourselves to close all camps to non-Jewish DP's on July first.

5. Great benefit has come from orderly handling of DP's by military and UNRRA. Disorders have been greatly reduced. Armed guards are no longer needed in most camps we saw. A body of valuable information has been accumulated on which plans should be energetically pursued for repatriation and resettlement. I believe remaining problems can be solved by constructive measures and that it would be dangerous to turn loose among German population without discrimination remaining non-Jewish DP's not repatriated by July 1st. Rumors concerning proposal to close camps March 1st have apparently leaked out in US zone and the excellent field relations between UNRRA and the military may be prejudiced.

6. Living conditions of DP's have greatly improved since early stages of liberation and in US and UK zones Germans are no longer

⁵³ For information on UNRRA, see bracketed note, p. 221.

⁵⁴ Brig. Gen. Stanley R. Mickelsen, Director of the P.W. and D.P. Division, OMGUS.

⁵⁵ Brig. Arthur Kenchington, Chief of the P.W. and D.P. Division, British Element, Allied Control Council for Germany.

⁵⁶ Lt. Gen. Sir Frederick E. Morgan, Chief of UNRRA Operations in Germany.

⁵⁷ Sir Raphael Cilento, Director of UNRRA Operations, British zone of occupation, Germany.

major difficulty. We closely examined food and health conditions. The 2,300 calorie level is adequate for energy needs having regard to age composition of DP's and the very limited physical work they do. Height-weight ratios derived from samples are satisfactory. Food supply arrangements are working well under which military provide food and UNRRA teams supervise distribution through self-governing machinery of camps.

7. Health conditions are remarkably good. General sickness rate in camps we saw did not exceed one per cent. UNRRA nurses and doctors have energetically organized preventive measures and treatment. In many camps the whole population has received protective measures in respect to typhoid, typhus, small pox and among children diphtheria. During our visit there was no abnormal incidence of respiratory diseases. Tuberculosis is probably most important problem owing to dangers from foci of infection in crowded camps. Miniature radiography carried out extensively in some camps.

8. Repatriation. Poles are most important group. Non-Jewish and Jewish groups present some separate problems but in both cases the role of Polish Govt is vital. Non-Jewish Poles are one of most uncertain groups from standpoint of repatriation. Obstacles to repatriation appear as follows: (a) Polish DP's have their own sources of information which have brought them frequent reports of unsettled conditions with a little improvement at time we were in Germany.

(b) Polish Govt repatriation agents sent to Germany have frequently been most inept. We visited camps in which addresses by these govt agents were followed by a decline in the number of DP's willing to return.

(c) In private opinion of some UK military officers and some members of UNRRA teams the former liaison officers of London Poles who now work on welfare matters only succeed in giving under-cover discouragement to repatriation. The welfare activities of these Poles was apparently agreed to by Polish Govt officials because of their inability at present to replace them and the services they render.

(d) Some DP's wish to avoid the rigors of present winter in Poland.

(e) Poles we interviewed whose homes were east of Curzon Line show no desire to become Soviet citizens or to resettle in present Poland.

(f) General opinion expressed by DP's (this applies to Jews as well as others) is that Polish Govt is "weak."

9. Re Polish Jews we visited (a) camps with DP's resident many months and others largely of "infiltrates" (b) transient centers through which infiltrates passed in Bavaria, Vienna and Berlin; (c) the Oranienberg center now dissolved in Soviet sector in Berlin and the center in French sector and UNRRA center.

10. Polish Jews are made up of a number of groups of widely different morale. Among some groups and in some camps morale is very low, the DP's seem to have lost heart and also are reluctant to work. Others are vigorous and well organized. Particularly morale of Kibbutz groups is second to none among DP's. In general, however, there are differences between morale of similar groups in different camps depending on vigor, initiative and tact of team leaders and camp heads on committees. Running a DP camp is an art. In the long-run, however, the problem of morale among Jewish DP's can only be solved by workable plans for repatriation or resettlement, with prospects of willing repatriation very limited.

11. We interviewed large numbers of infiltrees in Berlin, Bavaria and Vienna. All maintained there was anti-Semitism in Poland, some asserted they knew of specific outrages, a few mentioned murders. But a larger number cited threats rather than acts of violence. All agreed that Polish Government opposed anti-Semitism but maintained government was weak and feared long period of confusion and insecurity. Generally Polish Jews, unlike many Polish Catholics, did not express anti-Soviet views and some praised Soviet for absence of anti-Semitism. While Polish Catholics attacked government for alleged domination by Soviet, Polish Jews attacked it for alleged inability to control right wing reactionaries. My impression is (a) that recent threats of violence were often associated with return of Jews who claim property or land that had passed to non-Jewish Poles during or just after occupation and that it might have been better to postpone restitution until the government had strengthened its administrative machinery; (b) that even after elimination of Germans a distaste remains for areas where mass murders of Jews took place.

Conclusions:

12. It is in our interest that as many Poles as possible shall be repatriated. No doubt some collaborators have crept in among DP's but large numbers of Polish DP's are simple-minded peasants and artisans and small "white collar" workers whose hesitation about returning arises from destruction of former ties and from genuine fears. Renewed constructive efforts should be made to persuade them to return willingly.

13. This necessitates more practical and efficient steps by the Polish Govt to reassure genuine DP's on their treatment after return. Govt repatriation agents should avoid doctrinaire politics, freely admit that conditions are still difficult in Poland, appeal to patriotism of Poles to return and take part in reconstruction, assure them of non-discrimination and of an efficient organization to resettle those whose homes were destroyed or included in other national territories.

14. Could not informal conversations be arranged whether bilaterally or together between US, UK and French DP experts and Polish Govt with the above object in view? Initiative on our part seems necessary to spur on the Polish Govt to play its part adequately. Efforts should also be made to provide substitute organization for welfare work London Poles in camps.

15. This should be accompanied by a vigorous screening of DP's in Germany. Screening is extremely difficult, qualified personnel are scarce, and some undesirables are certain to escape their deserts through lack of data. But screening by military with assistance of UNRRA teams is a vital prerequisite to resettlement plans and should not be delayed. Some undesirables can be sent back to their countries and others who came willingly to work for Germans can appropriately be turned loose in Germany.

16. But I do not see justification for scrapping the whole non-Jewish DP organization four months from now and turning loose those who remain without discrimination. Is this consistent with principles stated by our representatives on UNO and the UNRRA Council in the past? If those principles are adhered to there will be a number of genuine cases for resettlement among non-Jewish as well as Jewish DP's. It seems unlikely that resettlement can be completed in the next four months and pending its completion or at least up to the end of the year, if necessary, it seems better to continue the UNRRA set-up rather than throw everything into the melting pot.

17. Finally, resettlement plans are long overdue. Though we should be able to get closer accord than we have now with the Soviet, the Poles and Yugoslavs it is unlikely that we can get complete agreement in UNO on eligibility for resettlement. I suggest therefore careful exploration of the possibilities of bilateral arrangements of [on?] part of US and UK with potential immigrant countries, especially France, Canada and Australia. Under present conditions practical arrangements made with minimum publicity seem preferable to spectacular debates on general principles in the international organizations.

Because of length of this message discussion of other groups than Poles is deferred. [Penrose.]

GALLMAN

800.4016 D.P./2-2846 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, February 28, 1946—4 p. m.

US URGENT NIACT

[Received February 28—2:30 p. m.]

2419. From Penrose. Deptel 1735, February 21 and Embtel 2407, February 28.

1. Regarding proposed declaration of intention to close non-Jewish DP centers in US zone July 1 MacKillop Foreign Office states that the UK are asking views of their military authorities in Germany.

2. Would it be possible to postpone decision until after informal discussion with both UK and UNRRA? A consistent policy in the different zones is essential. Differences in policy of different occupying powers cause extensive clandestine movements among DPs as shown by infiltree movements. In Berlin I saw and talked with infiltrees "disappearing" from Soviet sector to reappear in US sector later.

3. Proportion of Catholic Poles to all Poles is considerably larger in UK than in US zones. This makes it particularly advisable to work out agreed policy before any unilateral declaration is made.

4. Desire of military to close operations by July 1 is understandable and it is possible that General Kenchington (UK) may share this desire, judging from general tenor of his conversation with me, which of course did not touch specific question now under discussion but military are not responsible for resettlement outside Germany and I believe it is unwise to assume either (a) that nearly all of non-Jewish DPs will return to their country before July 1 or (b) that resettlement plans for legitimate cases who remain will be completed, or (c) that it will be safe and equitable to turn loose among the German population those not repatriated by July 1.

[Penrose]
GALLMAN

800.4016 D.P./3-146 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, March 1, 1946—7 p. m.

URGENT

[Received March 2—8:19 a. m.]

2493. Deptel 1735, February 21. Embassy has just received following reply dated March 1 from Foreign Office to communication regarding closing of DP camps in US zone in Germany.

"The question of corresponding action in the British zone in Germany has now been considered and the view is held that there are so

many disquieting implications that a decision on the point of substance and on the consequential announcement to camp inmates cannot be reached without further examination. In view of the food situation in the British zone in Germany, it would seem open to considerable doubt whether an announcement in the sense contemplated would be expedient at this moment, and a great number of related questions arise and need consideration, such as the housing of the present inmates in so far as they did not decide in favor of repatriation, the presumed absence (if the present camps were liquidated) of reception machinery for Germans returning from Poland, the risk of further uncontrolled mass movements if the camps were liquidated and so on. We should very much like to hold further discussions with you in London in the endeavor to reach a coordinated policy relating both to the British and to the American zones. In the course of these discussions the implications I have mentioned and others could be examined."

Foreign Office proposes to discuss informally this matter immediately with Embassy and Department will be informed of future developments.

GALLMAN

800.4016 D.P./3-746: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, March 7, 1946—3 p. m.

US URGENT

[Received 5:05 p. m.]

2698. Embtels 2407 and 2419, February 28; 2595, March 4,⁵⁸ correcting 2419 from Penrose. This third message on recent examination of displaced persons questions in Germany. Because of imminent consideration DP questions following analysis is cabled instead of air-mailed:

(1) Baltic DPs raise difficult questions for UNRRA and occupying powers. They are genuine DPs in sense that they were moved as result of war, but many appear to have moved into Germany willingly to evade the Russians. Those I interviewed expressed both anti-German and anti-Soviet sentiments. My impression is that majority were sincere in this but that some feel more strongly against the Soviets than against the Germans. From discussions with members of camp teams I suspect there is an appreciable number who are by no means antagonistic to the Germans. Anti-Soviet sentiment is strongest in more educated, especially professional, groups who are nationalistic. These strongly influence manual workers who, if left to themselves might in some cases be persuaded to return. In spite of difficulties I suggest an attempt be made to work out plan under which Soviets

⁵⁸ Telegram 2595, dated March 5, contained corrections, chiefly grammatical, for paragraph 4 of telegram 2419. These were incorporated into the action copy and are part of the source text. (800.4016 DP/3-546)

could send selected persons from among Baltic peoples who had accepted their regime, to discuss conditions in Baltic area and give assurances that DPs would be accepted and settled without discrimination upon their return. Results might be negligible but at least we would have kept straight our record with Soviets by giving them opportunity to use non-coercive methods to induce return of DPs.

(2) Further systematic screening is needed to determine where possible circumstances in which they came to Germany. It might be justifiable to turn loose certain proportion on grounds that their record in relation to the Germans does not entitle them to Allied aid. Others could establish that they were subject to strong pressure. Repatriation of Baltic DPs is more complicated than of most other DPs because of change in national status of citizens of country of repatriation. Due to circumstances in which recognition has been given to this change, we apparently could not in practice put strong pressure on Baltic DPs with clean records to return, and it would not be consistent with our past declaration to threaten to turn all of them loose without discrimination to fend for themselves with such aid as voluntary bodies might give them.

(3) This raises resettlement question. Prospects of obtaining unanimous agreement in international body to resettlement of Baltic DPs is slender and all observers I met agreed that Baltic DPs would make excellent settlers. This view was supported by our examination of assembly centers. Morale is good, percentage who work is relatively high, education is well organized, knowledge of skilled crafts is unusually extensive, standard of cleanliness is high; self-government is carried further and seems more efficient than among most other groups. There is no doubt that if those who favored Germans could be eliminated, the remainder would make most desirable immigrants.

(4) It seems important, however, that Baltic DPs should not settle en bloc in a western European country and form an anti-Soviet center of political influence. With many Baltic DPs anti-Soviet sentiment is not synonymous with pro-Fascist sentiment, but if it continued actively after resettlement it would be an embarrassment to US. Therefore it seems desirable to explore proposals of overseas settlement where new conditions would overshadow memories of European politics.

(5) Conclusion. I suggest that: (a) Soviets should be offered opportunity if they wish to put case for return fully before Baltic DPs; (b) that because of slender prospects of repatriation, steps be taken immediately by US and UK to discuss discreetly on bilateral basis with Canada, Australia and any other appropriate overseas countries, the possibility of arranging for immigration of as many Baltic DPs as possible among those who have passed screening test.

GALLMAN

840.4016 D.P./3-846 : Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary
of State*

SECRET

LONDON, March 8, 1946—1 p. m.

[Received 2:46 p. m.]

2738. This is fourth message on recent examination DP questions in Germany (third message was Embtel 2698 from Penrose).

(1) Zonal agreements on displaced persons. We found that cooperation in recent months between UNRRA and military has been most satisfactory. There are differences between terms of formal agreement signed by US military and that signed by Montgomery.⁵⁹ These differences do not affect practices in the two zones however. In each zone actual practice followed is very much the same whatever the precise terms of the paper agreements. Though agreement in US zone has just been signed we found there had been greater transference up to December from military to UNRRA than in UK zone.

(2) UNRRA Organization. We found that military organization for running camps was being rapidly reduced to leave only enough by Feb 15 to deal with certain ex-enemy categories which UNRRA was not permitted to cover. At Frankfurt Hq most of the able staff which had been attached to General Mickelsen had been disbanded. Policy of handing over functions to UNRRA was pursued wholeheartedly and UNRRA after difficulties has done creditable job of organization in Germany. UNRRA organization has been indispensable for the care and supervision of over half million DPs. The first aims of policy should be to repatriate as rapidly as transport arrangements can be made all who can be persuaded to return to their countries and then to arrange resettlement of remainder. Precise time this will take is uncertain but in meantime there is everything to be said for maintenance UNRRA organization which has been built up under difficulties and in cooperation with military has brought order to what was in first stages of liberation chaos.

(3) Prevention of demoralization. Even in best assembly centers it was clear to us that long continued maintenance of morale among DPs is most difficult question as types of work available for DPs is so limited, uncertainties about the future are so great and daily routine can be varied so little that demoralization is almost unavoidable in

⁵⁹ Field Marshal Viscount Montgomery, Military Governor, British zone of occupation in Germany. For texts of the agreements between UNRRA and the United Kingdom and United States zonal authorities concerning displaced persons, signed respectively on November 27, 1945 and February 19, 1946, see George Woodbridge, *UNRRA: The History of the United Nations Relief and Rehabilitation Administration* (New York, Columbia University Press, 1950), vol. III, pp. 185 and 201.

long run. The only ultimate remedy is a repatriation or resettlement but in most cases demoralization would begin much sooner and go much further if there were no UNRRA teams and no organized centers. My full report will illustrate great urgency in organization of work, recreation, education of children and health care in centers. While DPs remain, the maintenance of present form of organization is necessary to reduce demoralization.

(4) Note on infiltrtee movement. The distinction between genuine displaced persons and infiltrtees is clear cut in most definitions but our extensive conversations with infiltrtees show that in practice part of the infiltrtee movement is a movement in the direction of reuniting families, a process which is going on all over Europe today. It should be noted that as far as actual movement of DPs is concerned there is no "iron curtain" across Europe.

GALLMAN

740.62114/2-1246 : Telegram

The Secretary of State to Mr. Alexander C. Kirk, United States Political Adviser to the Supreme Allied Commander, Mediterranean Theater (Morgan)

SECRET

WASHINGTON, March 14, 1946—9 p. m.

86. Dept has been discussing with BritEmb question of issuing parallel directives to Brit and Am Commanders AFHQ relative to interpretation of Yalta agreement for repatriation of Sov, US and Brit citizens. BritGov has not yet decided whether it can accept in its entirety US directive on this question, which is already in effect in USFET and USFA areas. (See infotel Dec. 21, 9 a. m.⁶⁰)

US directive to USFET and USFA (urtel 168, Feb. 12⁶¹) re handing over by force of Sov citizens who voluntarily rendered aid and comfort to enemy is as follows: Such persons should be repatriated without regard to their wishes and by force if necessary where SovGov satisfies US military authorities of substantiality of charge by supplying in each case, with reasonable particularity, time, place and nature of offense and perpetrator thereof. Announced resistance of such person to repatriation or fact that he accepted ordinary employment in German or Italian industry or agriculture shall not of itself be considered as rendering comfort and aid to enemy.

BYRNES

⁶⁰ For text of the directive, see Memorandum by the State-War-Navy Coordinating Committee to the Secretary of State, December 21, 1945, *Foreign Relations*, 1945, vol. v, p. 1108.

⁶¹ Not printed.

840.4016 DP/4-446

Memorandum by the Secretary of State to President Truman

[WASHINGTON,] April 12, 1946.

The Secretary of War ⁶² and I have agreed that the displaced persons camps in our zones in Germany and Austria should be closed some time next August, except for persecuted groups who will be permitted to remain in camps. I have publicly announced that this Government is considering such a move.⁶³

The chief reasons for this plan are that the War Department cannot finance indefinitely the operation of these camps, that there is no reason to believe they can be closed with less difficulty next year than now, and that they should be closed in time to permit these people to make some living arrangements before winter.

This proposal has been the source of some concern to the UNRRA officials. It has not met with the approval of the British. It has also been received critically by such groups as the Federal Council of Churches, the National Catholic Welfare Conference, the AF of L and the CIO. In general these groups feel that the camps should remain open until (a) most of the displaced persons have returned to their homes and (b) a solution is found through the Intergovernmental Committee on Refugees or a new organization of the United Nations for the resettlement of those who remain. It is not expected that significant results with respect to resettlement can be achieved much before the spring of 1947. These groups appear to recognize that the camps cannot be maintained indefinitely, but they are alarmed by a plan to close them on any given date.

Criticism has also been expressed, particularly in Catholic quarters, of the exception of "persecuted groups" from the plan to close the camps. The Catholic spokesmen argue that if this is intended to include only Jews or primarily Jews, it is unfair because, they allege, Catholic displaced persons would also be subjected to persecution if they were to return to Yugoslavia or the Baltic states. No answer is likely fully to satisfy this criticism. The justification for the exception, however, is: (a) anyone who was removed from his home because of race, religion or activities in favor of the United Nations will be included in the "persecuted group"; (b) undoubtedly this group will be largely composed of Jews, who were the largest single group displaced because of their religion, but other classes of persons are not excluded by the definition; and (c) Catholic displaced persons will not be subjected to persecution in Germany should they choose to remain after the closing of the camps.

⁶² Robert P. Patterson.

⁶³ See the Department of State *Bulletin*, March 24, 1946, p. 498.

I believe it is likely that many groups critical of the closing of the camps will seek your intervention to delay the closing. You will recall that you have already received a memorandum ⁶⁴ from Cardinal Stritch of Chicago on this subject and I have received similar memoranda ⁶⁵ from the National Catholic Welfare Conference. A proposed reply ⁶⁴ to Cardinal Stritch, together with his communication to you, accompanies this memorandum. This reply has been drafted on the assumption that the camps in our zones will in fact be closed in August.

For this reason I wish to bring the matter to your attention. Unless you direct me otherwise, I propose to take the matter up again with the Secretary of War, to reach with him a final decision on the date in August on which the camps will be closed and also to determine a date in the very near future for announcing our decision.

JAMES F. BYRNES

SWNCC 46 Series : Telegram

The Commanding General, United States Forces, European Theater (McNarney),⁶⁶ to the War Department

SECRET

FRANKFURT, 19 April 1946.

PRIORITY

S-2114 for action to AGWar and info to CG 3rd Army OMGUS and Western Base Section sgd McNarney cite DTGAP.

Your WX 89544, 20 Dec 45 ⁶⁷ in certain instances requires forcible repatriation of "persons who were both citizens of and actually within the Soviet Union on 1 Sept 1939". Repatriation boards, having had recourse only to American Law and procedures in absence of any other, decided against repatriation of several hundred cases on basis the individuals were not citizens, having been denied one or more of such right of citizenship as the right to vote, to bear arms, etc., or having been members of persecuted groups, etc.

Urgently request legal opinion as to whether such loss or deprivation of any single right of citizenship as encountered herein or otherwise, is considered deprivation of citizenship, thus rendering the individual non-repatriable by force.

Request expedited reply as it is desirable to discharge at earliest opportunity those finally determined to be non-repatriable.

⁶⁴ Not printed.

⁶⁵ None printed.

⁶⁶ Gen. Joseph McNarney was also U.S. Military Governor in Germany.

⁶⁷ Not printed; this telegram transmitted the text of the directive cited in footnote 60, p. 152.

800.4016 DP/4-2346

The Secretary of State to the Secretary of War (Patterson)

WASHINGTON, April 23, 1946.

DEAR MR. SECRETARY: Referring to our several conversations with reference to the camps for displaced persons in the American zone in Germany, after discussing this question with the President he advised me to say to you that he did not wish the camps closed in August as the Department had planned. It is the President's view that the camps should not be closed until full opportunity is offered for the governments to provide a substitute plan for the care of these people.

The General Assembly of the United Nations appointed a committee to consider this question and make a report to the next meeting of the Assembly. The next meeting will not be held until September. The President believes it will be unwise to close the camps in August before the United Nations Assembly has had an opportunity to act upon the report of its committee. He therefore asked that the order for the closing of the camps in August be not issued.

Sincerely yours,

JAMES F. BYRNES

SWNCC 46 Series : Telegram

*The Commanding General, United States Forces, European Theater
(McNarney) to the War Department*

SECRET

FRANKFURT, 27 April 1946.

PRIORITY

Ref S-2716 to AGWar for action and ComGen 3rd US Army, OMGUS, Western Base Section for info signed McNarney cite ETGAP.

Refer to our S-2114, 19 April.

Had we acted on a strictly American interpretation of Citizenship all subject Soviets would have been released. However in order to determine whether an individual was a citizen as intended by your WX89544, 20 December 1945,⁶⁸ 3 tests of citizenship rights were given as follows:

- A. Right to bear arms;
- B. Right to vote in free elections;
- C. The right to hold public office.

Several hundred individuals who were in the Soviet Union on 1 September 1939 have not been repatriated because our boards determined under tests enumerated above that they were not citizens. The categories follows:

⁶⁸ See footnote 67, p. 154.

A. Kulaks—those who because they opposed collectivization of their property were denied one or more of the rights enumerated above.

B. White Russians—those who actively opposed or fought against the party in the 1917 revolution, and who consequently were denied one or more of the rights above.

C. Dissenters—those who because of their active participation against the regime were denied one or more of the above rights.

Each category includes personnel in some one or more of the following sub-groups:

A. Persons who served in the Soviet armed forces, but who were not captured in German uniform.

B. Persons who never served in the Soviet armed forces but who were captured in German uniform. Persons who served in the Soviet armed forces and who were captured in German uniforms.

Each major group likewise includes minors under 18 years.

Continued custody of this personnel imposes great difficulties on our forces and the passage of time is not likely to clarify the situation further. Therefore urgently request that your directive, as asked for in our S2114, 19 April, be forthcoming immediately.

840.48 Refugees/5-246

Memorandum by the Acting Secretary of State to President Truman

[WASHINGTON,] May 2, 1946.

Publication of the Anglo-American Committee's Report ⁷⁰ has raised acutely the question of whether the borders of U.S. Zones of Germany and Austria should continue to be open to Jewish refugees from Central and Eastern Europe. The War Department has urged the necessity of closing these borders immediately, at least as an interim measure, to prevent any large influx in the near future.

The Department of State believes that it is impossible to predict accurately how migration to Germany and Austria will be affected by the reaction of European Jewry to the Committee's Report. The Committee's recommendation that 100,000 Jews be admitted to Palestine in the near future acknowledges that there are already more than that number in the Western Zones of Germany and Austria, and Italy. This fact, coupled with the uncertain conclusions of the Report with reference to the political status of Palestine, might deter any large influx to Germany and Austria. Instead, the influx might be confined primarily to relatives of those already in Germany and Austria. On the other hand, there is the real possibility that Central and Eastern

⁷⁰ Reference is to the report on Palestine by the Anglo-American Committee of Inquiry, released on April 20, 1946, at Lausanne, Switzerland. It was later published as Department of State publication 2536. For documentation on Palestine, see volume VII.

European Jews will, in their desperation, regard the U.S. Zones of Germany and Austria as their only tangible hope for eventual migration to Palestine. Such a reaction might result in a large-scale unmanageable influx.

The Committee's Report will undoubtedly be debated vehemently within the coming weeks. It would be unfortunate, particularly in view of the humanitarian reputation achieved by our policy to date, for the issues to be blurred and good will to be dissipated by closing the borders at this time if it is not really essential. It must be borne in mind that the borders can be effectively closed only by using German border patrols. Since the reaction of European Jews to the Report is so unpredictable, I believe it would not be advisable for this Government to issue a Directive to Generals McNarney and Clark⁷¹ requiring them to close the borders now.

It would be preferable, I believe, to inform Generals McNarney and Clark of this Government's desire to continue the present liberal policy so long as it is consistent with maintenance of satisfactory conditions among the Jewish displaced persons in Germany and Austria. The Theater Commanders should be authorized, however, to prevent free entry of Jewish refugees at such time as it may appear that there are imminent large-scale movements into the U.S. Zone which would prejudice satisfactory handling of Jewish displaced persons already in Germany and Austria. If such action should prove necessary, it would be desirable to make special provision for regularizing admittance of hardship cases, such as relatives of persons already in Germany and Austria.

If an authorization along the foregoing lines is approved, it would be highly desirable to take the question of border closing out of the realm of controversial discussion on the Committee's Report. I believe that this could best be done by an informal confidential conference with a few key Jewish leaders, confined to the question of border closing.

Accordingly, I recommend that you approve the following:

A. Generals McNarney and Clark should be authorized to close the borders to Jewish refugees only when there appears to be definitely imminent such a large-scale influx as would prejudice adequate handling of those already in Germany and Austria and would exceed the facilities available for proper handling of additional persons. In such an event, the border should be closed only as a temporary "freezing" measure, and hardship cases should be admitted at specified border control points.

⁷¹ Gen. Mark W. Clark, Commanding General, United States Forces, Austria.

B. A few key Jewish leaders (e.g., Louis Lipsky, Judge Proskauer, Rabbi Abba Hillel Silver, Edward Warburg and Rabbi Stephen Wise) should be invited to a confidential conference with the Acting Secretary of State and the Secretary of War to discuss only the border closing question. At such a conference, the following should be stressed: (1) The unannounced but widely recognized U.S. policy to date of admitting Jewish refugees to U.S. Zones of Germany and Austria; (2) The reasons for authorizing Generals McNarney and Clark to close the borders if necessary under conditions outlined in paragraph A above; (3) Cooperation of Jewish organizations is requested in discouraging future movements by making known in Jewish circles in Central and Eastern Europe the complications which would result.⁷²

DEAN ACHESON

501.BD Refugees/5-1346

The British Embassy to the Department of State

Ref. 173/-/46

MEMORANDUM

His Majesty's Ambassador is informed that the special Committee on refugees set up by the Economic and Social Council by its resolution of February 16th to recommend an early and comprehensive solution of the refugee problem is having a stormy passage.⁷³ The representatives of Soviet Russia, Poland, Czechoslovakia, Yugoslavia, Byelo Russia and the Ukraine appear anxious to play the whole scheme down. They tend to divide refugees into (a) "Loyal citizens" who are prepared to accept and to return to the new regimes in their countries of origin and (b) those who will not accept the new regime and are therefore disloyal and undeserving. They dislike the idea of international assistance for political dissidents, whom they do not recognise as constituting a serious international problem. They are prepared to acquiesce in the establishment of a small weak independent organisation mainly concerned with Spanish Republicans and stateless Jews but are in no hurry to see even this set up. They are unlikely to agree to make any substantial contribution to operational expenditure, and the Yugoslavs have indicated unofficially that it would be difficult for them for internal political reasons even to par-

⁷² On the following day, May 3, Acting Secretary Acheson reported in a memorandum to Assistant Secretary Hilldring that President Truman had approved these recommendations at a cabinet meeting that morning and directed Messrs. Acheson and Patterson to carry them out (840.48 Refugees/5-246).

⁷³ For a summary of events leading to the reference of the refugee problem by the General Assembly to ECOSOC, see the circular airgram of February 14, p. 135.

ticipate in the expenses of administration. These countries nevertheless claim the right to be strongly represented in the personnel of the new organisation on a pro rata basis. Besides the objections to the selection of personnel by nationality rather than by experience and ability this would mean that (*e.g.*) the Yugoslav Government would be able to obtain full information regarding all their dissidents which they might then use to bring pressure to bear on their relatives in Yugoslavia.

2. Apart from the general opposition from these countries to which this has led on practically every point under discussion however secondary there have hitherto been two main controversies. The first has been regarding the categories of refugees to be included in the mandate of the new organisation. On this the Soviet representatives and their supporters have fought persistently to ensure the exclusion from the mandate in one form or another of all political dissidents. As these represent the vast majority of the refugees who constitute our real problem it would mean that, if the point were gained, the new organisation would probably only be able to deal with some ten per cent of the people for whom future provision is intended to be made. Among other consequences this would increase the probability of dangerous political activity by desperate elements among the refugees against the Governments of their countries of origin. On this issue we have had the support of the United States and of several other members of the Committee, but the Soviet representative and his supporters may still present a minority report, and the Soviet Delegate has more than once indicated that he may not be able to accept a majority ruling. Objection has also been raised to any formula providing for the inclusion in the mandate of any refugees who have at any time served in the armed forces or civil service of any State which might lead to the exclusion of several hundred thousand Poles not to mention many Jewish and other refugees.

3. The second controversy has been on the character of the proposed new organisation. The United Kingdom representatives have strongly pressed that it should form an integral part of the United Nations as a commission of the Economic and Social Council or of the Assembly. This would automatically provide for its administrative funds as part of the United Nations budget and would make it possible to set up the new body immediately after the next Assembly without any special international agreement which would take months to negotiate and ratify. It would also provide a proper forum for the discussion and settlement of the difficult political questions which are bound to arise and would give the new organisation the full authority of the United Nations and the advantage of the support of public opinion.

4. The Soviet representative and his supporters have strongly resisted this suggestion since, in the view of the United Kingdom representatives, they are anxious to weaken the new body as far as possible. The Committee has now agreed by a majority vote to exclude from the consideration of the Committee any organisation forming part of the United Nations.

5. His Majesty's Government are anxious to keep this question open to the extent of admitting the possibility of some kind of United Nations control over the new organisation either by making its administrative budget subject to United Nations approval or by leaving the appointment of the High Commissioner or the Director General of the new body in United Nations hands. They also desire to provide for possibility of an appeal to the Assembly on certain political issues.

6. The "hard core" of non-repatriable refugees resulting from the upheavals of the war is likely to amount in Europe alone to more than half a million. The majority of these are dissidents and they include a very large number of fighting men many of whom feel bitterly about the new regimes in their countries and who are not likely to be easy to deal with. If no steps are taken to look after them, control them and resettle them they will be likely to form predatory bands which may constitute a serious social and political danger. They cannot therefore simply be abandoned and turned loose on the civil populations of Germany, Austria, Italy and other countries who already have a sufficient number of acute social problems to deal with. Moreover, both His Majesty's Government and the United States Government are obliged to reduce their military commitments so that they cannot continue looking after them much longer, while UNRRA (which is in any case only caring for a proportion of these people) is due to close down in Europe at the end of this year. Apart from this the problem of Spanish Republican refugees, stateless or de-nationalised Jews, Nansen ⁷⁴ and other prewar refugees and many others is also very serious. There is thus no parallel between the size of the problem today and that which developed after the first world war.

7. His Majesty's Government have agreed as a result of a majority vote in the Refugee Committee to accept exclusion of any reference to a United Nations body in the Committee's report but still regard it as essential to secure some measure of United Nations control over the new organisation.

8. His Majesty's Government further point out that the refugee

⁷⁴ So called after Dr. Fridtjof Nansen, first head of the League of Nations High Commission for Refugees established in 1921. After his death in 1930, the High Commission was succeeded by the League's Nansen International Office for Refugees. Originally, Nansen refugees included only Russians but later the term embraced Armenians, Assyrians, Turks, and refugees from the Saar.

problem in the Far East is likely to be one of formidable proportions though sufficient data are not yet available to make its consideration possible at this stage. If, however, the new organisation is weak or is only created after long delay, the consequences in the Far East may well prove almost as serious as in Europe.

9. A fuller statement of the position of His Majesty's Government is contained in the Annex to this memorandum. Lord Halifax is instructed to seek, as a matter of urgency, the views of the United States Government on the issues raised, and to enquire whether they are prepared to instruct their representative on the Committee to support a solution on the lines proposed.

WASHINGTON, May 13, 1946.

Annex

In our view, the refugee problem could have been dealt with most effectively, expeditiously and economically by a Commission of the Economic and Social Council or of the Assembly forming an integral part of the United Nations. This Commission should have had a Chairman of high standing to act as spokesman both to the Council and to the Assembly. Its staff, both administrative and operational would have been recruited by the Chairman and the Secretary-General and would have held the status of regular personnel of the United Nations. The administrative expenses of the Commission and its personnel would have been borne on the United Nations budget, as an integral part of that budget, so that all members of the United Nations would thus have contributed more or less automatically and in equitable shares to the comparatively small expenditure involved. The United Nations would, however, have been invited to build up a separate operational fund of a non-recurring nature to which all interested countries would have been invited to contribute in equitable proportions according to their resources, though it is clear that certain nations might have been expected to stand out for political reasons. The Commission could have been set up by an Assembly resolution without any further international negotiation, or the need for any new international instrument. It could thus have come into operation in September as soon as the approval of the Assembly had been obtained. This saving of time was a vital factor in our scheme. The Commission would have absorbed all existing agencies and would have drawn on such bodies as the inter-governmental Committee for Refugees and UNRRA for its personnel. It would have had the full authority of the United Nations behind it, and this would have enabled its Chairman to carry out much necessary administrative work and take action

in many directions (e.g. in affording legal protection to refugees) irrespective of any financial question, since he would automatically have had power and authority to act in the name of the United Nations.

2. His Majesty's Government still believe the above to be the right solution of the problem and they feel that anything on the lines now proposed will only be a second best and likely to lead to more trouble and expense in the end. In view, however, of the majority vote which has now been taken against them on this question at the instance of the United States representative with the support of the Soviet representative and the representatives of Czechoslovakia, Yugoslavia, Poland, Byelo Russia and the Ukraine, they realise that they may have to accept a less satisfactory alternative. In doing so, however, they must lay down certain minimum requirements which they regard as absolutely essential if the new organisation is to be of any real value.

3. In the first place His Majesty's Government consider it essential that the administrative budget of the new specialised agency should be submitted to the Economic and Social Council for approval. This should be more than mere formal and technical approval and (whatever may be the position in regard to other specialised agencies) discussion of policy should not be excluded. His Majesty's Government would, however, be prepared to discuss with the United States Government the precise degree of control which the Economic and Social Council or the Assembly should exercise over the broad policy of the new organisation, and the most appropriate method by which that control could be exercised. His Majesty's Government also consider that the High Commissioner or Director-General (or both if both posts are set up) should be appointed by the Economic and Social Council, which should have the right to terminate their appointments. They consider that the invitations to join the new specialised agency should be issued by the Economic and Social Council and accompanied by a draft agreement by the Council, which could be signed as soon as the Assembly has approved the Council report, without the necessity of a long separate international negotiation, during which all the arguments advanced during the last assembly and the present meeting of the Refugee Committee would inevitably be repeated.

4. They further consider that the personnel of the new agency, while recruited on an international basis should not be drawn from particular countries in any fixed proportions, but should be selected entirely on the basis of qualifications and experience.

5. His Majesty's Government consider that if the new body is to do work of any value and the situation is to be saved before it becomes desperate, the new body should begin to function at the latest by next autumn. They would therefore be prepared, if no adequate

and more permanent arrangements can be made in time, to consider utilising the inter-governmental committee as a nucleus for an interim organisation provided equitable arrangements can be made meanwhile for the provision of finance. It must be clearly understood that His Majesty's Government cannot continue to be responsible for an equal proportion of the necessary finance with the United States; plainly some such formula as the UNRRA ratio would have to be devised.

6. If the inter-governmental committee were utilised, it would of course have to be very greatly strengthened and it would be understood that it should form the nucleus of the new organisation, and that all qualified personnel engaged for the interim period would have a prior claim to employment in the permanent organisation.

7. His Majesty's Government would still much prefer their original scheme, but they are prepared to accept a majority decision provided the minimum requirements set out in this memorandum are met. Failing this, they would almost certainly be obliged to submit a minority report and re-open the whole question.

800.4016 DP/5-1646 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

FRANKFURT, May 16, 1946—4 p. m.
[Received May 16—1:25 p. m.]

292. Reference final paragraph your [*London's?*] 333, April 15, 10 p. m. to Berlin.

G-5 Section, USFET, states under present arrangement provision is made for any accredited Soviet repatriation representative to enter displaced persons assembly centers other than wholly Soviet with the privilege of explaining to, discussing with and persuading with Baltic nationals and persons of doubtful citizenship in matters of repatriation under arrangements excluding the use of force, threat or coercion and which will not incite disorder or dissatisfaction.

Provision also exists for authorization of military commanders to permit Soviet repatriation representatives to have access to persons not specified above who are claimed to be Soviet citizens by the Soviet Union, for the purpose of persuading them to return to their homes under practical arrangements which exclude the use of force, threat or coercion.

In view of recent incidents in which Soviet officers have been assaulted, and in one case attacked, the preceding provisions have been

amended to provide that US officers must accompany Soviet officers in every case when entering a displaced persons assembly center other than wholly Soviet.

Sent London as 27, repeated to Department as 292.

MURPHY

501.BD Refugees/5-2046

The British Minister (Makins) to Mr. C. Tyler Wood, Special Assistant to the Assistant Secretary of State (Clayton)

Ref. 173/-/46

WASHINGTON, May 20, 1946.

MY DEAR TY: Would you refer to the *Aide-Mémoire* of May 13th about the proceedings of the Refugee Committee.

2. After the conversation which we had on this matter on May 12th, I informed the Foreign Office that the initial reaction of the State Department was (a) that the proposed tie-up with the United Nations on matters of policy would merely provide another opportunity for the "Slav group" to obstruct and block action, and (b) that the proposal for negotiation of an agreement within the Economic and Social Council was open to the same objection and that a direct negotiation among those willing to help would make for more rapid and effective action. I said you felt that we should not get co-operation of any kind from Eastern Europe on this issue, and that it would be more realistic to face this fact at once.

3. I have now had a considered reply, of which I enclose a copy for your confidential information. I have left in the expression "Slav group" as a matter of convenience, although it is not a term of art.

4. I very much hope that in all the circumstances you may find it possible to send instructions to Warren ⁷⁵ as proposed in the last paragraph of the enclosure to this letter.

5. Perhaps when you have had time to digest this document we could have a talk about it.

Yours sincerely,

ROGER MAKINS

[Enclosure]

TEXT OF MESSAGE FROM FOREIGN OFFICE

While we appreciate the United States point of view, we fear we cannot agree as regards their point (a).

2. If the Slav group are so strongly represented as they apparently expect to be in the new organisation, they will have far more oppor-

⁷⁵ Mr. George Warren was United States representative on the Special Committee on Refugees and Displaced Persons established in London by ECOSOC, April 8-June 1, 1946.

tunity to obstruct and block action in that organisation if it is in the last resort wholly independent than if it is subject to some kind of ultimate political and financial United Nations control. Minister of State points out that, on refugee and displaced persons questions, we have always hitherto had overwhelming majorities against the Slav group in the Executive Committee, the Preparatory Commission and the Assembly of the United Nations, and also in the Economic and Social Council, except when we and the United States Government have disagreed; and no doubt we could always do the same in future. It is clear moreover that the only way of getting any power behind the work to be done by the new organisation is by means of assembly debates, but such debates will have little value if the United Nations is without any effective ultimate control. Moreover if such United Nations' control could be provided for, and the United States Government would help to make it effective, so that it was clear that the authority of the United Nations Assembly was behind the new organisation, the chances of the work of the latter being a success would be far better even than in the case of the refugee work undertaken after the first world war by Dr. Nansen, when he had much less government backing and much less money, and was nevertheless able to get successful large-scale results.

3. The above arguments in favour of the proposed tie-up with the United Nations seem to us to apply equally as regard the negotiation of the agreement establishing the new body. The Slav group, who are anxious to restrict the scope of the new organisation, have strong views about the form this agreement should take and they are more likely to be able to make these views effective in independent negotiations between a group of powers such as those represented on the Refugee Committee than they would be if the Economic and Social Council sponsored the new agreement and gave its official blessing in advance to an agreed text which representatives of all the nations represented at the Assembly would adopt as a resolution of that body establishing the new organisation.

4. We fully understand and indeed have good reasons to appreciate the State Department's view that we are unlikely to get effective co-operation of any kind from the Slav group on this issue and that it might be "more realistic to face this fact at once". But we are not clear what conclusions they draw from this premise. Are they contemplating the creation of a new International Refugee Organisation in which the Slav Powers would not participate at all? If so how do they contemplate that the reversal of policy implied should be carried out? Would they suggest that we should work for a complete break with the Slav Powers on major issues of principle, and that we

should then call a new and separate conference, without the Slav Powers, to draw up new proposals and a new constitution? It would be useful to have the State Department's views on all these points.

5. The advantages of a separate organisation without the Slav Powers are obvious. The main sources of difference on issues of principle being removed, it would no doubt be much easier to reach agreement regarding the composition, constitution, mandate, etc., of the new body. The non-participation of the Slav Powers in the financial arrangements would theoretically throw a heavier burden on the participating powers but as it seems clear that the Slav Powers will in fact make no effective contribution or only do so to a limited extent and on conditions which would greatly add to the difficulty, complexity and duration of the new organisation's work, this point is perhaps more one of form than of substance. From the financial point of view in fact they might be more of a liability than an asset.

6. The disadvantages seem to be the difficulty of reversing our policy on so major an issue as that of the participation of the Slav Powers in the new organisation, the complete loss of support which it might involve from the majority of countries of origin for any activities undertaken by the new organisation (which might prove particularly inconvenient in questions of repatriation, screening, etc.), and above all the open breach in the principle of United Nations co-operation, for the maintenance of which we have already made such heavy sacrifices.

7. If a new organisation without the Slav Powers were to be created, the objections of United States Government would have more weight and a strong case might be made for having no even ultimate control by the United Nations. On the other hand lack of United Nations backing would inevitably reduce the power and authority of the new body, with consequent loss in efficiency. Moreover, other problems such as that of providing finance outside the United Nations budget would still remain.

8. Meanwhile we have been out-voted in the Refugee Committee on the major questions of the integration of the new organisation into the United Nations and of the creation as an alternative of a commission of the Economic and Social Council to control it. We have since been trying to ensure that the type of relationship with (including the degree of control by) the United Nations, should at least be left as open as possible. Warren has been strongly resisting this with the active support of the Slav group. It would be a great help if he could receive instructions at least to agree to leave this issue open.

501.BD Refugees/5-1346

The Department of State to the British Embassy

MEMORANDUM

The Department of State acknowledges the receipt of the memorandum of the British Embassy (Ref. 173/-/46) dated May 13, 1946, in which the views of the United States Government are sought on certain issues arising out of the work of the Special Committee on Refugees and Displaced Persons, now meeting in London, and in which inquiry is made as to whether this Government is prepared to instruct its Representative on the Special Committee to support a solution of these issues on the lines proposed in the memorandum.

On the first of the two main questions to which the British memorandum refers, concerning the categories of refugees to be included in the mandate of the new organization, the United States Representative at London appears to have held views generally similar to those of the British Representative. If, as the British memorandum suggests, the Soviet Representative and his supporters should present a minority report, the question would presumably have to be dealt with in the Economic and Social Council or the General Assembly by resort to voting, in the same manner as that in which any similar minority views within the Organization must ordinarily be dealt with.

On the second of the two main questions at London, concerning the character of the proposed organization, the United States Government is fully aware of the gravity and urgency of the problem of refugees and displaced persons and, like the British Government, it is seeking such organizational forms and relationships as are, in its opinion, best calculated to produce effective results. As the record of the discussion which has been taking place in London makes clear, the United States Government believes that a specialized agency is better designed to cope effectively with the problem of refugees and displaced persons than a commission of the Economic and Social Council.

In order that the work of the proposed specialized agency may be closely associated with that of the United Nations, the United States Government supports the relationship of the specialized agency to the United Nations, under Articles 57 and 63 of the Charter.⁷⁶ This Government would also agree that the terms of the relationship agreement should provide for review and comment of the budget of the specialized agency by the General Assembly or, through assignment, to the Economic and Social Council.

On the question of whether the Director-General of the specialized agency should be appointed by the Economic and Social Council or

⁷⁶ 59 Stat. (pt. 2) 1046 and 1047, respectively.

by the appropriate organ of the agency, the United States Government believes that the possibility of a divided responsibility would be avoided if the appointment were made by the agency.

As to personnel, the United States Government agrees with the British Government that recruitment should be undertaken on an international basis but not on the basis of fixed ratios for particular countries. The suggestion is therefore made that the formula embodied in Article 101 of the Charter furnishes every necessary protection to efficiency, competence, and integrity.⁷⁷ The United States Government would regard as highly desirable the adoption of some procedure by which qualified personnel of the Intergovernmental Committee on Refugees would be given a prior claim to employment in the new organization and the new organization thereby made to benefit by the skill and devotion which many of the staff of the Committee have exhibited for so long a time.

The United States Government agrees with the British Government that delay in establishing the proposed new agency would be unfortunate in the highest degree. Every procedural possibility should, therefore, be explored which could result in speedy establishment. It seems very likely that among the most rapid of such procedures is included that suggested in the British memorandum—by which invitations to join the new agency would be issued by the Economic and Social Council and accompanied by a draft agreement to be signed by duly authorized delegates to the second part of the first session of the General Assembly in September. It would, however, be necessary to provide that such an instrument would not become automatically effective for such countries as found it necessary under their constitutional processes to refer the instrument to their Governments for approval. It is understood that, in the case of the United States, such an instrument would require reference to the Congress for approval.

It is understood that agreement has now been reached in London that the arrangements for financing, which this Government agrees should be different from those hitherto obtaining in the Intergovernmental Committee on Refugees, are to be left for later consideration. It is the hope of the United States Government that such arrangements will also include those necessary to enable the Intergovernmental Committee to function effectively during the period before the new agency will begin to function.

WASHINGTON, May 22, 1946.

⁷⁷ 59 Stat. (pt. 2) 1052.

501.BD Refugees/5-2046

Mr. C. Tyler Wood, Special Assistant to the Assistant Secretary of State (Clayton), to the British Minister (Makins)

WASHINGTON, June 5, 1946.

MY DEAR ROGER: Thank you very much for your letter of May 20, 1946, (Ref. 173/-/46) in which you reported the views of the Foreign Office on the question of representation in the proposed international body for refugees and displaced persons.

We have felt all along, as you know, that a specialized agency is a more suitable form of organization for this particular problem than a body brought directly within the jurisdiction of the Economic and Social Council or the General Assembly. In coming to this position, the problem of different membership weighed heavily with us. Any international program for refugees and displaced persons has been, and will probably continue to be, surrounded by a good deal of controversy. If there are states Members of the United Nations which are on the whole unsympathetic to such a program, it seems to us that there is much to be said for not compelling these states to be constantly in the position of having to oppose what is being done by putting the program within the jurisdiction of the organization of which they are already Members. By the same line of reasoning, if there are states not Members of the United Nations which are on the whole favorably disposed to the contemplated program and which have made notable contributions to the relief of refugees and displaced persons, it seems to us unfortunate to exclude these states from participation in the program. To employ a specialized agency, on the other hand, in which membership is voluntary and to which states not Members of the United Nations may, under certain conditions, be admitted, simply recognizes the great difference in interest that does in fact exist.

We should certainly not seek, however, deliberately to exclude any group of states from the proposed specialized agency. We should, on the contrary, wish as members of it any states now Members of the United Nations that desired to participate in its work as well as such other states as might also be deemed to be in a position to contribute to its success. Indeed, we can see a very considerable advantage in having as members of the new body states which might be opposed to much of what the new body undertook to accomplish—provided that such states wished to be members—on the ground that their viewpoint ought not to be overlooked in the formulation of projects of concern to so wide a portion of the international community. But what we should not wish to do would be to compel such states to participate against their will.

I appreciate very much your having given me the benefit of your thought and that of the Foreign Office on this extremely important issue.

Sincerely yours,

C. TYLER WOOD

SWNCC 46 Series : Telegram

The Joint Chiefs of Staff to the Commanding General, United States Forces, European Theater (McNarney)

SECRET

WASHINGTON, 7 June 1946.

WARX 90606. To McNarney for action, Clark for information from the Joint Chiefs of Staff. The following, received from the State, War and Navy Departments, is transmitted in reply to your S-2114 and S-2716 dated 19 and 27 April 1946, respectively:

"Since the political system in force in the Soviet Union is basically different from that applying in the United States, and the questions of what rights a Soviet citizen has are matters which concern the Soviet Government solely, the question does not arise in interpreting the directive regarding repatriation of Soviet citizens whether an individual should be considered as having lost his Soviet citizenship because he was deprived of certain rights which under American law would cause him to lose his American citizenship. American rules of citizenship do not apply to Soviet citizens and it is not a proper function of American officials to attempt to determine whether Soviet citizenship has been lost in individual cases through denial of civil rights. Question of citizenship of Kulaks, White Russians who opposed the 1917 revolution but continued to reside in the Soviet Union, and dissenters (categories A, B and C in telegram S-2716 April 27) who are otherwise subject to forcible repatriation under the terms of the basic directive is one for determination of Soviet authorities only.

The only criteria to be applied in interpreting the directive are the following:

1. That the individual was a Soviet citizen under Soviet interpretation of Soviet law and was domiciled in the USSR on 1 September 1939;
2. That in cases of doubt the Soviet authorities declare that they continue to consider such person to be a Soviet citizen today, and specifically request his repatriation."

740.00119 Control (Germany)/7-1046 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Harriman)

SECRET

WASHINGTON, July 11, 1946—8 p. m.

5317. For Warren from Winslow.⁷⁸ The following telegram no. 1690, dated July 10, 1946, has been received from Berlin :

“OMGUS has approved directive submitted by USFET which establishes forcible repatriation of Hungarian, Rumanian and Bulgarian nationals in DP Assembly centers US zone accepted by accredited repatriation representatives respective governments. Only exceptions non-Jewish persecutees and Jews. Under directive subject nationals not in Assembly centers remain German responsibility with Military Govt supervision.

DP Division OMGUS estimates approximately 20,000 persons affected. Forcible DP repatriation US zone applied to date only certain categories Soviet nationals and war criminals—Quisling class. Directive not submitted this mission for concurrence. It appears, however, inconsistent with position taken by US Govt in UN DP discussions. Furthermore, it is believed directive which presumably derives from military insistence upon reduction population US zone overlooks broader political aspects. Legitimate political refugees not falling in war criminal, Quisling, or collaborator class undoubtedly are among subject nationals. Even though they are enemy nationals, question of principle raised when similar political dissidents among Poles and Yugoslavs are not forcibly repatriated. Similar treatment accorded Italian and Austrian nationals.

USFET policy re enemy DPs expressed in Title 20, Sections 200.2 and 201, Military Govt Regulations OMG (US zone) which state subject persons may be repatriated without regard personal wishes. From informal discussion obvious policy is outgrowth of note to Paragraph 30 SHAEF Administration Memo 35 Revised (my despatch 290, April 25, 1945⁷⁹) which requires repatriation of enemy DPs without respect to personal wishes. So far as this Mission knows, SHAEF memo never submitted to War for approval.

In view of US Govt position re forcible repatriation as we understand it, of uncertain political situation in subject countries which makes many nationals thereof reluctant to return and of potential political repercussions, we have raised informally objections until policy is clarified and we understand directive temporarily withheld. OMGUS staff study being prepared recommending to War that forcible repatriation be abandoned except under existing agreements. Dept's views on our position urgently requested as our concurrence in staff study will be asked.”

No information here to indicate US has taken a position at UN DP meetings which would preclude a policy of forcible repatriation under

⁷⁸ Richard S. Winslow, Assistant Adviser in the Office of the Assistant Secretary of State for Occupied Areas (Hilldring).

⁷⁹ Not printed.

conditions mentioned in quoted telegram. Please furnish facts or references, if any, on this point in your statements or discussions in UN sessions. [Winslow.]

ACHESON

740.00119 Control (Germany)/7-1646: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 16, 1946—8 p. m.
[Received July 17—7:35 a. m.]

1733. My 1690, July 10⁸⁰ (repeated to London by Dept for Warren, 202 to Paris, 45 to Budapest, 17 to Bucharest, and 2 to Sofia) re proposed USFET directive forcible repatriating Hungarians, Bulgarians and Rumanians in assembly centers. US position as outlined in mentioned telegram and as understood here did not have reference specifically to enemy displaced persons but to US vigorous support of principle of voluntary repatriation. This position appears logical extension to enemy displaced persons of policies adopted for ex-enemy persons such as Austrians and Italians. It also appears in line with your 107 July 13, 1945; my 209, July 24, 1945; your 180 July 27, 1945.⁸¹

USFET has now advanced modified proposal which would repatriate all subject nationals in displaced persons centers but would require those unwilling to return to leave such centers and become part of German community.

Enemy displaced persons centers by present directives are operated and supplied by Germans.

Sent Dept 1733, repeated London for Embassy and Warren 251, to Paris 211, to Budapest 49, to Bucharest 21 and to Sofia as 3.

MURPHY

840.4016/7-1846: Atrgram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, July 18, 1946.
[Received August 6—11:09 a. m.]

A-152. On June 28 proclamations appeared in the Russian Bezirke of Vienna and elsewhere in the Russian zone announcing the expulsion of Reichsdeutsche and Volksdeutsche.

⁸⁰ Text quoted in telegram 5317, July 11, *supra*.

⁸¹ *Foreign Relations*, 1945, vol. II, pp. 1176, 1177, and 1179, respectively.

The order was singularly unspecific. The Austrian Government promptly protested, basing the protest on the need of the affected persons for taking in the harvest and on the fact that many occupy key positions in industry and the bureaucracy. The Russians demanded registration lists, and these were supplied—a Reichs- or Volksdeutscher. On 30 June Chancellor Figl obtained a one week's postponement, in which time he hoped to obtain an increase in the exemptions granted from 6,000 to 12,000. He was, indeed, promised that the increase would be granted. On 7 July, however, the movement of repatriables was ordered begun. This left the Chancellor, still lacking any precise definition of who was affected, no recourse other than to inform the public by radio that he insisted on exemption of "those who were resident in Austria prior to 13 March 1938, who were essential to Austrian economy or who had achieved Austrian citizenship".

The Russian censor first tried to block the above announcement, but it was broadcast despite his objection, which was subsequently withdrawn.

The news of the movement was given wide publicity, chiefly through US press sources. Late in the afternoon of 10 July, the Russians ordered the movement postponed. Repatriables already gathered in railroad stations and on trains were dismissed and told to return to their homes until harvest and Chancellor Figl was assured that no further movement from rural areas would take place until the harvest was in. It was hoped in the meantime to clarify the categories of those involved and to raise the exemption figure. There seemed little doubt that the Russians' impulsive action was related to Order No. 17,⁸² regarding the seizure of German property in the Russian zone, since the repatriables were to be allowed only 15 kilograms of baggage and Russian transport was reported to be ready and waiting to gather up what they left behind. Indeed, it was widely reported that repatriables who returned to their homes found them already stripped.

The leftist press, and particularly the Red Army's *Oesterreichische Zeitung*, inveighed heavily against the handling of the affair by the Austrian press, especially blaming the American News Service. The Russians insisted that they had never intended to move the 54,000 persons reported affected by the Austrian officials and subsequently by the American News Service. The fact remained, however, that the order, as written, technically affected that number, and if the Russian intentions were less sweeping they failed to specify the limitations.

The incident illustrated anew the Russian sensitivity to publicity and the power of publicity to dissuade them from undertakings which they are accustomed to carry through in areas where they have the press effectively muzzled.

ERHARDT

⁸² For text, see Department of State *Bulletin*, July 21, 1946, p. 123.

840.48 Refugees/7-2546 : Telegram

The Ambassador in Poland (Lane) to the Secretary of State

CONFIDENTIAL

WARSAW, July 25, 1946—5 p. m.
[Received August 4—8: 50 a. m.]

1144. 1. Embassy has evidence Jews now leaving Poland illegally in great numbers via Czechoslovak frontier, with ultimate destination American zone, Germany. Rate prior to Kielce pogrom⁸³ approximately 70 per week. Rate now 700 per day. Evidence indicates numbers involved may total 100,000.

2. According eyewitness account by Mary Gibbons, UNRRA Deputy Director General for Health, Welfare and Repatriation, who has just visited Czechoslovakia, Jews cross frontier with connivance Polish and Czechoslovak border guards and are transported by Czechoslovak railway to Bratislava. Here Soviets facilitate transit to American zone Austria, and US military authorities, Austria, send them on to Germany.

3. JDC assists with food and other help in Czechoslovakia. Apparently Jews so arriving all well provided with money.

Detailed information follows by air.⁸⁴

Repeated to Berlin as 181; Vienna as 21; London as 153.

LANE

740.00119 Control (Germany)/7-2346 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, July 25, 1946—8 p. m.

1589. Dept concurs in comments urtel 1690 July 10 re USFET directive on forcible repatriation Hungarian, Rumanian and Bulgarian displaced nationals. In this connection see also Deptel 121 July 16, 1945 to Hoechst.⁸⁵ US tradition of protecting political refugees and this Govts opposition to mass expulsion such persons affirmed in my speech July 15 on CFM meeting.⁸⁶ As indicated by Warren (Lon-

⁸³ For documentation on the Kielce pogrom, see vol. VI, pp. 374 ff., *passim*.

⁸⁴ Not printed.

⁸⁵ This telegram contained the Department's views on detainees from ex-satellite countries suspected of war crimes in a country formerly occupied by Germany or in Italy. In general, it was felt that they should be turned over to the national authorities of their own states on request by the latter unless they were to be tried or used as witnesses before an international tribunal. Ex-satellite detainees not included in these categories were to be released after interrogation and assisted in reaching their homes. (740.00116 EW/7-1645)

⁸⁶ For text of Secretary Byrnes' speech, see Department of State *Bulletin*, July 28, 1946, p. 167. For documentation on the Council of Foreign Ministers, see volume II.

don's 6931 July 23 sent Berlin 576 ⁸⁷) US position at all UN meetings has been opposition in principle to forced repatriation. Question of repatriation ex-enemy nationals, however, other than those persecuted for racial, religious or political reasons has never risen.

Modified proposal (urtel 1733 July 16) would seem acceptable in principle. However, we assume that before any new directive is issued, it will be referred here for approval as we and War Dept both interested in procedure by which policy concerning DP's is executed.

Sent Berlin, rptd Paris for Matthews, Budapest, Bucharest, and Sofia.^{88a}

BYRNES

800.4016 DP/7-2646

The Secretary of State to President Truman

WASHINGTON, July 26, 1946.

MY DEAR MR. PRESIDENT: In consonance with our desire to keep you informed regarding major developments relating to displaced persons and persecutees, I am submitting the following information:

A conference was held between the Secretary of War and myself on July 24 concerning General McNarney's request to close certain U.S. Zone borders against further infiltration of persecutees after a total of 110,000 such persecutees had been reached in camps in the U.S. Zone, Germany and Austria. It was decided:

A. That General McNarney would be granted permission to close the U.S. Zone borders against persecutees from the British Zone of Germany and the French Zone of Germany and Austria whenever he believes it to be wise or necessary.

B. That he would, however, be instructed:

(1) not to close any other U.S. Zone borders of Germany and Austria against persecutees,

(2) or to limit in any other way the number of persecutees to be admitted to DP centers and properly cared for in the U.S. Zone.

Faithfully yours,

JAMES F. BYRNES

840.48 Refugees/8-346: Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, August 3, 1946—4 p. m.
[Received August 4—2: 08 p. m.]

1071. Nearly 4,000 more Jewish refugees arrived Vienna from Poland last night suddenly unexpectedly. USFA has until now been

⁸⁷ Not printed.

^{88a} Repeated to Paris as 3656, Secdel 519, Budapest as 737, Bucharest as 491, and Sofia as 237.

making admirably successful efforts to cope with such movements by providing for orderly handling while in US areas Austria, but mass infiltrations from east are now assuming dangerous proportions threatening to get entirely out of hand. Facilities for care are already overtaxed, and such large numbers of hungry, homeless persons appearing unexpectedly in Vienna where they will congregate in US sector will present grave problems of maintaining law and order.

We hear indirectly from Praha that Czechoslovak Govt decided 48 hours ago to open Polish-Czechoslovak border to these movements; that possibly 15,000 or 20,000 more are now ready to entrain out of Poland, that in discussions with JDC representative Czechoslovak Govt expresses willingness to let trains traverse Czechoslovakia provided they exit, and would let some proceed Germany only if assured it would not interfere with Sudeten expulsions but do permit all proceed Austria where Soviet authorities permit entry.

These people then flow unexpectedly into Vienna and US zone Austria and become wards of USFA. On movement into Italy is hindered at border and into Bavaria by efforts to regulate movements to keep them orderly. Numbers thus pile up in US zone Austria where camp facilities already overtaxed and to leave refugees loose on countryside to take care of themselves would endanger order and security.

I recommend urgent representations to Czechoslovak Govt to regulate flow of these refugees in order to prevent concentration dangerous numbers in Austria and serious consideration of General Clark's parallel telegram to AGWar for Assistant Secretary of War urging action to facilitate on movement into Italy.

Sent Dept as 1071; repeated Paris as 165 for Delsec; and Praha as 55, and Bern. Bern please relay to Geneva for Fierst⁸⁸ as our unnumbered message.

ERHARDT

840.50 UNRRA/8-746: Telegram

The Vice Consul at Geneva (Havron) to the Secretary of State

SECRET

US URGENT NIACT

GENEVA, August 7, 1946—4 p. m.

[Received August 9—3:40 p. m.]

112. To Hilldring from Clayton.⁸⁹ Independent observations by Wood and Fierst in United States zones of Germany and Austria have led to conclusion that our military authorities are not adhering to

⁸⁸ Herbert A. Fierst, adviser in the office of the Assistant Secretary of State for Occupied Areas (Hilldring); adviser to the U.S. delegate, 5th session of the UNRRA Council, Geneva, August 5-17, 1946.

⁸⁹ Assistant Secretary Clayton headed the U.S. delegation at the 5th UNRRA Council session.

United States Government policy with respect to London Poles.⁹⁰ Most of London Poles have lately been deprived of official status as repatriation liaison officers but there is no doubt that through support and friendship of United States military they are still exerting considerable influence. This is certain to be a cause of continuing embarrassment to the United States Government and exerts a retarding influence on repatriation of Polish displaced persons. Undoubtedly Warsaw Government has been lax and perhaps even uncooperative in providing effective liaison officers in adequate numbers. However, United States will be blamed in large measure for ineffectiveness of Warsaw Polish Liaison officers and non-repatriation of large number of Poles as long as our military authorities maintain present unfriendly attitude toward Warsaw Poles in contrast to friendly attitude toward London Poles. Among reasons informally advanced by military authorities for their present attitude are that G-2 desires number of Warsaw Poles kept to a minimum and their activities be severely circumscribed; that London Poles are useful for welfare work among non-repatriable Poles; and that attitude of State Department as conveyed to them informally by Colonel Tony Biddle⁹¹ was that elimination of influence London Poles should not be pressed. There was considerable doubt in minds of military authorities as to whether United States Government really meant that UNRRA resolution 92⁹² should be completely implemented with respect to London Poles.

US delegation introduced and sponsored Resolution 92 and there should be no question as to our intention to implement it 100%. Accordingly, I believe that it would be highly desirable for a directive along the following lines to be transmitted immediately to our military authorities in Germany and Austria :

“It is the policy of the US Government to eliminate any influence exerted in U.S. zones of Germany and Austria by officials of the former London Polish Government in exile. Accordingly, you are directed to take such steps as may be necessary immediately to remove all London Poles from positions of influence in displaced persons camps or with respect to displaced persons; to deny them access to camps; to refrain from using them on any military staffs; and to deprive them of any official status whatsoever. You will immediately extend an invitation to representatives of the recognized Polish Government to provide substantial number of liaison and welfare officers adequate to the task of promoting maximum possible repatriation and you will furnish adequate facilities for them. You will report any instance of

⁹⁰ Reference is to the Polish Government in Exile. For documentation on United States interest in the establishment of a Polish Government of National Unity, see *Foreign Relations*, 1945, vol. v, pp. 110 ff.

⁹¹ Col. Anthony J. Drexel Biddle, Jr., Chief, Allied Contact Section, Headquarters, USFET.

⁹² For text, see Woodbridge, *UNRRA*, vol. III, p. 155.

failure of the Polish Government to provide adequate officials upon your request and also any instances of misconduct or lack of cooperation on the part of Polish representatives in your zone".

I hope that such a directive may be sent to the military authorities during the next few days. Please keep me informed as to status of this subject as it will have an important bearing upon discussions at this Council meeting as well as upon future policy in Germany and Austria. [Clayton.]

HAVRON

840.48 Refugees/7-2546 : Telegram

The Acting Secretary of State to the Ambassador in Poland (Lane)

SECRET

WASHINGTON, August 12, 1946—7 p. m.

U.S. URGENT

755. Urtel 1144 July 25. You are requested to bring following immediately to attention FonOff:

Begin summary: US military authorities report sudden and unexpected increase in movement Jewish refugees from Poland to Austria has created critical situation. In first six days Aug over 10,000 refugees arrived unexpectedly from Poland by train which crossed Zecho territory. Majority of these refugees have infiltrated US zone Vienna and US zone Austria. Camp space in US occupied areas Austria can not be provided in future for any increased number of refugees.

Nature of movement of Jewish refugees is such to indicate that it could not be carried out without knowledge or approval of Polish Govt. While US policy has always favored providing a haven for refugees, limited facilities and supplies in Austria, as well as overcrowding due to large number of displaced persons, make it imperative that movement of refugees be regulated in an orderly manner. US Govt requests urgency cooperation of Polish Govt in reaching solution of this problem and suggests that agreement be reached with CG USFA and with Zecho Govt to provide prior clearance for movement of refugees by train across Zecho to Austria. Note sent to Zecho Govt⁹³ requesting cooperation in regulating movement of refugees.

This situation has been discussed with JDC officials Washington who suggest willingness to facilitate negotiations for agreement to provide regular and orderly movement of refugees, taking into account limited facilities now existing in Austria. *End summary.*

Suggest you contact JDC representative, Warsaw, informing him of foregoing and requesting cooperation in regulating movement of refugees.

Sent to Warsaw as 755; repeated to Moscow as 1471, to Praha as 1021, to London as 5978, and to Vienna as 747.

ACHESON

⁹³ The substance of the note was transmitted in telegram 1020, August 12, to Praha, not printed.

840.50 UNRRA/8-746 : Telegram

*The Acting Secretary of State to the Minister in Switzerland
(Harrison)*SECRET
NIACT

WASHINGTON, August 14, 1946—4 p. m.

1700. Re Geneva's 112 Aug 7. For Wood and Fierst. Directive requested from War to military authorities has been issued. Text follows:

"It is policy of US Govt to eliminate any influence exerted in US Zones of Germany and Austria by officials and adherents of former London Polish Government-in-exile. In order to effectuate this policy, you are requested immediately to take all necessary steps to remove all London Poles from positions of influence in DP camps or with respect to DPs; to deny them access to camps except one special camp assigned exclusively for hard core non-repatriables; to refrain from using them on any military staffs; and to deprive them of any official status and privileges whatsoever.

In event that Warsaw Govt has been uncooperative in providing effective liaison officers in adequate numbers you should immediately extend an invitation to representatives of Warsaw Govt to provide substantial number of liaison and welfare officers adequate to task of promoting maximum possible repatriation. Adequate facilities for such liaison and welfare officers should be furnished.

It is requested that you report any instance of failure of Polish Govt to provide adequate liaison and welfare officers upon your request and that you report any instances of misconduct or lack of cooperation on part of Polish representatives in US Zone."

ACHESON

840.48 Refugees/8-1446 : Telegram

The Acting Secretary of State to the Chargé in Italy (Key)

SECRET

WASHINGTON, August 14, 1946—7 p. m.

1610. Critical situation now faced by US military authorities Austria as result large and unexpected movement Jewish refugees from Poland. Refugees cross Zecho by train to Vienna and majority infiltrate US zone Vienna and US zone Austria. 10,000 arrived first 6 days Aug and 60,000 more expected within next 90 days. US zones Austria used as transit for other destinations but vast numbers remain to become charges on US military authorities.⁹⁴ 5000 will be

⁹⁴ Telegram 1131, August 18, from Vienna, elaborated on these points as follows:

"There is fortunately no anti-Semitic activity here. However, the refugees from Poland wish merely to pass through Austria rather than stay here. They seek other destinations primarily Palestine, secondarily Americas.

"The problem here is thus one of temporary haven and onward movement rather than settlement. It is of such magnitude as to be beyond capabilities of Austrian authorities to handle and to call for more able handling by military authorities who have done so admirably considering their overburdened facilities." (840.48 Refugees/8-1846)

moved to US zone Germany and Brit zone Austria will absorb 1,500. Gen Clark reports no camp space available and any further influx of refugees will require removal of DPs from camps and billeting them on Austrian population. In view critical relief situation Austria and limited relief program, US considers this highly undesirable. No UNRRA personnel available for emergency camps and shortage of military personnel makes construction and administration of camps impossible.

US informed that DP camps at Milan and Bari are empty and desires to move 25,000 refugees to them within next 60 days. This movement will be controlled and administered by US military personnel and by UNRRA and will involve no financial burden on Ital Govt. Provisions will be made by US, UNRRA and by Jewish organizations for feeding of refugees and future provisions made for disposition after withdrawal US military forces 90 days following ratification of treaty. Request you discuss this matter urgently with FonOff and request early consent Ital Govt to movement refugees to DP camps at Milan and Bari. Brit view has been requested by Dept.⁹⁵

Dept has addressed notes to Polish and Zecho Govts⁹⁶ requesting agreement with US military authorities Austria for regulation of train movement of refugees to Vienna.

Sent to Rome as 1610; repeated to Moscow as 1489; to London as 6051; and to Vienna as 759.

ACHESON

840.48 Refugees/8-2446 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

FRANKFURT, August 24, 1946.

PRIORITY

[Received August 26—8: 19 p. m.]

Reurad WX 97352 dated 14 August, subject elimination of influence of London Poles.

Action has been initiated to accomplish the directive⁹⁷ contained in reference cable. The 23 London Polish officers who have been engaged in displaced persons work will either be removed from the zone

⁹⁵ British reaction was requested in telegram 6052, August 14, to London, not printed. Telegram 7574, August 16, from London, reported that oral response of the Foreign Office had not been favorable. The British Government preferred reintegration of the Jews into the economic life of Europe as recommended by the Anglo-American Commission on Palestine. This aim would be frustrated by any policy which appeared to encourage a Jewish exodus to Italy where the camps operated by the American Joint Distribution Committee were already stepping stones to Palestine. (840.48 Refugees/8-1646)

⁹⁶ Not printed, but see telegram 755, August 12, to Vienna, p. 178.

⁹⁷ See telegram 1700, August 14, to Bern, p. 179.

completely or placed in "hard core" displaced persons centers without official status and with no special privileges and no local authority. Assume that your instructions also require the removal of London Poles who are assisting in the supervision of our guard and labor companies, including those utilized outside the occupied zones. This will require some reorganization of some guard units, but action will be expedited and London Poles released as rapidly as possible.

In justice to the affected individuals, I feel that I should state that they served loyally and faithfully with our forces throughout the fighting and were invaluable in controlling and assisting in the initial care of the great masses of displaced persons and camps that were uncovered. They have been very valuable to this command throughout its operations; they have adhered strictly to our policy which places voluntary repatriation above all other considerations; they are still of material value in the maintenance of law and order among certain groups, in the defense and prosecution of Polish criminals, in maintaining proper relations with Polish labor and guard companies, and in representing the interests of the known "hard core" unrepatriable persons to this Headquarters. If and when we are faced with the problem of screening, selecting, and influencing non-repatriable Polish displaced persons to resettle in other foreign countries, the particular group of officers that we are now eliminating would be of tremendous value. In that operation, when it arises, we can expect little or no assistance from Warsaw Poles. These observations are offered in order that you may be in possession of all of the facts.

840.48 Refugees/8-2746: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, August 27, 1946—3 p. m.

US URGENT

[Received 3:50 p. m.]

3621. Re Deptel 1610, August 14. *Pro Memoria* received today from Italian Foreign Minister in reply to request for entry 25,000 Jewish refugees states in substance that:

1. Italy's long standing hospitality to refugees of every country has resulted in presence Italy today of many hundred thousands of foreigners, for most part undesirable, while number of Jewish refugees amounts to several tens of thousands; because of strong demographic pressure the population of Italy suffers consequences this situation.

2. Insofar as proposed additional refugees would be cared for by UNRRA they would be in effect a charge on Italy because UNRRA's expenditures for the purpose would be subtracted from funds which should be destined for reconstruction needs.

3. Furthermore such refugees would obtain greater part of their food from Italian market thus reducing supplies available for needy Italian population.

4. It must also be noted that many of foreign refugees in Italy are engaged in illicit occupations and constitute permanent danger to public order.

5. Until recently entry of Jewish refugees in Italy partly offset by exodus toward Palestine a situation well regarded by Italian authorities since it led to progressive relief of congestion of Jewish refugees in Italy; but such exodus has been suspended and Italy worried because at present impossible foresee when these tens of thousands of Jewish refugees will be able to leave Italy.

6. Under such circumstances a policy of Italian Government resulting in further increasing number foreign refugees Italy would not meet approval public opinion and might in long run create in Italy xenophobic sentiments and acts which have always been alien to spirit Italian people and which Government wishes to avert at all costs.

7. Consequently Italian Government deeply regrets inability to receive on Italian soil additional refugees at least not until repatriation or transfer to other countries of those already here has begun; and re Jews until their immigration to Palestine has recommenced: In such eventuality Italian Government would be pleased to extend hospitality in Italian camps to refugees in question for as long as necessary while awaiting their embarkation.

8. Meanwhile, Italian Government confident it should not prove difficult to arrange temporary settlement of these persons in countries which are from every point of view in better condition than Italy to extend hospitality to them; and confident furthermore that it would be possible to induce the countries from which they come to respect within their boundaries fundamental human rights and not to constrain their emigration until a definite haven has been found for them elsewhere. (end substance *Pro Memoria*.)

In transmitting letter Secretary General Foreign Ministry mentions arguments not included in *Pro Memoria* but which strongly affects current decisions namely already initiated exodus Italian population from Venezia Giulia.⁹⁸ These tens of thousands of Italians to be grafted in destitute conditions onto population of other Italian provinces constitute extremely grave problem which Government can in no way ignore. Secretary General, nevertheless, adds confidentially that Foreign Minister continues with every effort to explore possibility of placing in Italy for strictly limited period at least a fraction (about 1,000) of Jews in question.

Full texts by air.⁹⁹

Sent Dept 3621; repeated London 544, Vienna 67, Moscow 172.

KEY

⁹⁸ For documentation on Venezia Giulia, see vol. iv, pp. 299 ff.

⁹⁹ Not printed.

840.48 Refugees/8-2746: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, August 27, 1946—4 p. m.

US URGENT

[Received August 27—3:07 p. m.]

3623. ReEmbtel 3621, dated August 27. Upon receiving Italian Govt's *Pro Memoria* denying entry request 25,000 Jewish refugees Embassy informed Foreign Minister¹ that reply would be forwarded to Dept, but that it was desired to point out almost certain misconception embodied in Minister's explanation that refugees cared by UNRRA would to all practical purposes be a burden on Italian population (see points 2 and 3 of Embtel cited) which is believed to be basic reason for Italian Govt's refusal. On basis of Dept's instructions contained in Deptel 1610, August 14, Embassy does not believe Dept meant that funds or food for 25,000 refugees would be subtracted from supplies for Italian population because of UNRRA Italy having to care for them out of its present allotments. Foreign Minister agreed to give further consideration to proposal in light of this clarification. Accordingly, Embassy would appreciate urgent confirmation of its interpretation of Dept's instructions.²

Embassy has learned indirectly but authoritatively that at least one high ranking local UNRRA official has voiced personal belief that Italian Govt would reject American request for reason mentioned above.

Since UNRRA Italy has not yet been notified or consulted by UNRRA headquarters on this subject or any aspect of it, and was dependent entirely on local press for its information, it is understandable that misconceptions should arise.

Repeated London 545, Vienna 68, Moscow 173.

KEY

840.48 Refugees/8-2846: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, August 28, 1946—4 p. m.

[Received 4:50 p. m.]

3642. ReEmbtel 3621 and 3623, August 27. In talk this morning with Embassy officer, chief of political section of Foreign Ministry, Zoppi, indicated following regarding Italian Government's reply to American request for entry 25,000 Jewish refugees.

¹ Alcide de Gasperi.

² Department telegram 1681, August 29, to Rome, reads as follows: "Your interpretation Dept's instructions re maintenance Jewish refugees correct." (840.48 Refugees/8-2746)

Government's main reason for refusing our request is not so much question maintenance refugees here but rather serious problem already confronting Italy connection with excessive number refugees already here plus international repercussions involved therein. Zoppi emphasized arguments set forth under points 5, 6 and 7 of Embtel 3621, cited in confidence. He admitted that British Government has recently made three vigorous representations to Italian Government insisting movement in and out of Italy of Jews be stopped. While not a determining factor in Italian Government's decision refuse our request, contrary British pressure places Italy in difficult situation. See Embtel 3603, August 23 sent London 543.³

Zoppi finally stated that if US Government would work out concrete plan for ultimate evacuation of given number of Jews for whom entry requested, Italy might consider allowing possibly 10,000 out of 25,000 to enter from Austria providing also, however, that their entry be spread out over period of months and that a roughly equivalent number of refugees now here be moved out of Italy before all of 10,000 enter from Austria. Zoppi made clear Italian Government's understanding and sympathy with US problem with influx Jews our zone Austria, reiterated Government's desire to cooperate in this matter with US notwithstanding British pressure and expressed earnest hope US would understand long term problem facing Italy on whole refugee question.

Sent Department 3642; repeated London 549, Vienna 71, Moscow 177.

KEY

860F.00/9-346 : Telegram

The Ambassador in Czechoslovakia (Steinhardt) to the Secretary of State

SECRET

PRAHA, September 3, 1946—3 p. m.

[Received 6:20 p. m.]

1601. Re my 1599, August 30.⁴ It should be borne in mind that although the United States supported Czechoslovak request at Potsdam for expulsion of Sudeten Germans⁵ and has loyally abided by

³ Not printed; it indicated that an Italian Government spokesman had mentioned to a member of the British Embassy the difficulty in reconciling the British request that Italy tighten its border controls to prevent alleged entry and exit of Jews with the American request that Italy open its borders to admit 25,000 Jews from Austria (840.48 Refugees/8-2346).

⁴ Not printed; it transmitted a translation of a portion of a recent speech by Prime Minister Gottwald wherein he commented on Slav solidarity in supporting the Czechoslovak government's efforts to evacuate its German and Hungarian minorities (860F.00/8-3046).

⁵ See *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. I, pp. 643-650; *ibid.*, vol. II, pp. 398-399, 1495, 1511.

decision authorizing their expulsion and is accepting 70% of expellees into American zone, Germany, Communist Party in Czechoslovakia, including highly placed government officials and left wing press, have at all times given exclusive credit for the Potsdam decision to the Soviet Union even going so far as to repeatedly state publicly that United States accepted the decision reluctantly under pressure from Soviet Government. Insofar as I am aware, no official of Czechoslovak Government and none of moderate newspapers have had the courage to give United States much credit for Potsdam decision although on two or three occasions, the moderate press has taken issue with left wing press as to the numbers of expellees accepted into the American and Soviet zones reacting particularly vigorously to a speech by Kopecky, Communist Minister of Information, in which he charged that while the Soviets had accepted a million expellees and were receiving 9,000 daily, the "Anglo-Americans" had broken their promise and had accepted only about 200,000.

Sent Department 1601; repeated Paris 159.

STEINHARDT

840.48 Refugees/9-346 : Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, September 3, 1946—7 p. m.

[Received September 3—2: 15 p. m.]

1199. Re Warsaw's 1291 August 23 to Dept⁶ and Prague's 56 August 15 to Vienna⁷). Lack of unrestricted exit from United States zone Austria and shortage of adequate housing render imperative all practicable steps be taken to reduce influx of Jewish refugees to Vienna. Arrival at Vienna for past 10 days average 996 per day. These must be transferred to United States zone daily and held until they can be moved on into Germany. This double movement greatly increases transportation cost as well as fatigue to the women, children and aged among the refugees. It is understood that Czechoslovakian Government assisting in rail movement of majority of these refugees across Czechoslovakia to Bratislava whence the only egress is toward Vienna.

⁶ Not printed; it reported on a conversation between Ambassador Lane and Mr. William Bein, Director of the Joint Distribution Committee in Poland, wherein the latter indicated that the Jewish exodus was not organized but that the groups of refugees were formed naturally by a gradual gathering together of those determined to flee (840.48 Refugees/8-2346).

⁷ Repeated to the Department as telegram 1514, informing it that the Czechoslovak government had been requested to cooperate in the curtailment of the flow of Jewish refugees from Poland across Czechoslovakia (840.48 Refugees/8-1546).

Between 1 and 27 August 22890 Polish Jews arrived in Vienna all of whom were subsequently moved to United States zone Austria. In the same period USFA received approximately 3500 Jewish refugees from Hungary and the East and it is explicit that influx of refugees from this source will continue. It must therefore be emphasized that a substantial decrease in the number of refugees arriving in Vienna from Poland is imperative and also that USFA authorities be advised in advance of arrival of refugees whenever possible.

In view of opinions of Bein which confirm other reports received here that Jewish people recently settled in Lower Silesia enjoy better living conditions and sense of security and do not therefore feel urgent need for haste in leaving Poland it is suggested (reurtel 1300 August 24 to Dept^s) that you continue to urge Polish Govt the possibility of resettling in Silesia the Jews now fleeing central Poland or of establishing camps for them in that area where they can be assured some measure of security pending settlement of the general question by IRO.

Sent Warsaw as 22, repeated Department 1199, Berlin 90, Prague 59.

ERHARDT

840.48 Refugees/9-646: Telegram

The Ambassador in Poland (Lane) to the Secretary of State

SECRET

WARSAW, September 6, 1946—2 p. m.

[Received 4: 45 p. m.]

1361. Informed Acting Foreign Minister Olszewski September 5 of facts regarding recent emigration Polish Jews into Austria as reported in telegram 22, September 3, 7 p. m. from Vienna^{8a} and repeated recommendation previously made that Polish Jews be resettled in Lower Silesia as to avoid any further hardships which are caused by emigration to Austria.

Olszewski said that it is Polish Government policy to settle Polish Jews Lower Silesia and to include them in plans for industrial and agricultural reconstruction of country. He said that he had already instructed Polish representative Mantel in Vienna to consult General Clark.

⁸ This telegram reported on a talk which Mr. Lane had had with Colonel Wrzos, Mr. Bein also being present. Colonel Wrzos, recently appointed head of a government committee on rehabilitation of Jews, said he was not competent to deal with Jewish emigration through Czechoslovakia to the United States zone in Austria, since this problem lay outside Poland's boundaries. He did feel, however, that most of the Jewish migration had subsided and that further anti-Semitic outbreaks in Poland need scarcely be feared. Mr. Lane also inferred from Wrzos' remarks that the Polish government was not anxious to have more Jews settle in Silesia. (840.48 Refugees/8-2446)

^{8a} Same as telegram 1199, *supra*.

Olszewski's statement is not entirely consistent with views expressed by Premier and Wrzos as to resettling of Polish Jews in Lower Silesia and I cannot escape the belief that the Polish Government has intentionally allowed the wholesale illegal departure of Polish Jews to American zones in Austria and Germany. Furthermore because of Government's evident hesitancy to antagonize Polish Jews who according to reliable sources are almost unanimous in desire to leave Poland very much doubt whether Polish Provisional Government will take effective steps to prevent or curtail the exodus.⁹

Sent to Vienna as 28, repeated to Department as 1361, to Berlin as 210, to Prague as 50.

LANE

740.00119 Control (Germany)/10-1246 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, October 12, 1946—10 p. m.
[Received October 13—3 : 20 a. m.]

2367. For your information, following is résumé of a directive being published by OMGUS :

Enemy and ex-enemy nationals (Bulgarians, Hungarians and Rumanians; Austrians are excluded) will be assembled, registered and cared for by German authorities under supervision of military government.

When these displaced persons are prepared for repatriation and loaded aboard trains, responsibility is transferred to the United States Army whose personnel will escort the trains to their ultimate destination and protect the rolling stock during its return to Germany.

Directive exempts all persons and members of their immediate families who qualify as persecutees or who would be subject to potential persecution if required to return to their countries of origin.

Program affects estimated total 40,000 persons as follows : Austrians (voluntary repatriation) 15,000, Hungarians 20,000, Bulgarians 2,000 and Rumanians 3,000. This will conclude a program which has been in process since conclusion of hostilities.

Inasmuch as the execution of this directive will require movements through Austria, OMGUS requests that all assistance be given to obtain uninterrupted transit of the occupied zones of Austria.

Sent Department as 2367; repeated Paris for Matthews as 331.

MURPHY

⁹ Telegram 1586, October 10, from Warsaw, reported on a subsequent discussion with Mr. Bein wherein the latter stated his belief that the Jewish exodus from Poland had reached a virtual standstill temporarily, but that, if for reasons of security the Jews felt it urgent to leave, they would not be deterred by warnings of poor living conditions in the United States zone in Germany (S40.48 Refugees/10-1046).

860F.4016/5-2047

*Agreement Concerning the Temporary Interruption of the Transfer of Germans From the Czechoslovak Republic to the United States Zone of Occupation in Germany*¹⁰

It was agreed at the Potsdam conference, July–August 1945,¹¹ to grant the request of Czechoslovakia to transfer the Germans from Czechoslovakia to Germany, provided this transfer be done in an orderly and humane manner.

The bulk of the movement has been completed by October 1946. In order to transfer the remainder of the Germans in a humane manner, it appears to be necessary in view of the approaching inclement winter season, to discontinue this movement temporarily.

It has been therefore agreed:

1. The transfer of the remainder of Germans will be discontinued on December 1 1946 and will be resumed during the month of April 1947.

2. All conditions of transfer in force up to this date will remain in force when the transfer is resumed in April 1947.

3. The United States Military Government agrees with the principle, that those Germans who are to be transferred to the U.S. occupied Zone of Germany and who are still remaining in Czechoslovakia will be transferred in the shortest possible time after the resumption of the movement as provided in paragraph 1 above.

4. The date on which the transfer will be resumed in the spring, the daily flow of transports and the other technical details concerning the transfer will be agreed upon at a conference to be held not later than February 15th 1947. The date of the beginning of the transfer and the technical conditions of the transfer of the insane, institutional cases, overaged and orphan/derelict/children will be agreed upon at the same date.

Signed in Prague, this 12th day of November 1946.

For the United States Military Government:

HARRY S. MESSEC¹²

Lt Col GSO

For the Czechoslovak Government:

DR. ANTONIN KUCERA¹³

¹⁰ Copy transmitted to the Department as an enclosure to despatch 9972, May 20, 1947, from Berlin, not printed.

¹¹ See *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1511.

¹² Lieutenant Colonel Messec was on the staff of the Prisoners of War and Displaced Persons Division of OMGUS.

¹³ Plenipotentiary of the Czechoslovak Government for the Evacuation of Germans.

740.00119 Control (Germany)/12-646

*Memorandum by the Deputy Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

[WASHINGTON,] November 25, 1946.

I understand that the Danish Foreign Minister¹⁴ intends to raise with you personally the question regarding the repatriation to Germany of the approximately 200,000 German refugees who have been in Denmark since the last days of the war. The following background may therefore be of interest.

These refugees in Denmark fled to that country in the last days of the war from their homes in various parts of Germany, the majority (about 166,000) coming from east of the Oder-Neisse line. These 200,000 refugees constitute about 5 per cent of the population of Denmark and are accordingly a great economic burden for the Danes. The Danes feel that they should all be returned to their homes but so far have been unable to effect this.

The Potsdam Agreement called for the transfer to Germany of the German populations (*Volksdeutsche*) in Poland, Czechoslovakia, Hungary and Austria. On November 20, 1945 the Allied Control Council in Berlin decided on the distribution of these transferred German populations within the four zones of Germany. Germans from Poland (including German territory east of the Oder-Neisse line under Polish administration) were to be absorbed in the Soviet and British zones. Germans from Czechoslovakia in the American and Soviet zones. Germans from Hungary in the American zone and from Austria in the French zone. No mention was made of the refugees in Denmark, as the Potsdam Agreement did not cover temporarily displaced refugees but only *Volksdeutsche*.

Members of the Control Council in Berlin have not objected to receiving in their respective zones those refugees in Denmark who were formerly domiciled in their zones but have not agreed to take the 166,000 who came from areas now under Polish administration. (15,800 came originally from the Soviet zone; 10,300 from the British zone; 1,280 from the American zone and 530 from the French zone.)

Recently the British have agreed to increase the number to be received in their zone to 12,000, which would take care of refugees with relatives in the British zone. The French have also agreed to take 12,000, which they can do quite easily in as much as the French have received practically no *Volksdeutsche* into their zone. (The November 20 agreement specified that the French would take 150,000 Germans from Austria; very few have been transferred and later statis-

¹⁴ Gustav Rasmussen.

tics revealed there were nowhere near 150,000 Germans in Austria eligible for transfer.)

The Danes have also been pressing OMGUS to accept the same number (12,000) as the British and French, but OMGUS has taken the view that it cannot accept any more than the 1,280 who originated in the American zone. OMGUS points out that the obligation to receive the greater part of the refugees in Denmark rests with the British and Soviets, who were obligated under the November 20 Agreement to receive the Germans to be transferred from the eastern areas. Furthermore, OMGUS emphasizes that the acute housing and food situation in the American zone and the commitments to receive Germans from Czechoslovakia and other sources make it impossible to consider taking any from Denmark. OMGUS suggests that in view of the small numbers who have been taken into the French zone it would not be unreasonable for the French to help out in this problem. If they took as many as 100,000 they would still not be exceeding the quota allotted to the French zone by the November 20 agreement. On the other hand the French take the view that they are not committed by the November 20 agreement to accept any Germans from the eastern areas.

When the Danish Foreign Minister was in Moscow last May, Stalin informed him that the Soviets would accept 100,000 German refugees from Denmark in their zone provided the three other powers accepted an equal number in their zones. The Soviet representatives in Berlin, it seems, were not informed by Moscow of Stalin's commitment to the Danish Foreign Minister. Whenever the subject has been raised in quadripartite meetings in Berlin the Soviet representative has stated that he had no instructions. What the Danes now seem to want us to do, that is, to receive 12,000 in our zone, will not solve their main problem, which is to dispose of the large numbers coming from east of the Oder-Neisse line.

A good deal of publicity was given in the Danish press to Stalin's offer. The lack of progress since then has been made to appear in the Danish press as resulting from the three western powers' refusal to agree to take an equal number. The Danish Government authorities understand that Stalin's offer has really never been discussed in Berlin because of the failure of the Soviet representative to receive instructions but this situation has not been made clear to the Danish people. Recently publicity has been given to the fact that the Russians will take 15,000 in their zone, the British and French 12,000 in their zones and the Americans only 1,280 in their zone. This puts us in a bad light, particularly as no explanation has been given by the Danish press for the small numbers to be received in the American zone.

You may wish to ask General Clay about the problem. It is unfortunate that we should be getting such bad publicity on the matter in Denmark. On the other hand the question is one which the Danes should thresh out with the Soviets and British.

JOHN D. HICKERSON

840.48 Refugees/12-446 : Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, December 4, 1946—10 p. m.
[Received December 5—1 : 30 a. m.]

2799. 92nd meeting Coordinating Committee December 3 dissipated several hours in largely fruitless discussion of transfer of populations but achieved some distinction through presence of French substitute member who spoke as equal with forceful and constructive logic in attempting to hold Soviets to their obligations.

1. Project for return of Germans in Denmark met with Soviet insistence that priority be given to completion of transfers from Poland, Czechoslovakia, Hungary, Austria (my telegram 2740, November 27¹⁵). Telegram from LaGuardia¹⁶ was read alluding to unjustifiable burden on Denmark resulting from presence of refugee Germans and message was referred to PW-DP Directorate for reply. Soviet member defeated efforts of United States, British and French members that advanced or concurrent planning be undertaken for return of Germans from Denmark which they asserted merited equal priority with Poland, Czechoslovakia, Hungary and Austria. Coordinating Committee finally approved recommendations (1) and (2) of PW DP Directorate mentioned in reference telegram and decided recommendation (3) be referred to Legal Directorate for clarification of term "non-Germans".¹⁷ United States member made statement for record that he regarded "German civilian internees" as including Germans formerly domiciled east of Oder-Western Neisse line. Coordinating Committee further instructed PW DP Directorate to take all necessary measures for speediest implementation of Control Council plan for transfer of German populations.

¹⁵ Not printed, but see footnote 17, below.

¹⁶ Fiorello H. LaGuardia, Director-General of UNRRA.

¹⁷ The three recommendations, as reported in telegram 2740, read as follows: "(1) that transfers of Germans from Czechoslovakia, Austria, Hungary and Poland will continue; (2) that all Germans formerly residing in one of four occupation zones who fled Germany as well as all released German prisoners-of-war, German civilian internees and obnoxious Germans will be accepted in Germany at rates and time decided by Commander of Zone to which such persons must return; (3) entry into Germany will be prohibited to all non-Germans, except Allied personnel, regularly accredited missions or other persons admitted with concurrence respective Zone Commander." (840.48 Refugees/11-2746)

2. Coordinating Committee was called upon to draft reply to inquiry from ACC Austria pending since February regarding disposition of "Volksdeutsche" from Yugoslavia, Rumania and Bulgaria now in Austria. Soviet member attacked French for refusing to accept such Germans into their zone under quota of 150,000 expellees which they had agreed to receive from Austria. Substitute French delegate, General Bapst, declared obligation extended only to persons of German nationality and he inquired what international commitment obligated France to receive persons from Bulgaria, Yugoslavia and Rumania who either possessed nationality of these countries or were stateless and although of German descent were not of German nationality. Coordinating Committee referred to Legal Directorate nationality question of Germans involved.

HEATH

740.00119 Control (Germany)/12-646

Memorandum by the Assistant Secretary of State (Hilldring) to the Secretary of State

WASHINGTON, December 6, 1946.

The Counselor of the Danish Legation¹⁸ has handed to me a note¹⁹ dated November 21 referring to his Government's desire to repatriate to Germany the 200,000 German refugees who have been in Denmark since the end of the war. Specifically the Danes now ask that, pending a general settlement of the problem, the U.S. zone accept 12,000 of these refugees. The Danish note mentions that recently the British and French have agreed to accept in their zones a similar number (12,000) from Denmark.

I believe that more detailed background on this problem was sent to you several days ago in a memorandum²⁰ for your use when you see the Danish Foreign Minister.

I understand that you may have already discussed this question with the Danish Foreign Minister. In any case I think you should know that I gave the Danish Counselor a sympathetic hearing and that I informed him that I would be glad to recommend that the U.S. authorities accept in the U.S. zone the 12,000 refugees requested by the Danes. I also pointed out that the main problem confronting the Danes was the disposition of the large number of the refugees in Denmark who came from east of the Oder-Neisse line. I reminded

¹⁸ Povl Bang-Jensen.

¹⁹ Not printed.

²⁰ See the memorandum by Mr. Hickerson, November 25, p. 189.

him that this problem was one which the Russians and the British were more directly concerned with than the U.S. authorities.

I imagine you have discussed the problem of the German refugees in Denmark with General Clay. We are getting a pretty bad press reaction in Denmark as a result of our present refusal to accept in the U.S. zone more than the exact number of refugees who were domiciled in that zone. I appreciate the U.S. zone is already over-crowded but 12,000 is not a large number and the goodwill which we would obtain in Denmark seems to me to offset the physical difficulties of making room for these people in our zone.

Unless I hear from you to the contrary I shall recommend to General Clay that he take steps to admit a total of 12,000 German refugees from Denmark in the U.S. zone.

J. H. HILLDRING

SWNCC 46 Series: Telegram

The Joint Chiefs of Staff to the Commanding General, United States Forces, Austria (Clark)

CONFIDENTIAL

WASHINGTON, 6 December 1946.

WAR 87199. Following is text of telegram S-3796 September 17, 1946 from USFET:

“Reurad WX 89544 of 20th December 1945.²¹

“Subject is emigration from the U.S. Zone of Germany of Soviet nationals of Mennonite persuasion.

“1. There are in the U.S. Zone of Germany between 5-6000 displaced Soviet nationals of Mennonite persuasion, of whom 6-700 are registered for and receiving United Nations displaced persons care and treatment. The majority have not registered because they fear forcible repatriation.

“2. The Mennonite Central Committee, an American voluntary agency, has offered to sponsor the emigration of these particular displaced persons at their expense to such countries as Paraguay and Canada, in both of which countries there are successful Mennonite settlements. This agency is currently concluding an administrative contract with UNRRA to work among these people.

“3. Since the inauguration of the emigration program to the United States, a procedure has been established for exit from the Zone for emigration purposes. Persons are not presented to visaing authorities or otherwise documented for emigration purposes until a security screening has taken place, and in cases of emigration to Central and South American countries the approval of the political adviser has been obtained.

“4. The Soviet Repatriation Mission, this Headquarters, recently protested the emigration of certain of their nationals to the United

²¹ Not printed; this telegram transmitted the text of the directive cited in footnote 60, p. 152.

States on grounds that they were subject to forcible repatriation. When queried on the matter the State Department responded to their Immigration Liaison Officer, this Headquarters, as per State Department's cable number 239 dated 25 July 1945 to Vance from Haering,²² that persons of Soviet nationality not subject to forcible repatriation were eligible for emigration to the United States.

"5. On the assumption that the Soviet Repatriation Mission is likely to continue to protest the emigration of their nationals from the Zone, it is requested that authorization be given this Headquarters to arrange for the emigration of those Soviet nationals who leave the Zone under the sponsorship of an accredited agency and who do not, in the opinion of this Headquarters, fall within the terms of the Yalta Agreement as being subject to forcible repatriation as per your WX-89544 of 20 December 1945."

To the above the following reply has been made to USFET:

"Authorization requested in 5th paragraph your number S-3796 September 17 granted."

840.4016/12-1346 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary
of State*

CONFIDENTIAL

Moscow, December 13, 1946—3 p. m.

PRIORITY

[Received December 13—2: 24 p. m.]

4387. Text of letter from Dekanozov²³ dated Dec 10 follows:

"Mr. Durbrow²⁴ in his letter of Aug 21 of this year²⁵ informed me that Govt of the USA wished to complete repatriation of any remaining persons in shortest possible period and that for the completion of the repatriation of Soviet citizens commander of armed forces in Austria was prepared to give permission to Soviet Repatriation Mission to enter American zone of Austria. Three and a half months have already passed since the date of the above assurance, but according to information received by the Ministry, Soviet representatives up to the present have not been admitted by American authorities for the carrying out of the work assigned to them in the repatriation of Soviet citizens located in American zone of Austria. According to latest communications, the representatives of American command in Austria continue to delay solution of this question stating that question of admission of Soviet representatives into American zone of Austria can not be considered until Dec 15, 1946.

"As you will recall, during our meeting with you on Nov 18 of this year the question of the unsatisfactory progress of repatriation of

²² Reference apparently in error.

²³ Vladimir Georgyevich Dekanozov, Deputy Minister for Foreign Affairs of the Soviet Union.

²⁴ Elbridge Durbrow, Counselor of Embassy, Moscow.

²⁵ Not printed.

Soviet citizens from the American zones of occupation in Germany was touched upon by me. At that time you expressed readiness to advise your govt to instruct the appropriate American authorities in these zones to permit Soviet representatives to visit the camps in which Soviet citizens were located in order to carry out repatriation work among these citizens.

"Taking into consideration the situation which has developed, and bearing in mind your readiness to render the necessary assistance in speediest solution of this important problem, I express hope that measures will be taken by you leading to issuance of necessary instructions to representatives of the American Military Commission in Austria to permit the entry of Soviet repatriation representatives into American zone of occupation without delay in order to carry out necessary work, and also to assure the establishment of necessary conditions which would make it possible to successfully carry out the work connected with return to the homeland of Soviet citizens located in American zone of Austria."

SMITH

800.4016 D.P./12-13 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

CONFIDENTIAL

Moscow, December 13, 1946—4 p. m.

PRIORITY

[Received December 13—12: 52 p. m.]

4388. Personal attention Matthews²⁶ from Smith: My immediately following [*preceding*] quotes letter just received from Dekanozov on Soviet Repatriation Mission to Austria. Note his statement that American Command in Austria continues to delay solution and cannot consider until December 15.

On November 19 I wrote you generally as follows:

"Dekanozov referred again to displaced persons question, and I was surprised at bitterness he showed. Really believe we can, without weakening our position, do something to relieve the tension, and I strongly recommend that Soviet representatives be authorized again to visit camps which house individuals whose origin is in territory now a part of Soviet Union whether we consider these people to be Soviet citizens or not.

"Soviet officials who make visit should be authorized to present Soviet case, and given facilities to receive prospective immigrants and answer questions. At end of visit, those who wish to immigrate to Soviet Union should be moved to staging area in preparation for return trip.

"Know this has been done before, but believe that even though it constitutes annoyance to occupation authorities it should be repeated. Capital is being made here that it is anti-Soviet propaganda which is discouraging these individuals, particularly Balts, from returning to Soviet Union. Doubt further proffers by Soviet representatives

²⁶ H. Freeman Matthews, Director of the Office of European Affairs.

would produce much result, but it would place us in stronger position if they were permitted to repeat effort. Same applies to Austria. Will you let me know at earliest opportunity what you decide to do about this?"

It would help me immeasurably if I could give Dekanozov prompt and definite information on this subject which is really engendering bitterness in Soviet FonOff. Let me know particularly facts about Austria.

SMITH

740.00119 Control (Germany)/12-646 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, December 19, 1946—7 p. m.

3008. For Murphy and Clay from the Secretary and Hilldring. You recall problem repatriation German refugees in Denmark was discussed in New York with Danish Foreign Minister who presented *Aide-Mémoire*²⁷ urging solution broad problem. Rasmussen was given sympathetic reply but informed main problem involved Soviets and British who under 4 power agreement were obligated receive refugees previously domiciled Poland and area east of Oder-Neisse.

Danish Legation here has presented note containing more specific request that US zone accept total 12,000 to match Brit Fr offer where-by each accepts similar number. We appreciate US zone not obligated accept such number and that it has already received more than its share refugees from other areas. We also realize overcrowded conditions US zone, food situation, etc., do not favor reception additional refugees who probably in better circumstances in Denmark. Taking all this into account we nevertheless reluctantly have reached conclusion on grounds of national policy that steps should be taken at once to placate Danes. It is particularly important right now to retain and do everything possible to improve Danish goodwill. This objective we feel has overriding importance at this time. To serve purpose intended no time should be lost and we urge you reconsider question, reporting soon as possible whether US zone will receive 12,000 refugees from Denmark. We would have no objection if in working out details with Danes you subsequently informed them actual movement of refugees must be postponed until spring on grounds transfers in winter could not be accomplished in orderly and humane manner. [The Secretary and Hilldring.]

BYRNES

²⁷ Not printed.

740.00119 Control (Germany)/12-2146 : Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, December 21, 1946—7 p. m.
[Received December 21—2:59 p. m.]

2970. For the Secretary and Hilldring. Have discussed your 3008, December 19, with Clay and McNarney emphasizing that the Department has in mind important consideration of policy going well beyond immediate question of German refugees in Denmark. Both point to adverse conditions of housing (apparently 2.4 persons per room), food and other essential features prevailing in US zone Germany. General Clay also emphasized principle involved incident to Control Council agreement of November 1945, which requires the UK and USSR to accept bulk of this batch of German refugees in UK and USSR zones of occupation according to place of their regular domicile. Under that rule majority would be repatriable in USSR zone. As Department has already been informed, US zone Germany already has approximately 731,000 refugees regularly domiciled in territory east Oder-Neisse.

General Clay understands, however, that your decision is based on considerations of a larger character. It is suggested that request for action desired be telegraphed to General Clay via War Department channels.²⁸

MURPHY

800.4016 DP/12-2646 : Telegram

*The United States Political Adviser for Austria (Erhardt) to the
Secretary of State*

TOP SECRET

VIENNA, December 26, 1946—10 a. m.
[Received 10:18 a. m.]

1545. Ref Dept's 1074, and 1075 December 19.²⁹ Negotiations between General Clark and Soviet Commander in Austria³⁰ on question of Soviet repatriation mission successfully concluded December 21. Mission is to enter US zone of Austria and to carry on its task there in accordance with instruction mutually agreed by General Clark and Soviet Commander.

²⁸ Arrangements concerning the transfer of 12,000 German refugees from Denmark into the U.S. zone in Germany continued into the following year.

²⁹ Neither printed; these telegrams repeated to Vienna the texts of telegrams 4387 and 4388, December 13, from Moscow, pp. 194 and 195, respectively, and requested that the subject be discussed with General Clark (800.4016 DP/12-1346).

³⁰ Col. Gen. L. V. Kurasov.

Mission is being given full opportunity to persuade Soviet Nationals to accept repatriation and will receive cooperation of appropriate US representatives. It will have privilege of interviewing Soviet Nationals both in DP camps and in communities distributing Soviet literature in the camps, broadcasting by radio news, and info concerning activities of mission establishing a collection point for individuals desiring to be repatriated and transmitting mail from Soviet DP's to relatives in Russia.

Long delay in solution of this question not viewed here as being attributable to US element. General Clark has repeatedly expressed his readiness to permit entry into US zone of a Soviet repatriation mission provided Soviet Commander would accept certain conditions concerning the conduct and procedure by which the mission would be guided during its visits in US zone. Until very recently the Soviets have not been disposed to agree to such conditions.

At the same time General Clark has insisted that there must not be a repetition of the difficulties which were experienced with the Soviet mission that operated in US zone from January to April and that was expelled from zone by General Clark because its members persisted in carrying on unauthorized intelligence activities and otherwise engaging practices which had no relation to the work they were supposed to be accomplishing. In one instance a group was apprehended in American uniforms impersonating American Military Police. (See USFA's P-1666 and P-1667, January 25, 1946.³¹)

Repeated Moscow as 66.

ERHARDT

800.4016 D.P./12-2546

The Ambassador in the Soviet Union (Smith) to the Deputy Minister for Foreign Affairs of the Soviet Union (Dekanozov)

Moscow, December 26, 1946.

DEAR MR. DEKANOZOV: In reply to my communications regarding the repatriation of Soviet nationals from the United States zones of Germany and Austria, I am informed that the United States Military Headquarters in Germany has re-emphasized by telegram its previous directive ³² ordering United States Military Commanders to facilitate

³¹ Neither printed here. Telegram P-1666 reported on the incident wherein four members of the Soviet Repatriation Mission, posing as American soldiers, were caught in the act of forcibly attempting to kidnap an Austrian civilian living in Salzburg. As a result the Soviet authorities were asked by General Clark to withdraw the remainder of the Mission of which the four were a part. Telegram P-1667 indicated that this information should be passed on to the State Department. (Department of the Army files).

³² Dated January 4, 1946.

the contact of Soviet officials with persons of Soviet, Baltic, and Ukrainian origin in displaced persons assembly centers, as well as the use therein of Soviet films and newspapers. The intention is to facilitate Soviet officials in their efforts to persuade inmates to return to their former domiciles. The directive of United States Military Headquarters further provides that Soviet repatriation officials, upon their request and accompanied by an United States officer, may visit any displaced persons camp containing or alleged to contain Soviet nationals.

For your information, the provision which requires an accompanying United States officer has been instituted solely for the purpose of guarding against demonstrations or threats by any anti-Soviet elements while the Soviet official is performing his duties. United States Military authorities in Frankfurt and Berlin have instructed all military personnel concerned to be constantly alert to prevent and stop anti-repatriation activities or the harboring of quislings in displaced persons camps.

I am, my dear Mr. Dekanozov,

Sincerely yours,

W. B. SMITH

AGREEMENT OF THE UNITED STATES, THE UNITED KINGDOM, AND FRANCE TO PUBLISH A SERIES OF VOLUMES OF DOCUMENTS ON GERMAN FOREIGN POLICY, 1918-1945

[Continued from *Foreign Relations*, 1945, volume III, pages 1099 ff. In an *aide-mémoire* of March 7, 1946, the Department of State informed the British Embassy that the United States Government was prepared to enter into preliminary discussions suggested by the British Government on February 13 with regard to the "proposal for official publication under quadripartite auspices of an authoritative collection" of German Foreign Office documents and other German political documents. The *aide-mémoire* further stated that in view of the "importance that this Government attaches to the objective publication of the German political documents so as to forestall any subsequent publication of a tendentious nature by German sources," the Department was ready, if a quadripartite publication did not prove feasible, "to consider joint British-American publication of these documents, or, if need be, independent publication." (840.414/2-1346)

Further discussions took place, and on May 29, 1946, Under Secretary of State Acheson and other officials approved a memorandum recommending affirmative answers to the following questions: "1. Does the Department favor proceeding with the publication of German diplomatic documents concerning such matters as Soviet negotiations with Nazi Germany in 1939 over the possible strong objections of the Russians? 2. Is the Department prepared to support a policy of complete disclosure of German diplomatic documents even though some of them such as the Bullitt correspondence may prove to be somewhat embarrassing to this Government?" (862.414/5-2847)

A paper entitled "Proposals for Publishing German Official Papers agreed at Anglo-American Meetings held at Foreign Office, London, June 11-18, 1946" was signed on June 19 by E. Wilder Spaulding, Chief of the Division of Research and Publication, Department of State, and E. J. Passant, Librarian of the Foreign Office. It set forth in detail the scope and conditions of the project and stated that "the work shall be performed on the basis of highest scholarly objectivity." (862.414/6-1946)

For text of a press release of October 3 describing a program of documentary publication by the Department of State under the direction of Raymond J. Sontag, see Department of State *Bulletin*, Octo-

ber 13, 1946, p. 690. A statement on British plans for publication was made in the House of Commons on January 22, 1947, by the Parliamentary Under-Secretary of State for Foreign Affairs, Christopher Paget Mayhew.

By *aide-mémoire* of April 3 and May 2, 1947, the French Embassy informed the Department of State that the French Government agreed to participate in the project on the terms given in the Department's note of March 20, 1947. (862.414/4-347, 5-247) Similar correspondence took place between the Governments of France and the United Kingdom.

For additional information on the origins and development of the project and the principles governing the selection and editing of documents, see the Prefaces to the various volumes in the series *Documents on German Foreign Policy, 1918-1945*, published at Washington by the Government Printing Office and at London by Her Majesty's Stationery Office.]

IMPLEMENTATION OF THE SAFEHAVEN PROGRAM; NEGOTIATION OF ACCORDS WITH SWITZERLAND AND SWEDEN ON LIQUIDATION OF GERMAN EXTERNAL ASSETS IN THOSE COUNTRIES¹

800.515/6-346

Mr. Randolph Paul, Special Assistant to President Truman, to the President

WASHINGTON, June 3, 1946.

DEAR MR. PRESIDENT: I have the honor to submit to you a report on the negotiations between the Delegations of the United States, the United Kingdom, and France, on the one hand, and the Swiss Delegation on the other, on the subject of German external assets in Switzerland. These discussions in which I participated with my colleagues, Mr. F. W. McCombe, representing the United Kingdom, and Mr. Paul Charqueraud, representing France, covered the period between March 18 and May 26, 1946.

In the accord signed in Washington and dated May 25, 1946,² the Allied objective of eliminating German assets in Switzerland which might be used in waging a future war has been achieved. To this end procedures have been agreed upon for the liquidation of German property by a Swiss agency which will work in close cooperation with a Joint Commission on which the Governments of the United States, the United Kingdom, France, and Switzerland will be represented. The settlement not only provides that information will be exchanged between the Swiss agency and the Joint Commission, but also that the Joint Commission will be able to pass on the qualifications of purchasers of German property.

The proceeds of the liquidation of German property in Switzerland are to be divided equally between Switzerland and the Allies. The exact amount of the German property will be finally determined by the authorities set up to handle this problem. The United States will receive 28 percent of the proceeds allocated to the Allies under

¹ For previous documentation on implementation of the Safehaven Program and U.S. concern over enemy attempts to secrete funds and other assets in neutral countries, see *Foreign Relations, 1945*, vol. II, pp. 852 ff.

² For text of the Accord and Annex, see Department of State, *Treaties and Other International Acts Series No. 5058*; United States *Treaties and Other International Agreements*, vol. 13 (pt. 1), p. 1118.

this settlement, in accordance with the Paris Reparation Agreement.³

The Swiss Government will pay 250 million Swiss francs in gold in settlement of the claims of the Allied Nations signatory to the Paris Reparation Agreement and their banks of issue for restitution from Switzerland of monetary gold. The gold will go into the gold pool established by the Paris Reparation Agreement.

I hope that the agreement which has been reached will be quickly and fully implemented on both sides. For our part, a heavy responsibility will fall upon the American Legation in Bern. I am sure that you will agree that adequate personnel should be recruited for this important work.

In closing, I should like to mention the able assistance which has been given to me by officers of the State and Treasury Departments in the negotiation of this accord. Without the efficient aid of the State Department's Division of Economic Security Controls and the Treasury's Foreign Funds Control, these discussions could not have been satisfactorily concluded.

Respectfully yours,

RANDOLPH PAUL

[Enclosure]

*Report by Mr. Randolph Paul Concerning Allied-Swiss Negotiations
on German External Assets in Switzerland*⁴

SECTION I

BACKGROUND OF NEGOTIATIONS

The problem of German external assets, including assets in the neutral countries, has been of long concern to the Allied Governments. In August 1944, the 44 United Nations represented at the Bretton Woods Conference adopted Resolution VI, calling upon the neutral governments to take all necessary steps within their respective jurisdictions to: (1) immobilize looted assets; (2) uncover and control enemy property; and (3) hold German assets for the disposition of the post-hostilities authorities in Germany. (See Appendix A for text of Bretton Woods Resolution VI.⁵) Subsequently, in February 1945, prior to the cessation of hostilities, the Governments of the

³ Reference is to the Agreement on Reparation from Germany which entered into force January 24, 1946; for text, see Department of State, *Treaties and Other International Acts Series No. 1655*, or 61 Stat. (pt. 3) 3157. For related documentation, see *Foreign Relations*, 1945, vol. III, pp. 1357-1506, *passim*.

⁴ None of the appendixes referred to in this Report are printed herein.

⁵ For text, see *Proceedings and Documents of United Nations Monetary and Financial Conference*, Bretton Woods, New Hampshire, July 1-22, 1944, Department of State publication 2866 (Washington, Government Printing Office, 1948), vol. I, p. 939.

United States, United Kingdom, and France sent a special mission (commonly referred to as the Currie Mission) to Switzerland to secure Swiss cooperation in immobilizing enemy property within its jurisdiction. (See Appendix B for text of agreement between Currie Mission and adopted legislation to provide for the return to its rightful owners took specific measures to block German assets within its jurisdiction and adopted legislation to provide for the return to its rightful owners of looted property found within its jurisdiction. (See Appendix C for text of decrees of Swiss Federal Council relating to Safehaven problems, etc.)

The importance with which the Allied Governments viewed German external assets, especially in the neutral countries, was emphasized in the Potsdam Declaration of August 2, 1945, issued by the governments of the United States, United Kingdom, and Union of Soviet Socialist Republics. Articles 3 and 4 of this Declaration provided that the Allied Control Council for Germany should exercise control over and have the power to dispose of German external assets not already under the control of the United Nations. In addition to allocating the disposition of German external assets, the Potsdam Declaration provided that the United States, United Kingdom, and other appropriate members of the United Nations, exclusive of the Union of Soviet Socialist Republics, would derive reparation payments from German external assets in neutral countries. (See Appendix D for text of Potsdam Declaration.⁷)

On October 30, 1945, pursuant to the Potsdam Declaration, the Allied Control Council for Germany issued Law No. 5. One of the primary objectives of this vesting decree was to promote "international peace and collective security by the elimination of the German war potential." (See Appendix E for text of Law No. 5.⁸)

In February 1946, the Swiss Government was invited to send a delegation to the United States to discuss with representatives of the governments of the United States, United Kingdom, and France, questions arising out of Law No. 5 as it related to German external assets in Switzerland and the Principality of Liechtenstein. The representatives of the United States, United Kingdom, and France were also acting on behalf of the governments of Albania, Australia, Belgium, Canada, Denmark, Egypt, Greece, India, Luxembourg, Norway, New Zealand, the Netherlands, Czechoslovakia, Union of South

⁶ For an exchange of notes with annexes regarding this agreement, see *Foreign Relations*, 1945, vol. v, pp. 785-792.

⁷ See *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1499.

⁸ See *Official Gazette of the Control Council for Germany*, No. 2 (November 30, 1945), p. 27.

Africa, and Yugoslavia. (See Appendix F for text of note to Swiss Government.)

The Swiss Foreign Office was advised informally that the discussions in Washington would deal with: (1) the marshalling and liquidation of German assets in Switzerland and the utilization of the proceeds from the liquidation for reparation purposes; (2) procedures for the return to rightful owners of looted property, including gold looted by the Germans which might have found its way into Switzerland. In addition, the Allied Governments indicated that after these basic objectives had been attained they would take up with the Swiss Delegation questions relating to the Proclaimed and Statutory Lists,⁹ the status of Swiss assets blocked in the United States and other Allied Nations, and Swiss claims against Germany.

SECTION II

PERSONNEL OF ALLIED AND SWISS DELEGATIONS

United States. In February 1946, Mr. Randolph Paul was designated Special Assistant to the President in charge of the Allied-Swiss negotiations for the United States Government. For two years during the war Mr. Paul was General Counsel of the Treasury Department and Acting [Assistant] Secretary of the Treasury in charge of Foreign Funds Control. Mr. Paul was chiefly assisted in the negotiations by representatives of the State Department including Mr. Seymour J. Rubin, Deputy Director of the Office of Economic Security Policy; Mr. Walter S. Surrey, Chief of the Division of Economic Security Controls; Mr. Daniel J. Reagan, Counselor for Economic Affairs, American Legation, Bern; Messrs. Harry Conover, Morton Bach, and Karl Hapke, Economic Analysts, American Legation, Bern; Mr. Albert H. Robbins, American Embassy, London; and by representatives of the Treasury Department including Mr. Orvis A. Schmidt, Director of Foreign Funds Control; Mr. Joseph B. Friedman, Assistant General Counsel; Mr. James H. Mann, Treasury Representative, American Legation, Bern; Mr. Melville E. Locker, staff member of the General Counsel's Office of the Treasury; and Mrs.

⁹ The Proclaimed List was designed to control rigidly the export of specified articles to those persons named on the list, in the interest of maintaining the security of the United States. The original proclamation was made by President Roosevelt on July 17, 1941; additions and deletions were made as circumstances required. For documentation on Anglo-American Cooperation on Policies and Problems Concerning the Proclaimed and Statutory Lists in the Eastern Hemisphere, see *Foreign Relations*, 1944, vol. II, pp. 154 ff.; *ibid.*, 1945, vol. II, pp. 827 ff. Documentation for the period after 1941 on application of the Proclaimed List in the Western Hemisphere is contained in bilateral compilations concerned with Axis influence in certain countries of Latin America in the *Foreign Relations* series. The Statutory List was the British counterpart of the Proclaimed List.

Rella R. Shwartz, Chief of Enforcement Division, Foreign Funds Control. Mr. Irving H. Sherman and Mrs. Virginia M. Mannon served as consultants. The Departments of State, Treasury, and Justice made additional technical assistance available to Mr. Paul.

United Kingdom. Mr. F. W. McCombe, Chief of Charitable Institutions, was head of the delegation from the United Kingdom. Mr. McCombe, who had been in the British Embassy in Washington during the greater part of the war, working on economic warfare problems, was assisted by Mr. Albert Frost of the British Embassy in Washington.

France. Mr. Paul Charqueraud was head of the delegation from France. He was Director of the Blocus Division of the Foreign Office and served as French representative on the Currie Mission. Mr. Charqueraud was assisted by M. Emile Guionin of Blocus, and Messrs. Marcel Vaidie and Bernard Peyrot des Gachons of the French Embassy in Bern.

Switzerland. Mr. Walter Stucki, Chief of the Division of Foreign Affairs, Federal Political Department, was head of the Swiss Delegation. Mr. Stucki was assisted by M. Eberhard Ernst Reinhardt, Chief of Federal Administration of Finance; M. Alfred Hirs, Director General, Member of Directorate, of Swiss National Bank; M. Max Schwab, Director, Chairman of Board, Swiss Office of Compensation; Professor Dietrich Schindler, Legal Consultant, Federal Political Department; M. Reinhardt Hohl, Chief of Claims and Foreign Interests Section, Federal Political Department; and a group of technical experts. Professor William Rappard was adviser to the Delegation.

SECTION III

DEVELOPMENTS DURING NEGOTIATIONS—MARCH 18—APRIL 17, 1946

Allied Opening Statements. The Allied-Swiss negotiations were conducted in Washington. The first plenary session was held on March 18, 1946. In his opening statement Mr. Paul advised the Swiss that:

1. The dual objectives of the negotiations were to eliminate the German war potential in Switzerland, and to make all German assets in Switzerland available for reparations.
2. The Allies in no way questioned the principle of neutrality and were fully cognizant of Switzerland's difficult position during the war.
3. The Allies sought complete cooperation of the Swiss in making German property and German assets available for reparation and reconstruction in such a manner as to eliminate the use of German assets in Switzerland for future war or aggression. In no way was neutral property nor assets of Switzerland or her nationals encompassed within the Allied objectives.

The opening statements of Messrs. McCombe and Charqueraud underscored Mr. Paul's remarks. In addition, Mr. Charqueraud referred to the problem of looted property, including gold. (See Appendix G for texts of Allied opening statements.)

Swiss Opening Statement. In his opening remarks Mr. Stucki stated that:

1. Switzerland's war record during the war years was above reproach.

2. Switzerland had long opposed Naziism.

3. The Swiss opposed application of Law No. 5 to Switzerland as an act in contravention of Swiss sovereignty. If the Hitler Government had made such a request of Switzerland before the outbreak of the war, or during the war, the Swiss Government would not have honored it. The legal status of the Allied Control Council in Germany was no different than the legal status of the Hitler Government of Germany.

4. Under the Swiss constitution the Swiss had no right to appropriate any assets in Switzerland nor to hand them over to a third party. Looted property, however, could be returned to lawful owners.

5. If it were possible to find a solution that would take into account national and international law, as viewed by the Swiss Government, the Swiss "would be most happy and very ready to cooperate with all good will toward this realization." (See Appendix H for text of Mr. Stucki's opening statement.)

Allied Answer to Swiss Legal Arguments. During the first week of negotiations the Swiss dealt almost exclusively with their view of the legal obstacles to the application of Law No. 5 to Switzerland. On March 19, the Allied Delegations set forth their views on this legal question in a memorandum to the Swiss as follows:

1. The Allied Control Council for Germany constituted the present *de facto* government of Germany.

2. The only legal act necessary on behalf of the Swiss Government was recognition of the binding effect of Law No. 5 in Switzerland under accepted principles of comity and international law.

3. The Swiss fear that *bona fide* refugees from Germany would be covered by the terms of Law No. 5 was unjustified. Article 3 of Law No. 5 made the law applicable only to assets owned by German nationals who enjoyed full rights of German citizenship under Reich law at any time since September 1, 1939, and who at any time since that date had been in the territory then under control of the Reich Government. Accordingly *bona fide* refugees in Switzerland who were deprived of their citizenship by the Nuremberg laws, or political refugees whom the German Government might have deprived of their citizenship, were specifically excluded from the effects of Law No. 5.

4. Law No. 5 did not request the Swiss Government to give extra-territorial effect to a confiscatory law. It provided that the question of compensation to Germans whose property was covered by the decree

was a matter to be settled by the Allied Control Council. In this connection, it was the intention of the governments of the Allied Delegations to recommend to the Allied Control Council that compensation in reichsmarks be paid to persons affected by Law No. 5. Moreover, by virtue of the current importation of foodstuffs into Germany by the Allied Nations, over-all compensation to Germany was in effect being made.

5. The implementation of Law No. 5 by the Swiss would not violate the principles of neutrality. International law encouraged recognition in any jurisdiction of a duly authorized government and of the laws of a foreign government. Reference was made to the action of the United States Government in connection with the decrees issued in 1940 by the Royal Netherlands Government-in-exile and the Norwegian Government.

6. The Swiss had no basis upon which to make an analogy between the Hitler regime and the Allied Control Council. Account must be taken not only of the character of the government now making the request, but also the use to which the Allied Control Council intended to put the assets. (See Appendix I for text of Allied note.)

First Swiss Proposals. On March 21, after a day's consideration of the Allied memorandum of March 19, the Swiss submitted the following proposal:

1. The Swiss Government would, through appropriate measures, liquidate all property in Switzerland owned by Germans in Germany.

2. The assets derived from the liquidation would be earmarked for Swiss claims against Germans in Germany.

3. To provide the Swiss with a legal basis for effecting this plan, the Allied Control Council should assume the liability to collect in reichsmarks debts owing to Swiss nationals by Germans in Germany. These reichsmarks would be devoted to compensating Germans whose property or assets in Switzerland were liquidated pursuant to the Swiss proposal. (See Appendix J for text of Swiss proposal.)

Allied Reply to First Swiss Proposal. The Allied Delegations refused to accept the Swiss proposal. In a memorandum on March 22, their objections were summarized as follows:

1. The Swiss proposal requested the Allies to direct their objectives to the single purpose of making the Allied Control Council a collection agency for the sole benefit of the Swiss claimants against a bankrupt Germany, even including those claimants whose claims arose through assisting Germany during the war.

2. The Swiss proposal ignored all aspects of the security objective. It indicated no willingness to provide for Allied-Swiss cooperation to realize this objective.

3. Implicit in the Swiss proposal was a recognition that there were no constitutional difficulties involved in Swiss liquidation of German assets in Switzerland, which could not be overcome if compensation in reichsmarks were paid to German owners and creditors whose property was covered by Law No. 5.

In the same memorandum the Allied Delegations outlined a plan to further constructive discussion of the problems, proposing that :

1. German assets as defined in Law No. 5 should be liquidated by an agency to be designated by common agreement between the Swiss Government and the three Allied Governments.

2. Proceeds of liquidation should be deposited in a special account in the Swiss National Bank.

3. The sum so deposited should be transferred to the three Allied Governments on their request, subject to deductions of proper Swiss collection expenses.

4. Agreement on the above should become effective at the time that the proper Allied authorities provided compensation in reichsmarks to Germans whose property would be liquidated, with the exception of war criminals, etc. (See Appendix K for text of Allied memorandum of March 22.)

Swiss Reaction to Allied Proposal. The Swiss reaction to this Allied proposal indicated that the reasons for the Swiss failure to comply with the Allied requests were reasons of expediency and not of law. The Swiss immediately agreed to waive their claims against Germany arising out of advances made by Switzerland to Germany during the course of the war. They intimated, however, that other Swiss claims would entirely exhaust any funds which might arise out of liquidation of German property in Switzerland. In the light of the Allied memorandum, they indicated that they could not accept the Allied proposal, but would look to international arbitration for the solution of the problem. (See Appendix L for report of conference of March 22.)

In a subsequent memorandum of March 25, the Swiss pointed out that :

1. They would be willing to keep the Allied Governments fully advised of measures taken by the Swiss in ferreting out German assets, although they would not permit administrative activities of foreign officials on Swiss soil.

2. The only manner in which German assets in Switzerland could be liquidated and turned over to the Allied Control Council would be for the Allies to turn over Swiss assets in Germany to Switzerland on the basis of a "capital clearing."

3. In no event could the Swiss enter into an agreement which would provide for German assets in Switzerland to be devoted to reparations. They considered that participation in such a program would be contrary to all principles of neutrality. (See Appendix M for conference of March 25, including text of Swiss memorandum of March 25.)

Establishment of Technical Committees. On March 25, it was agreed that progress of the negotiations would be improved if committees were established to deal with particular problems. Three committees were therefore established: (1) a Committee on Procedures, to determine procedures for liquidating German assets in Switzerland;

(2) a Committee on Claims, to consider Swiss claims against Germany; and (3) a Committee on Gold, to discuss principally the status and treatment of the looted gold in Switzerland. Several meetings of these committees were held during the week of March 25.

The activities of the committees and further over-all discussions were unexpectedly suspended because of Mr. Stucki's departure for Switzerland on March 31 to report to his government and receive new instructions.

On March 29, prior to Mr. Stucki's return to Switzerland, the Allies summed up their position in a memorandum stating that:

1. The word "reparations" was apparently being misunderstood by the Swiss. The Swiss were not being asked to participate in a punitive program, but rather in a program of reconstructing the damage and losses suffered during the war. The Allies recognized that Swiss nationals suffered losses, but the Allied losses were more extensive in character and included damages directly attributable to the war, from which the Swiss had escaped.

2. To remove any criticism that they were attempting to invade Swiss sovereignty, the Allies proposed that the liquidation of German interests be handled by a Swiss agency which would cooperate with a joint Swiss-Allied commission. Disputed questions were to be referred to arbitration.

3. The Allies could not recognize the various categories of Swiss claims against Germany. They proposed that the only way Switzerland could now secure any compensation for her claims was to agree to settle the matter with the Allies on a basis consistent with Germany's status as a bankrupt nation.

4. The Allies were prepared to agree to "retrocede" to Switzerland a percentage of the proceeds resulting from the liquidation of German assets in Switzerland.

5. The first \$25,000,000 collected from the liquidation of German assets was to be turned over to the Inter-Governmental Committee on Refugees, in accordance with the Paris Reparation Agreement, to be devoted to the relief of non-repatriable victims of Nazi action.

6. The Swiss regulations and public declarations with respect to looted property should be applied to gold. At least \$200,000,000 worth of gold transferred by Germany during the war to institutions in Switzerland was loot. (See Appendix N for text of Allied memorandum of March 29.)

Subsequently, on March 31, a supplemental memorandum was presented to Mr. Stucki. It included technical facts with respect to looted gold in Switzerland. After discounting certain classes of Swiss claims against Germany such as, for example, the German deficit in the Swiss-German clearing, the memorandum proposed the allocation to Switzerland of 20 percent of the proceeds of liquidation of German assets in Switzerland plus a 2 percent collection fee. (See Appendix O for text of Allied memorandum of March 31 on gold and percentages.)

Swiss Second Proposal. Mr. Stucki returned to Washington from Switzerland on April 9. He first communicated with the Allied Delegations on April 11 in a letter which summed up the current Swiss position on the issues being negotiated:

1. The Swiss Government did not recognize that Law No. 5 gave the Allies any legal claim for the surrender of German assets in Switzerland.

2. The Swiss considered inequitable the Allied proposal that Switzerland participate to the extent of 20 percent in the proceeds of liquidated assets. They again recommended that the issue be submitted to an international court of arbitration.

3. The Swiss characterized as incorrect the Allied estimates and conclusions with respect to looted gold in Switzerland. The Swiss National Bank was innocent in connection with its purchases of gold from the Germans during the war. The question of restoring possibly looted gold to the legitimate owners could only be decided by the Swiss Federal Tribunal.

4. Despite the above, the Swiss Government was willing to cede to the Allies, for the rehabilitation and reconstruction of Europe, a percentage of the proceeds of the assets liquidated in Switzerland *belonging to Germans residing in Germany*. In addition, the Swiss Government agreed to submit to the Swiss Parliament a proposal to make available to the Allies a part of the gold which the Swiss National Bank acquired from Germany after February 23, 1944, the date on which Switzerland received notice of the Declaration on Gold Purchases. (See Appendix P for text of Declaration on Gold Purchases of February 22, 1944, to which all United Nations subscribed.¹⁰) These Swiss concessions, however, were contingent upon the unblocking of Swiss assets in the United States and the termination of continued discriminations against Switzerland. (See Appendix Q for text of Mr. Stucki's letter of April 11.)

Allied Reply to Swiss Second Proposal. On April 12, on behalf of the Allied Delegations, Mr. Paul replied to Mr. Stucki's letter of April 11, pointing out that:

1. German assets in Switzerland were German assets and not Swiss assets. The present government of Germany had the right to immobilize the foreign assets of persons and institutions subject to German jurisdiction.

2. Referring the matter to arbitration would not provide the practical measures for meeting with the problems at issue. It would merely cause a deterioration of German assets which had to be liquidated, and possibly prolong measures which the Allies would be required to maintain to insure that no German assets failed to be uncovered.

3. The requirement that the Swiss agree to make a portion of the proceeds, derived from the liquidation of German assets, available to the Allied Governments was not one of law, as the Swiss Delegation

¹⁰ For text of the U.S. Statement on Gold, see circular airgram, February 22, *Foreign Relations*, 1944, vol. II, p. 213.

itself had already conceded, but one of expediency to be decided as a political act by the Swiss Government itself.

4. The United States Government agreed that upon the successful conclusion of the present negotiations with Switzerland, it was prepared to discuss procedures for the unfreezing of legitimate Swiss assets in the United States. The Allied Delegations agreed to examine further the economic controls which might be presently affecting Switzerland. These controls were matters of domestic law. Each country had the right to forbid its nationals to have financial or commercial dealings with persons who gave aid and comfort to the enemy.

5. To assist in the speedy resolution of the questions at issue, the Allied Delegations recommended that drafting committees be set up to work out appropriate agreements. (See Appendix R for text of Mr. Paul's letter of April 12.)

On April 17, Mr. Stucki replied to Mr. Paul's letter of April 12 indicating that:

1. The Swiss were willing for the present to waive further legal discussions, but that they might feel obliged to return to their proposal for arbitration of the main issues.

2. They had never maintained that German assets in Switzerland were Swiss and not German.

3. They could in no way admit that foreign assets should be liberated without parallel repatriation of Swiss assets in the corresponding countries.

4. They considered that they had been discriminated against by the continued application of the freezing control to Swiss assets in the United States and by the continued application of the Statutory and Proclaimed Lists.

5. They were willing to proceed immediately with the drafting of an agreement along general lines, but preferred that all technical points be negotiated and concluded in Switzerland. (See Appendix S for text of Mr. Stucki's letter of April 17.)

Negotiations with Respect to Looted Gold in Switzerland. It will be recalled that in a memorandum of March 31 the Allied Delegations furnished the Swiss with certain facts upon which the Allies based their conclusions that at least a minimum of \$200,000,000 worth of gold looted by Germany was transferred to Switzerland during the course of the war. On April 4, in Mr. Stucki's absence from Washington, Professor Rappard, Special Adviser to the Swiss Delegation, addressed a letter to Mr. Paul requesting further detailed information on the question of looted gold in Switzerland. (See Appendix T for text of Professor Rappard's letter of April 4.)

In a letter of April 9, Mr. Paul replied to Professor Rappard. Mr. Paul did not answer specific questions raised by Professor Rappard, but he pointed out that:

1. None of the information requested by the Swiss Delegation with respect to the gold problem had any relevance to the acceptance by the

Swiss of the principle advocated by the Allied Delegations that the Swiss should restore to the Allies looted gold which was acquired from Germany.

2. The Allied Delegations considered as looted gold all gold acquired by Germany under conditions such as those set forth in the United Nations Declaration of January 5, 1943. (See Appendix U for United Nations Declaration of January 5, 1943, Regarding Forced Transfers of Property in Enemy-Controlled Territory.¹¹)

3. In the event Switzerland agreed to restore looted gold to the Allies, appropriate arrangements could be made for the protection of the Swiss Government. (See Appendix V for text of Mr. Paul's letter of April 9.)

On April 13, the Swiss Delegation submitted a memorandum on the looted gold problem to the Allied Delegations. This memorandum, among other things, stated that:

1. The Swiss estimated the legitimate pre-war gold reserves of Germany at \$450,000,000 (1,800,000,000 Swiss francs). This figure was to be contrasted with the Allied estimate of \$160,000,000 as the legitimate pre-war gold reserves of Germany.

2. Switzerland transferred a considerable portion of the gold she received from Germany to third parties.

3. Switzerland did not have concrete information on the German looting of gold.

4. The Swiss did not consider that the Belgian gold they purchased from the Reichsbank was looted gold. (See Appendix W for text of Swiss memorandum of April 13.)

On April 17, 1946, the Allied Delegations submitted to the Swiss Delegation comments on the Swiss memorandum of April 13. The Allied memorandum reiterated the view, expressed in Mr. Paul's letter of April 9, that Switzerland must accept the principle of turning over to the Allies looted gold which the Swiss had accepted during the war, and further noted that:

1. The Swiss estimate of the legitimate pre-war gold reserves of Germany was incorrect.

2. Switzerland was responsible for all gold shipped to her from Germany. The fact that some of this gold may have been sold to third parties did not relieve the Swiss of their responsibility.

3. Switzerland could not plead that she was ignorant of the looting tactics of the Germans. The neutrals were on notice as early as January 5, 1943, of Allied concern with German looting of property and what constituted looted property. The Allies could not accept the date February 23, 1944, as the definitive date for determining what constituted looted gold.

4. The Allies could not accept the Swiss view that the Belgian gold was not looted. (See Appendix X for text of Allied memorandum of April 17 on gold.)

¹¹ Text is printed in *Foreign Relations*, 1943, vol. I, p. 443.

On April 20 the Swiss Delegation replied to the Allied memorandum of April 17, in a note setting forth that :

1. The statements and figures in their memorandum of April 13 were correct.

2. Swiss purchases of gold during the war conformed to the laws of neutrality.

3. The Czechoslovakian and Austrian gold could not be considered as looted gold, since the Allies themselves did not question these acquisitions when they were made.

4. Neither the date February 23, 1944, nor any other date was decisive as to whether Switzerland should surrender gold.

5. Switzerland could never recognize the Belgian gold which it purchased as looted gold.

6. The Swiss Delegation was under instructions to state "finally and categorically" that neither the Federal Council nor the Swiss National Bank had a legal or moral obligation to restore gold to the Allied countries. If the Allies rejected the Swiss offer, i.e., their verbal offer of \$25 million of gold as a contribution for the reconstruction of Europe, then the matter would have to be referred to a Swiss tribunal. (See Appendix Y for text of Swiss memorandum of April 20.)

On April 23 the Allied Delegation replied that under the circumstances set out in the Swiss note they could not accept the statements made by the Swiss Delegation in its memorandum of April 20, and that they considered no Swiss tribunal competent to decide the issue. (See Appendix Z for Allied memorandum of April 23.)

In discussing this memorandum with the Swiss Delegation, the Allied negotiators stated that Switzerland was liable to restore to the Allies approximately \$130,000,000 in gold. The Allied records revealed that at least this amount of the Belgian gold, which was looted from France by the Germans, was transferred by Germany to Switzerland during the war.

On April 24 Mr. Stucki, replying to the Allied note of April 23, insisted that the Swiss courts were competent to consider the issue. In addition, he stated that the figure (\$130,000,000) lay beyond every possibility of the Swiss Government and the Parliament. In this connection he referred again to his earlier proposal which in effect indicated that the Swiss Government might be willing to recommend to the Swiss Parliament that it approve a voluntary gold contribution to the Allies for rehabilitation purposes. (See Appendix AA for text of Mr. Stucki's letter of April 24.)

Swiss Proposal of Withdrawal of Black List. On April 17, 1946, the Swiss Delegation submitted a memorandum to the Allied Delegations requesting withdrawal of the Proclaimed and Statutory Lists and List of Enemies (Black List) in the light of the following :

1. The lists were injurious to the Swiss economy. Maintenance of the lists would undoubtedly increase unemployment and might provoke political and social unrest.

2. The Swiss Government, throughout the war, strictly conformed to international law, including the Hague Convention, and required of all its nationals strict observance of commercial treaties concluded between Switzerland and the Allies, including those which limited Swiss freedom of trade. Swiss nationals acted within the framework of Swiss legislation, even if they did contribute through exportations to the German war effort.

3. From 1940-1944, the export of war materials to Germany admittedly increased. However, shortly after the outbreak of war, at the urgent request of the British and French Governments, Switzerland suspended its regulations prohibiting the export of arms and munitions. As a neutral, Switzerland could not suspend its Arms Embargo with respect to the Allies and maintain it with Germany.

4. The procedure of listing individuals and firms, because of their relation with Swiss nationals already listed, was irreconcilable with Swiss sovereignty.

5. The "black lists" had lost their reason for existence with the end of the war. During hostilities, they were incompatible with international law; today they constituted an unjustifiable violation of these principles. (See Appendix BB for text of Swiss memorandum of April 17 on withdrawal of Black List.)

SECTION IV

DEVELOPMENT LEADING TO AGREEMENT—APRIL 17—MAY 26

Subsequent to April 17 the Swiss and Allied Delegations proceeded with the drafting of a proposed agreement, and on April 17 and 18 the Delegations exchanged preliminary draft accords. However, the negotiations and further work by the Drafting Committee were interrupted on April 23 due to a difficulty in arriving at a decision on two basic points: (1) the percentage of German assets which the Swiss should receive in satisfaction of their claims against Germany; and (2) the amount of gold which Switzerland should restore to the Allied nations as a result of her acquisitions of looted gold from Germany during the war. This interruption was confirmed by an exchange of letters between Mr. Paul and Mr. Stucki. (See Appendix CC for text of letters of April 24 of Mr. Paul and Mr. Stucki.)

Between April 23 and May 2 Mr. Stucki had no contact with the Allied Delegations. However, during this period Mr. Bruggmann, the Swiss Minister to the United States, conferred at various times with Mr. Paul; Assistant Secretary of State Clayton; Secretary of the Treasury Vinson; and officers of the Department of Justice, looking toward a settlement of the Swiss-Allied negotiations.

During this period Mr. Bruggmann addressed a letter to Mr. Clayton reiterating the Swiss views on the Belgian gold question. (See Appendix DD for text of Mr. Bruggmann's letter of April 30.)

On May 2 Mr. Clayton replied to Mr. Bruggmann's letter, pointing out that the information in Mr. Bruggmann's letter had already been given to the Allied Delegations by the Swiss Delegation. Furthermore, Mr. Clayton re-affirmed the rights of the Allied Governments to question the validity of Swiss rights to property acquired from Germans which the Germans had requisitioned from other countries. (See Appendix EE for text of Mr. Clayton's letter of May 2 to Mr. Bruggmann.)

Between April 23 and May 2 the Allied Delegations gave further study to the Swiss observations concerning the amount of looted gold for which Switzerland was liable. The Allied Delegations concluded that for purposes of these negotiations they might exclude Austrian gold from the category of looted gold. On this basis the Allied Delegations revised downward their estimates of the amount of looted gold transferred to Switzerland. However, the Swiss Delegation took the position that Switzerland could not be held liable to restore the entire amount of looted gold which was transferred from Germany to Switzerland, since a portion of this amount was merely deposited in Switzerland and subsequently transferred from Switzerland to third countries pursuant to orders of the Reichsbank, as depositor. The Swiss admitted, however, that they had purchased \$88 million of gold traceable originally to Belgium from Germany during the war. But in no event would they concede that they were liable to restore this amount of gold to the Allies.

On May 2, Mr. Stucki re-entered the negotiations and proposed to meet the two basic points at issue as follows: A 50-50 split on the proceeds of the German assets in Switzerland and a payment of 250 million Swiss francs, or approximately \$58.14 million, in settlement of the gold question. In view of the fact that this proposition was made to the Allied Delegations as the final offer of the Swiss Government, the matter was referred by Mr. Paul, for the United States Delegation, to the Secretaries of State and Treasury for their recommendations and by the British and French negotiators to their respective governments. Mr. Paul also sought the advice of Senator Kilgore, Chairman of the Subcommittee on War Mobilization of the Senate Committee on Military Affairs.

Secretary of the Treasury Vinson, Assistant Secretary of State Clayton, and Senator Kilgore were each of the view that the United States Government should accept the Swiss offer. They did not believe that an agreement with the Swiss, which would secure wholehearted support by the Swiss of the Allied economic security objective, should be jeopardized for the sake of a few more dollars. Moreover,

to obtain a few more dollars it would be necessary to continue war-time restrictions at a time when antagonism was increasing everywhere against such controls. The French and British Governments apparently shared the same views, since the Delegations of those governments were authorized to accept the Swiss offer. The French Delegation attached to its acceptance the condition that Italy and Austria should not share in the gold received from Switzerland. After consultation, the Delegations of the United States and the United Kingdom accepted this condition, on the proviso that Italian and Austrian rights should in no way be jeopardized in the final understanding.

In view of these recommendations, on May 21 Mr. Paul delivered a note to Mr. Stucki accepting the Swiss offer of one-half of the proceeds of the liquidated German assets and 250,000,000 Swiss francs in settlement of the gold claims of the governments for whom the Allied Delegations were acting. In accepting the offer the Allied Delegations stated that:

1. The Swiss should permit the Allies to draw advances immediately to be devoted to the rehabilitation and resettlement of non-repatriable victims of German actions.

2. Property within Switzerland of victims of Nazi action, who had since died and left no heirs, was to be put at the sole disposal of the Allied Governments.

3. Official German property to which the Allies took title by virtue of the Act of Surrender was not subject to the 50-50 division which would be applied to other German assets to be liquidated pursuant to the proposed agreement with the Swiss.

4. They assumed that the Swiss Government would submit to the Allies detailed information covering gold deposited by Germany in Switzerland for transfer to other countries, and would furnish the Allies with other information to assist them in tracing gold which might have been looted by the Germans. (See Appendix FF for text of letter from Mr. Paul to Mr. Stucki of May 21.)

On May 22, Mr. Stucki replied to Mr. Paul, acknowledging acceptance by the Allies of the final Swiss offer. In this letter he made the following additional points, some of which raised further questions to be resolved in the negotiations:

1. The Swiss disagreed with the Allied definition of the German assets subject to the agreement.

It will be recalled that in Mr. Stucki's letter to Mr. Paul, dated April 11, Mr. Stucki stated that the Swiss Government was willing to cede to the Allies a percentage of the proceeds of the assets liquidated in Switzerland *belonging to Germans residing in Germany*. The scope of the German property which the Swiss intended to cover by their proposal differed from the scope of German property as defined by the Allies. In the first Allied draft accord of April 17, the "Ger-

man property", which was the subject of discussion, included not only all property owned or controlled by Germans residing in Germany, but also "all property owned or controlled by any person of German nationality outside of Germany, including Switzerland." The latter expression was to apply to persons who had enjoyed full rights of German citizenship under Reich law at any time since September 1, 1939, and who at any time since September 1, 1939, had been in any territory under the control of the Reich Government, but it was not to apply to citizens of any country annexed by Germany since September 31, 1937. The expression was also to include any persons who the four Governments agreed should be repatriated to Germany because of their activities on behalf of the Third Reich. It was not to apply to the property of *bona fide* German refugees.

2. Further details would have to be discussed with respect to the type of additional gold information the Swiss were to furnish the Allied Governments.

3. Switzerland was prepared to make certain advances to the Allies from the account of their share in the liquidation proceeds to be used immediately for the rehabilitation of victims of Nazi action.

4. The Swiss reserved comment on the Allied proposal that the property within Switzerland of victims of Nazi action, who had since died and left no heirs, be placed at the sole disposal of the Allied Governments.

5. Switzerland disagreed with the opinion that the Allies acquired title to official German property in Switzerland as a result of the Act of Surrender. (See Appendix GG for text of Mr. Stucki's letter of May 22.)

SECTION V

FINAL AGREEMENT

On May 26, 1946, the final agreement with the Swiss was signed. It consisted of an Accord, an Annex, a gentlemen's agreement, and an exchange of letters between the Swiss Delegation and the Allied Delegations.¹² The Accord provided that:

1. *German Property covered by Agreement.* The Swiss Compensation Office would investigate and liquidate all property in Switzerland which was (a) owned or controlled by Germans in Germany; and (b) owned or controlled by persons of German nationality who were to be repatriated.

2. *Compensation to Owners of Liquidated Property.* Germans whose property was liquidated would have a right to compensation in German money. Switzerland would furnish out of funds available to it in Germany one-half of the German money necessary for this purpose.

3. *Joint Commission.* The Swiss Compensation Office would investigate and liquidate German property in cooperation with a Joint Commission composed of representatives of the United States,

¹² Exchange of letters not printed; for citation to text of Accord and Annex, see letter dated June 3, from Mr. Randolph Paul to President Truman, p. 202.

British, French and Swiss Governments. Decisions of the Swiss Compensation Office were to be subject to review on request of the Joint Commission as well as private persons.

4. *Apportionment of Liquidated German Assets.* The proceeds of the liquidated German property should be divided on a 50-50 basis by the Swiss and Allied Governments. The Swiss Government would bear the cost of administration and liquidation of German property.

5. *Swiss Contribution to Allied Gold Pool.* The Swiss Government would make available to the three Allied Governments 250 million Swiss francs payable on demand in gold in New York. In return the Allied Governments agreed to waive in their name and in the name of their banks of issue all claims against the Swiss Government and the Swiss National Bank in connection with gold acquired during the war from Germany by Switzerland.

6. *Removal of Economic Restrictions on Switzerland.* The United States Government would unblock Swiss assets in accordance with procedures to be established immediately.

The Allied Governments would discontinue without delay the "black lists" as they applied to Switzerland.

7. *Interpretation of Accord.* Differences of opinion with regard to the interpretation of the Accord might be settled by arbitration.

8. *Effective Date of Accord and Annex.* The effective date of the Accord and Annex was to be the date on which the Accord and Annex were approved by the Swiss Parliament.

The Annex elaborated on the matters covered by the Accord, defining in greater detail (a) the procedures to be employed by the Swiss Compensation Office in cooperation with the Joint Commission in uncovering and liquidating German property in Switzerland; (b) the method for compensating owners of liquidated property; (c) organization and functions of the Joint Commission; (d) conditions under which German property would be sold; (e) methods for arbitrating differences between the Swiss Compensation Office and the Joint Commission. In addition the Annex provided that:

1. *Financial Assistance to Non-Repatriable Persons.* The three Allied Governments might draw immediately up to 50 million Swiss francs upon the proceeds of liquidation against their share of liquidated German property. This advance was to be devoted, through the Inter-Governmental Committee on Refugees, to the rehabilitation and resettlement of non-repatriable victims of German action.

2. *Patents, Trademarks, and Copyrights.* Pending multilateral arrangements, no German-owned patent in Switzerland should be sold or transferred without the concurrence of the Swiss Compensation Office and the Joint Commission. Moreover, no German-owned trademark or copyright should be sold without the concurrence of the same authorities.

3. *Property of the German State.* The provisions in the Accord and Annex did not cover property of the German State in Switzerland, including property of the Reichsbank and the German railroads. Under the Gentlemen's Agreement there was an understanding that:

(a) The Swiss Compensation Office would dismiss personnel, regardless of position, from business enterprises to be liquidated, if the Swiss Compensation Office and the Joint Commission agreed that these

employees were a threat to security objectives; and (b) Allied personnel would be available to assist in some of the investigations to be conducted by the Swiss Compensation Office.

In their letters to Mr. Stucki the Allies:

1. Agreed to furnish the Swiss Government before January 1, 1948, lists of persons of German nationality who were neither residents of Switzerland nor domiciled in Germany, whose property would remain blocked pending their repatriation or the decision of the competent government against their repatriation.

2. Suggested that a simple and inexpensive procedure be established for the restitution of property taken from victims of German exploitation.

3. Reserved (a) the rights which they claimed over property of the German State in Switzerland, and (b) the right to request the Swiss Government to reconsider the provision of the Accord by which sums payable through the German-Swiss clearing were not to be regarded as German property.

In his several letters to the Allies Mr. Stucki:

1. Asked special protection of Swiss interests and property in the territories in which the three Allied Governments exercised supreme authority.

2. Stated that the Swiss Government would examine (a) the question of taking appropriate steps to insure that unsecured creditors of Germans whose property was to be liquidated should not be paid from the proceeds of liquidation, and (b) the matter of putting the proceeds of property in Switzerland of heirless victims of German aggression at the disposal of the Allies for relief and rehabilitation purposes. (See Appendix HH for texts of Accord, Annex, Gentlemen's Agreement, and Letters.)

[Negotiations between the United States, the United Kingdom, France, and Sweden concerning German external assets in Sweden and related questions began in Washington on May 29 and culminated in an Accord on July 18, 1946. For text of this Accord, see Department of State, Treaties and Other International Acts Series No. 1657, or 61 Stat. (pt. 3) 3191. For text of the Agreement between the United States and France, July 18, on the allocation of the proceeds of German assets to be received from Sweden as a result of the Swedish-Allied Accord of July 18, see Department of State, Treaties and Other International Acts Series No. 1731, or 61 Stat. (pt. 4) 3840. An article by Mr. Seymour J. Rubin, Deputy Director of the Office of Economic Security Policy, Department of State, and Chief of the United States delegation for the Allied-Swedish negotiations, commenting on the Accord and the discussions leading thereto, is printed in the Department of State *Bulletin*, July 27, 1947, page 155.]

**PARTICIPATION BY THE UNITED STATES IN THE WORK
OF THE UNITED NATIONS RELIEF AND REHABILITA-
TION ADMINISTRATION (UNRRA)**

[Documentation concerning United States relations with other countries on subjects pertaining to UNRRA is indexed under the individual countries. For documentation relating to handling of displaced persons, repatriation, and transfer of populations, see pages 128 ff. The position of the United States with regard to assumption by the United Nations of certain of UNRRA's functions after the termination of UNRRA is summarized in *Yearbook of the United Nations* (United Nations, 1947), pages 71-72, 155-164; for further references, see *ibid.*, page 988.

Unpublished material in the Department of State on United States participation in UNRRA is located principally in the 840.50 UNRRA decimal file. Published information on the Fourth (March 15-30), Fifth (August 5-17), and Sixth (December 10-14) UNRRA Council sessions may be found in the *Journals* for the respective sessions. UNRRA's official history is contained in George Woodbridge, *UNRRA: The History of the United Nations Relief and Rehabilitation Administration*, 3 volumes (New York, Columbia University Press, 1950).]

**AGREEMENT BETWEEN THE UNITED STATES, FRANCE,
THE NETHERLANDS, AND THE UNITED KINGDOM
FOR THE ESTABLISHMENT OF THE CARIBBEAN
COMMISSION**

[The Agreement was opened for signature at Washington October 30, 1946, and entered into force August 6, 1948. For text see Department of State, Treaties and Other International Acts Series No. 1799, or 62 Stat. (pt. 3) 2618.]

UNITED STATES INTEREST IN MEASURES FOR THE CONTROL OF THE DANUBE RIVER AND OTHER QUESTIONS INVOLVING EUROPEAN INLAND WATERWAYS

740.00119 Council/1-2146: Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

SECRET

LONDON, January 21, 1946—6 p. m.

[Received 9:34 p. m.]

719. This is Delsec 144 from Dunn¹ for Matthews² Radius³ and Collado.⁴ US draft directives on satellite treaties submitted at September CFM (Conference of Foreign Ministers) meeting proposed that international agreements for control of the Danube should be confirmed by the peace treaties. Reinstein⁵ informs me no specific proposals have been developed in the Dept because of uncertainty as to whether waterways question was discussed at Moscow conference.⁶ I understand the matter was not discussed. I should appreciate receiving as soon as possible Dept suggestions as to specific proposal which delegation should put forward on the Danube in the treaty discussions. We will also need to have specific suggestion regarding free port facilities for Bulgaria on the Aegean (see Reinstein's memo of December 29 to Radius⁷). [Dunn.]

WINANT

¹ James Clement Dunn, Assistant Secretary of State, Deputy to the Secretary at the Council of Foreign Ministers in London.

² H. Freeman Matthews, Director, Office of European Affairs.

³ Walter A. Radius, adviser on inland transport in the State Department; adviser on technical problems, US Delegation, 1st part, 1st session of the General Assembly, United Nations, London.

⁴ Emilio G. Collado, Deputy (Financial Affairs) to the Assistant Secretary of State for Economic Affairs (Clayton).

⁵ Jacques J. Reinstein, Economic Adviser to the U.S. delegation to the Council of Foreign Ministers in London.

⁶ The waterways question was not discussed at the Moscow Conference. For documentation on the Moscow Conference of Foreign Ministers, December 16-26, 1945, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.

⁷ Not printed.

840.811/1-2546 : Telegram

The Counselor of Mission in the Office of the United States Political Adviser for Austria (Gray) to the Secretary of State

SECRET

VIENNA, January 25, 1946—7 p. m.
[Received January 26—9: 18 a. m.]

118. Pass to War Dept., Remy A-4392, October 26.⁸ Following is text of resolution adopted by Allied Council January 22:

“The Allied Council agrees that the Commander in Chief will draw the attention of their respective governments to the advantages that would accrue if these governments would authorize their representatives in Vienna to seek a solution of the question of a rapid resumption of navigation on the Danube, and to make, without delay, proposals towards finding a provisional ‘modus vivendi.’”

This resolution adopted without discussion by AC and Executive Committee on basis of report by Quadripartite Transport Division following letter from Austrian Minister of Transportation pointing out importance of rapid resumption of navigation on Danube. Report expressed hope that proposals for resumption of traffic would be made before winter ends.

We will proceed in accordance with existing instructions in Department's 174, October 9⁹ and 250, November 8¹⁰ if and as soon as other three members particularly Soviet member receive similar instructions permitting them to do so. (In this connection see my 117, January 25, 6 p. m.⁸) Will any further instructions be issued to Representative Clark¹¹ on basis of above resolution?

Sent Department as 118, repeated Berlin as 14, London as 11, Paris as 20, Moscow as 8.

GRAY

740.00119 Council/1-2146 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

SECRET

WASHINGTON, January 26, 1946—8 p. m.

914. Secdel 114. For Dunn from Matthews, Radius and Collado. Reurtel 719 Jan 21 Delsec 144. Dept suggests that US proposal on

⁸ Not printed.

⁹ Not printed; in this telegram the Department suggested that “an Interim Austrian Danube Control Organization be established at the earliest possible moment by the Control Council or by arrangement among the zonal commanders concerned with Austrian portion of Danube.” (840.811/10-945)

¹⁰ Not printed; in this telegram the Department asked for details regarding nationality of vessels under US control, adequacy of supply of Soviet barges, and demand for waterway equipment in Hungary, Czechoslovakia, and Yugoslavia (840.811/10-2645).

¹¹ Gen. Mark W. Clark, Commanding General, US Forces in Austria; US Military Commissioner for Austria; US Member of the Allied Council for Austria.

Danube issue in satellite peace treaty discussions should take form of general statement that "navigation on rivers of international concern should be free and open on terms of entire equality to nationals, vessels of commerce, and goods of all members of the United Nations."

Despite draft directive submitted at Sept Council of Foreign Ministers,¹² Dept does not now favor confirming particular international waterway regime in peace treaties.

Dept does not believe it desirable to raise issue of an International Danube Administration at this time which would involve taking stand as between British and French position (non-riparian representation) on one hand, and Russian position (exclusively riparian representation) on other. To obtain recognition of freedom of navigation and non-discriminatory treatment principles by satellite and major nations would be best contribution that US could make.

Dept recognizes danger that general statement of principle in peace treaties, such as suggested above, will not of itself carry assurance of adequate implementation. It is hoped of course that adequate implementation can be effectuated through UNO.

Dept's position in event issue should be precipitated between British and French and Soviets has not been determined. Further instructions will follow as soon as possible.¹³

Dept also believes that general principle should be incorporated in the peace treaties that "interior areas should be assured freedom of access and transit to desirable and convenient port facilities." Instructions on particular application of this principle to Bulgaria will follow. [Matthews, Radius and Collado.]

BYRNES

840.811/1-2346 : Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, January 30, 1946—6 p. m.

85. Dept wishes to call attention to position which it requested its delegation in London to take with regard to Danube in satellite peace treaties. It has asked delegation to sponsor only a general statement that "navigation on rivers of international concern should be free and open on terms of entire equality to nationals, vessels of commerce and goods of all members of the United Nations." Dept is specifically requesting London delegation not to confirm particular kind of Danube Commission either on temporary or permanent basis in peace treaties.

¹² *Foreign Relations*, 1945, vol. II, pp. 132-134.

¹³ Telegram 85, *infra*.

Dept does not believe it desirable to raise issue of permanent International Danube Administration at this time which would involve taking stand as between British and French position (non-riparian representation) on one hand, and Russian position (exclusively riparian representation) on other. To obtain recognition of freedom of navigation and non-discriminatory treatment principles by satellite and major nations would be best contribution that US could make.

Dept recognizes danger that general statement of principle in peace treaties, such as suggested above, will not of itself carry assurance of adequate implementation. It is hoped of course that adequate implementation can be effectuated through UNO.

While it is understood that urtel 118 Jan 25 applies to resumption of military traffic on Danube on temporary basis Dept wishes to be sure that issue of non-riparian representation on permanent regulatory commission is not prejudiced one way or other.

Sent to Vienna repeated to London for Dunn, Blaisdell and Russell.¹⁴

BYRNES

840.811/2-1446 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

RESTRICTED

LONDON, February 14, 1946—5 p. m.

[Received 11:28 p. m.]

1874. For Moats¹⁵ from Radius. After discussions with Rainey¹⁶ and McClure,¹⁷ as well as Blaisdell and Russell, following approach to Rhine problems appears best way to achieve substance desired under another form than IRNA proposals:

1. Uniform instructions would be sent to three zonal military authorities explaining policy of interzonal cooperation on Rhine, to be implemented through tripartite traffic and engineering committees at Duisburg and Eltville. Three waterways chiefs would establish policies, to be carried out by full-time deputies on each committee fully authorized to arrange operations of craft, equipment and services on Rhine and connecting waterways in their respective zones in accordance with committee decisions. Committee members would be

¹⁴ Presumably Thomas C. Blaisdell, chief of the US mission for economic affairs in London, and Ruth B. Russell, economic analyst at the US Embassy in the United Kingdom.

¹⁵ Helen M. Moats, Special Assistant, American Embassy, London.

¹⁶ Froelich G. Rainey, Senior Economic Analyst, detailed to International Rhine Commission.

¹⁷ Wallace McClure, Senior Economic Analyst, detailed to International Rhine Commission.

expected to present unified position when dealing with other riparian states on IRWC in matters of international concern.

2. Other riparian states would be requested to send representatives to IRWC fully authorized to make similar arrangements for Rhine and connecting waterways under their jurisdiction. This would overcome present problem of having such representatives on IRWC inadequately authorized to carry out decisions regarding necessary international coordination, and would avoid difficulties involved in establishing new organization. ECITO and CRC representation could continue but be formalized as proposed in ECITO council resolution. (Embassy's telegram 1198, January 31 to Dept; repeated to Paris as 77, to Berlin as 118.¹⁸)

3. Ronald¹⁹ indicated British have also been working out similar approach which would involve minimum necessary formalization of IRWC. They are also trying to work into plan some way to encompass any necessary work on priorities for which French wanted separate committee. Ronald thought Charqueraud²⁰ would be favorable to idea. At Foreign Office meeting scheduled for today to discuss these questions, he will indicate our views and later report developments to us.

Sent Department as 1874; repeated to Paris as 122 and to Berlin as 184. [Radius.]

WINANT

840.811/2-2046 : Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET
URGENT

VIENNA, February 20, 1946—1 p. m.
[Received February 20—12:38 p. m.]

243. Re restitution Yugoslavian and Czechoslovakian vessels held by American forces, our last instructions are Department's 206, October 24, authorizing movement downstream to carry out restitution policy and Department's 404, November 15 to Belgrade,²¹ to notify Yugoslavian Government that authorities in US zones have been so instructed. Similar instructions USFA are WARX 85965 from JCS.^{21a}

¹⁸ Not printed.

¹⁹ Sir Nigel Bruce Ronald, Acting Assistant Under Secretary of State for Foreign Affairs.

²⁰ Paul H. Charqueraud.

²¹ Neither printed.

^{21a} For text, see *Foreign Relations*, 1945, vol. III, p. 1427.

Return of these vessels has not been processed here for two reasons:

1. We anticipated events and conditions regarding Russian attitude against free navigation on Danube which have been largely confirmed in interim.

2. Movement past Tulln physically impossible.

Czechoslovakians have exerted no pressure locally and appear not over-anxious for return of their vessels at this time (see also last sentence Praha's 582, November 15, warning against Soviet requisitioning, and Budapest's telegram, January 30, repeated Vienna as 33, reporting Czechoslovakian proposal to acquire Hungarian ships without reference to their own ²²).

Yugoslavians have pressed for restitution their ships. While it appears possible that they would remain under Yugoslavian flag if returned to them, it is evident from all reports that Yugoslavian shipping is actually under Russian domination and control and it appears likely that return of Yugoslavian ships would operate to extend and strengthen Russian grip on river.

Subsequent events have tended to confirm estimate of the position (see my 559, December 12 ²³); (referred to favorably in Department's 362, December 14 and Moscow's 4299, December 28 ²²) in which the vessels in American hands are regarded as possessing bargaining power vis-à-vis the Soviets' fundamental objective of [*objection to?*] free navigation on Danube. Russian anxiety to obtain release of American-held ships and to "own" the river has been evidenced in the DDSG case (numerous recent telegrams on this case) and conspicuously, among others, is Budapest's telegram, January 28, repeated to Vienna as 30.²³

Recent exchanges between USFET and USFA have brought out that former was processing restitution of Yugoslavian and Czechoslovakian vessels and suggested that USFET process also those in Austria. USFA did not concur on ground that political implications on the Danube were involved with which USFET might not be familiar. The question of responsibility for operation and control of all vessels in both countries in our zone has been raised and is under discussion.

Majority of Yugoslavian and Czechoslovakian vessels is in Bavaria and Rainey, Berlin, advises that RD and R, Germany, has processed claims and is about to relinquish title under WARX 85965 and that

²² Neither printed.

²³ Not printed.

Berlin has received specific instructions in Department's 167, January 19,²⁴ to restitute (see also Berlin's 15, February 9 to Department²⁴).

Believe desirable treat question uniformly in Berlin and Vienna and with consideration to larger political aspect of Russian domination Danube Basin through control of river. Due to mild winter, work on clearing Tulln bridge has proceeded and channel will probably be opened soon.

Sent Department as 243; repeated to London for Radius as 27, to Praha as 9, to Berlin as 26 Belgrade.

ERHARDT

740.00119 Council/2-2646 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

TOP SECRET

WASHINGTON, February 26, 1946—2 p. m.

1791. Reurtel 719 (Delsec 144) Jan 26. For Dunn, Reinstein and Radius. Dept submits as statement of policy on Danube principles set forth below pursuant to Deptel 914 Jan 26:

"1. US should support re-establishment of general principle of freedom of commerce and navigation on Danube River in satellite peace treaties.

"2. US should use this policy as to Danube River, in so far as possible, to promote principles of freedom of commerce and navigation in East-Central Europe and to support political independence of peoples of this region.

"3. For your own information it is not our intention to seek permanent membership on a Danube Commission, but we should state our position without prejudice to Anglo-French position.

"4. US should seek to implement this long-range policy and to support commercial interests of states not represented on the Commission through its position on Economic and Social Council of UNO, which is to coordinate specialized agencies of United Nations, and through UNO itself.

"5. In addition to its long-term interest under Paragraph 1 above, US should seek immediately, on *ad hoc* basis, freedom of navigation on Danube River, either through temporary commission, or through US membership on Allied Control Council, or through direct government-to-government negotiations, in view of its role as occupying power in Austria and Germany."

While instructions are for US delegation negotiating peace treaties, they are repeated for information to Vienna, Berlin, Budapest and Bucharest.

BYRNES

²⁴ Not printed.

740.00119 Control (Austria)/2-2246

The Department of State to the British Embassy

MEMORANDUM

Reference is made to the British Embassy's *Aide-Mémoire* of February 22, 1946 no. 1139/2/46²⁹ regarding the resumption of navigation on the Danube.

The United States is willing to associate itself with the United Kingdom in parallel instructions to their respective Ambassadors in Moscow on the following points.

1. The re-establishment of the general principle of freedom of commerce and navigation on the Danube River on terms of entire equality to nationals, vessels of commerce and goods of all members of the United Nations.

2. The establishment of a provisional Danube Commission to be composed of representatives of the Union of Soviet Socialist Republics, the United States, the United Kingdom and France in their respective roles as occupying powers together with such riparian governments as have been recognized by the four major powers.

The United States will immediately instruct its Ambassador to the Union of Soviet Socialist Republics in accordance with the foregoing.

The United States is not prepared to discuss the subject of a permanent international commission for the Danube at this time.

WASHINGTON, March 15, 1946.

840.811/3-1646 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan)

TOP SECRET

WASHINGTON, March 16, 1946—2 p. m.

486. AC in Austria adopted following resolution in its meeting Jan 22:

“The Allied Council agrees that the Commanders-in-chief will draw the attention of their respective governments to the advantages that would accrue if these governments would authorise their representatives in Vienna to seek resolution of the question of a rapid resumption of navigation on the Danube and to make without delay proposals towards finding a provisional *modus vivendi*.”

On Feb 22 this Govt received *Aide-Mémoire*²⁹ from Brit Embassy Washington requesting this Govt to join with UK in approaching Sov Govt regarding resumption of navigation on Danube and establishment of provisional commission.

²⁹ Not printed.

You are therefore instructed to approach Sov Govt simultaneously with Brit Ambassador on following points:

1. Reestablishment of general principle of freedom of commerce and navigation on Danube River on terms of entire equality to nationals, vessels of commerce and goods of all members of United Nations.

2. Establishment of provisional commission to be composed of representatives of USSR, US, UK and France in their respective roles as occupying powers, together with such riparian govts as have been recognized by four major powers.

Is understood UK will immediately instruct its Ambassador at Moscow similarly.

For your own information, but not for Sov Govt it is not our intention to seek permanent membership on a Danube Commission but we should state our position re temporary commission without prejudice to Anglo-French views on a permanent commission. Except to state that it is not prepared to discuss issue of permanent commission US is therefore not commenting on following point in British *Aide-Mémoire*:

“It would be understood that after the peace treaties had been signed with all ex-enemy riparian states, a conference would be held to draw up a definitive statute for the Danube and to establish a permanent international commission.”

British *Aide-Mémoire* states that “if the Soviet Government should agree in principle to the establishment of a provisional commission, His Majesty’s Government proposes to suggest that a meeting should be held in Vienna of representatives of the Governments concerned (i.e. the United Kingdom, the United States, the Union of Soviet Socialist Republics, and France and such riparian governments as have been recognized by the four major powers) to draw up the terms of reference of the provisional commission.”

Sent to Moscow, repeated to Vienna, London, Paris, Praha, Belgrade, Bucharest and Budapest.

BYRNES

840.811/3-1546 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

RESTRICTED

WASHINGTON, March 21, 1946—6 p. m.

720. For Rainey from Radius. For your info War Dept has transmitted message to Clay⁸⁰ along following lines which Radius dis-

⁸⁰ Lt. Gen. Lucius D. Clay, Deputy Military Governor, US zone of occupation in Germany; US member, Coordinating Committee, Allied Control Council for Germany; Commanding General, Office of Military Government of the United States for Germany.

cussed with you: State desires development of closer interzonal coordination in problems involving Rhine traffic and better arrangements for handling problems between zones and other riparian states. Believe previous ECITO proposal re IRNA too formalized, too rigid and deficient on interzonal arrangements.

Therefore suggest that US, British and French zonal authorities cooperate on establishment of tripartite interzonal traffic committee whose respective representatives would be able to deal authoritatively with Rhine traffic problems; be fully authorized to make arrangements for operation of watercraft equipment and service under jurisdiction of each zone; and represent German Rhine in dealing with representatives of other riparian states on international problems on interim Rhine Working Committee. Unified interzonal position desirable in dealing with other riparians. ECITO and CRC also to be represented on IRWC. US zone authorities to keep War Dept informed. (Reur 788, Mar 15.³¹)

Sent to Berlin repeated to London for Blaisdell and Russell and Paris for Merchant. [Radius.]

BYRNES

840.811/3-1646: Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)

TOP SECRET

WASHINGTON, March 28, 1946—8 p. m.

572. Deptel 486 Mar 16. UK parallel action on approach to USSR re resumption of navigation on Danube will be delayed. French have requested preliminary conversations looking toward identical tripartite approach on subject. Dept will keep you informed.

Sent to Moscow rptd to Vienna, London, Paris, Praha, Belgrade, Bucharest and Budapest.

ACHESON

740.00119 Council/3-1346: Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

TOP SECRET

WASHINGTON, March 28, 1946—8 p. m.

2760. For Dunn and Reinstein. Reurtel 2964 Mar 13, Delsec 1270; ³¹ Deptel 1791 Feb 26. You are correct in assuming Dept is not disposed to press for particular type of treaty regime i.e. riparian as against non-riparian or vice versa—in satellite peace treaties.

³¹ Not printed.

Dept agrees USDel should not support British position that satellites (and presumably Austria) should be required to agree to adopt whatever arrangements may in future be agreed upon for control of Danube once they are no longer enemy states. US views incorporation of Danube provisions not as penalty to be imposed upon defeated nations but as method of supporting political independence of peoples of this region. Furthermore we see no reason for referring in peace treaties to reestablishment of prewar arrangements but you should not oppose decision either way.

Dept desires following language be included in treaty :

1. Navigation on Danube River, its navigable tributaries and connecting canals shall be free and open on terms of entire equality to nationals, vessels of commerce and goods of all nations.

2. Sanitation, police and other regulations pertaining to Danube River system shall be just and reasonable.

3. No impediments to navigation shall be placed in main channels of waterways in question or along their shores. Riparian states shall be under obligation to remove any existing obstacles in main channels lying within their jurisdiction or to permit international authorities which may be set up for any waterway flowing through their territory to do so in their stead.

4. Tolls and all other charges shall be levied only for purpose of defraying cost of maintaining and developing waterway in commercially navigable condition. No tolls shall be levied for navigation of any part of naturally navigable waterway. All charges shall be made without discrimination against nationals, vessels of commerce and goods of any nation and must be posted in public places.

5. Austria (or whatever satellite country is in question) shall have equal status with other member states in establishment and operation of any temporary or permanent international regime for Danube River.

Should above provisions be too detailed and specific, you may drop points (2), (3) and (4) either before presentation or as negotiating move.

In addition to above provisions relating specifically to Danube, it would be desirable to incorporate following language with regard to rates on all surface transportation in appropriate section of commercial policy provisions :

1. Transportation charges shall be reasonable as to rates and method of application, non-discriminatory, and should be so fixed as to facilitate international traffic. No transit charge shall be levied except to defray expenses of supervision and administration entailed by transit traffic concerned.

For your information, in addition to efforts to incorporate provisions in peace treaties, Dept has approached Soviets re Danube in connection with billion-dollar loan negotiations and consideration

is being given to a US, UK and French approach to Moscow urging Soviets to implement resolution of Jan 22 of AC in Austria. (Dep-tel 486 Mar 16 to Moscow rptd to London)

In addition a proposed revision of JCS directive on restitution to German and Austrian ACS so as to withhold restitution of Danube River craft in US zones until Danube is opened to navigation is under consideration.

Sent to London repeated to Vienna, Paris, Praha, Moscow, Belgrade, Budapest, and Bucharest.

ACHESON

840.811/3-1546 : Telegram

*The Acting Secretary of State to the Ambassador in France
(Caffery)*

WASHINGTON, April 4, 1946.

1523. For Merchant,³³ McClure and Rainey. Instructions CRC meeting Apr 10. Numbered points follow paragraph numberings in your 1256 Mar 15.³⁴

2. US is definitely interested in promoting maximum possible traffic and shipment of goods on Rhine for relief purposes and rapid improvement of economic conditions in neighboring countries during 1946 navigation season. US is therefore disposed to consider any reasonable proposals presented by others at forthcoming meeting of CRC in this connection, always bearing in mind, however, its own and others responsibilities for effective military government in Germany under Potsdam agreement.

US continues to believe that a strengthened IRWC with fully authorized representatives from tripartite zonal transport authorities and from riparian states the simplest and most effective medium for dealing with all Rhine traffic arrangements. For this purpose, US has held conversations with Brit and French during past month and has issued directive to Clay. (ReDep-tel 720 Mar 21). It hopes also that riparian states will be agreeable to authorizing their representatives with IRWC to make binding arrangements re traffic control and movement throughout Rhine.

3. US is inclined to look with disfavor upon setting up separate priorities committee for regulation of shipment of commodities. It

³³ Livingston T. Merchant, Economic Counselor in the American Embassy in Paris.

³⁴ Not printed. This telegram reported the details of the agenda of the meeting of the Central Rhine Committee at Strasbourg of April 10, 1946 (840.811/3-1546).

favors allowing strengthened IRWC to handle commodity priorities as well as shipping, if it can do this satisfactorily. Alternatively, US is prepared to agree to ECITO discharging function re shipment priorities, if others concur and ECITO is in position to do so. (Reur 66 Brussels Jan 19).³⁵ Dept foresees difficulties in pooling of barges, tugs, etc. along lines of French suggestion due to requirements of military. On this general subject of CRC agenda Dept is prepared to give delegation free hand to discuss proposals presented by other governments. Reference should be made to Dept before taking final stand upon any proposal other than indicated above.

4. US sees no objection to supplying of vessels along lines of Resolution 2 Jan Brussels CRC meeting (reur 400 Jan 24 ³⁶).

5. No objection is seen to victualling arrangement along lines of Brussels Resolution 3. Delegation may discuss any arrangement which does not conflict with rights or duties of US military zonal authorities. Matter should be discussed fully with US liaison officers. US approves resolutions adopted by CRC subcommittee on international control card (reur 55 Frankfurt Feb 19), and by CRC financial subcommittee re supply and payment (reur 1151 Mar 9).³⁷

6. US favors early completion Rhine craft census, and hopes there may be cooperation among all parties and zonal authorities toward this end.

7. Dept has no information re attitude of US zonal authorities concerning international passports for boatmen. Confer with US liaison officers and Transport Directorate OMGUS and Advise Dept.

8. US favors publication of police regulations for Rhine navigation including preparation and release of English translation. US believes that one of most useful functions of CRC can be active publication program re Rhine navigation and engineering affairs. (Urtel 1277 Mar 16 noted.³⁵

9. As emphasized before, US hopes Eltville Committee will be able to secure genuine collaboration between engineering forces of tripartite group, and will cooperate closely with Technical Committee of CRC. US believes regular review of Eltville proposals by Technical Committee is a desirable procedure before proposals are executed. This will give CRC full information re work projected and permit it to offer suggestions based on its experience and broader concern while projects are still in formative stage.

³⁵ Not printed.

³⁶ Not printed. In this telegram Mr. Caffery reported the details regarding limitations of fuel supplies for vessels and provisions for boatmen (840.811/1-2446).

³⁷ Neither printed.

US approves adoption by CRC of resolutions recommended by Technical Committee Mar 1. (Reur no. 75 Mar 5 Frankfurt.⁴⁰)

US hopes that more can be done by way of combining German organizations within zones so that there may be a larger measure of international cooperation. Dept has no objection to German secretariat drawn from Wasserstrassendirektion groups at Eltville if this is all that can be achieved as hinted in your 50 Feb 16 Frankfurt.⁴⁰

10. No objection is seen to CRC approval of road bridge at Maxau.

11. Establishment of suitable courts for determination of navigation cases desirable at early date. On the whole, resolution proposed in Duisburg Committee appears satisfactory to Dept. It should be discussed with proper representatives of OMGUS and US zonal authorities. Assume that civil navigation courts have been or will be reestablished in Neths, France and Switzerland. Arbitration system suggested by Secretary-General of CRC appears to involve unnecessary departure from traditional Rhine system and likelihood of complications re enforcement both in occupied territory and riparian states.

It is desirable that riparian states agree if possible to give Rhine shipping courts competence of prewar navigation courts (see Articles 33-40, Mannheim Convention), subject to changes proposed in Articles 54-65 of 1936 draft Revised Rhine Convention (See Padel-ford Rhine Documents Annex 4). Particularly desirable that parties agree CRC should resume former functions as appeals tribunal.

Essential that there be agreement among zonal authorities and riparian states on navigation and police regulations, and their promulgation, before courts are established. New regulations were adopted in 1939 by Rhine states (See Rhine Documents, Annex 5). Resolution no. 2 proposed to Duisburg Committee should be supported, and CRC should likewise call on riparian states to reaffirm binding force of these regulations. It might also be advantageous for CRC to invite tripartite authorities to give full force and effect to these regulations at earliest possible date.

In conclusion, US hopes that present session of CRC will be marked by harmonious endeavor on part of all to use powers and influence of CRC to greatest extent possible to promote freer and more extensive navigation upon Rhine. With food, agricultural, manufacturing and transportation conditions being what they are in Europe it is imperative that facilities and available equipment on Rhine and adjoining waterways be used to utmost this year. US hopes that military restrictions may be reduced to minimum compatible with effective

⁴⁰ Not printed.

discharge of responsibilities, and that any shipping not urgently needed by zonal authorities for transport of military supplies may be utilized for relief and commercial transport. Finally, US suggests that CRC undertake at an early date studies looking to drafting of new convention for international regime of Rhine. On basis of prewar experience this will require extensive work. Consequently it should be begun soon.

Attention is called to fact that copies of minutes and relevant papers of Jan CRC meeting have not yet been received. Dept needs full documentation of CRC regularly and as soon after release as possible.

Sent to Paris repeated to Berlin for Murphy and London for Blaisdell and Russell.

ACHESON

864.811/4-1846

Memorandum by the Assistant Secretary of State (Clayton) to the Secretary of State

[WASHINGTON,] April 18, 1946.

Subject: Danube Negotiations

Problem.

The British and French Governments have requested that the Danube problem be placed on the agenda at the Foreign Ministers meeting in Paris⁴¹ and that the United States take the initiative in proposing the establishment of a provisional regime for the Danube composed of the USSR, the UK, France, the US and the riparian states. In this approach, the UK and France have recommended that the United States not base its claim for participation on its position as an occupying power as this principle might prejudice British and French participation in a permanent regime.

Discussion

The policy of the State Department with respect to the Danube has been set forth in CC-93a attached hereto as Annex I. The Department's position with respect to a provisional regime for the Danube is set forth in CC-94 attached as Annex II. The Department's position with respect to treaty provisions for the Danube is set forth in the Department's telegram 2760 of March 28 to London for Mr. Dunn attached as Annex III.⁴²

⁴¹ The Danubian problem was not formally considered at the Second Session of the Council of Foreign Ministers; for documentation on this session see volume II.

⁴² Annex III not attached here, but for text of telegram 2760 of March 28, see p. 232.

In these documents the Department's position has consistently been that:

(1) US claims participation in a provisional regime for the Danube on the basis of our position as an occupying power.

(2) US supports the reestablishment of permanent international river commissions to guarantee the general principles of freedom of commerce and navigation for international waterways but does not seek permanent membership on specific river commissions on which the United States is not a riparian country.

(3) US should seek to implement this long-range policy and support the commercial interest of non-riparian states in general through the United Nations machinery.

(4) US should state its long-range objectives without prejudice to the Anglo-French claim for participation on European waterways commissions as non-riparian states.

In light of the above policy, this Government has been unwilling to take the initiative with respect to the establishment of any particular river commission although at Potsdam and again at the Council of Foreign Ministers meeting in London last September, the US delegation did propose the acceptance of general principles to govern waterway regimes and proposed the establishment of emergency regimes for European waterways.

It is clear from the above statements and from the positions taken by the British and French that there is a difference in the long-range objectives of the United States on one hand and the British and French on the other with respect to European waterways and also that these positions might vary even with respect to the establishment of provisional regimes which might very well set precedents for permanent regimes.

In light of these fundamental differences between the United States and the Anglo-French positions it would be most unwise for the United States to take the initiative in proposing the solution to either the provisional or the permanent regime questions prior to the establishment of a full and complete agreement with the British and French as to details of the proposed principles to cover both a provisional and a permanent regime. Since the United States does not intend to seek permanent membership on the operating commissions, our taking the initiative on the waterways commissions could easily put this country in the position of being the champion of the British and French position vis-à-vis the Soviets over an issue in which this Government itself is not the directly interested party.

In light of the above considerations, it is believed that the United States should actively advocate the principle of the establishment of international waterway regimes and should indicate its desire to participate in any provisional regimes in which our interests as an

occupying power are concerned. It should not take the initiative on behalf of the British and French for proposed specific arrangements. Thus by giving support to the principles and avoiding taking sides on the riparian vs. non-riparian issues, the United States might well be in a position to effectuate a compromise agreeable to both the Soviets and the British and French.

Recommendations

It is recommended that:

(1) The British and French Governments be informed that we are not in a position to take the initiative on the Danube question in the forthcoming Paris meetings.

(2) We should carefully explain to the British and French the reasons for this decision and indicate a willingness to discuss with them the fundamental differences in our positions with a view towards endeavoring to reconcile such differences and work out the possible proposals which might be acceptable to all four major powers.

[Annex I]

February 18, 1946

CC-93a

THE POLICY OF THE UNITED STATES REGARDING INTERNATIONAL REGULATION OF THE DANUBE RIVER .

(Approved by the Coordinating Committee on February 18, 1946 with the understanding that no instructions with regard to this policy statement should be sent from the Department without prior approval of the Committee.)

The Problem

The problem of the policy of the United States regarding international regulation of the Danube is three-fold in character:

1) Should the United States, in conformity with its traditional policy as to international waterways in the Western Hemisphere, seek to re-establish the principle of freedom of commerce and navigation on the Danube River in the satellite peace treaties, relying on its position in UNO to implement the general principle; or,

2) Should the United States, as a participant in the affairs of Europe after the withdrawal of military forces (assuming this to be the Department's policy) favor the establishment of a Danube Commission or Commissions with non-riparian as well as riparian representation, implying, as this does, a similar position for the international waterways of the Western Hemisphere;

3) Should the United States be concerned in the conflict between the policy of the Soviet Union as to riparian control of the Danube River and Anglo-French treaty rights?

Recommendations

1. The United States should support the re-establishment of the general principle of freedom of commerce and navigation on the Danube River in the satellite peace treaties.

2. The United States should use this policy as to the Danube River, in so far as possible, to promote the principles of freedom of commerce and navigation in East-Central Europe and to support the political independence of the peoples of this region.

3. The United States should not seek permanent membership on a Danube Commission, but should state its position without prejudice to the Anglo-French position, which rests on treaty rights (1856, 1878, 1919, 1921), to which the United States is not a party.

4. The United States should seek to implement this long-range policy and to support the commercial interests of non-riparian states in general through its position on the Economic and Social Council of UNO, which is to coordinate the specialized agencies of the United Nations, and through UNO itself.

5. In addition to its long-term interest under Paragraph 1 above, the United States should seek immediately, on an *ad hoc* basis, freedom of navigation on the Danube River, either through a temporary commission, or through U.S. membership on the Allied Control Council, or through direct government-to-government negotiations, in view of its role as an occupying power in Austria and Germany.

*Discussion**A. Implications of the Recommendations*

The question now before the United States, essentially, is whether this Government should seek permanent representation on a Danube Commission involving, as this does, the principle of non-riparian membership, to which the Soviet Union is opposed. The question may be considered as a part of the larger issue of the participation of the United States after the withdrawal of the occupational forces, or it may be considered as an aspect of the policy of the United States regarding all international waterways. The two larger policies are not necessarily contradictory. Active participation by the United States in the management of post-occupation Europe might imply our representation on such an important regulatory body as the Danube Commission, although not necessarily so. Such representation, however, would be in direct conflict with the traditional policy of the United States, which has favored riparian representation on the international waterways of this hemisphere.

Would the United States be justified in agreeing to a temporary commission composed of representatives of the riparian states (Czechoslovakia, Hungary, Yugoslavia, Bulgaria, Rumania and the Soviet

Union) and one representative each of the United States, Great Britain and France as members of the Allied Control Councils for Germany and Austria? In such a commission Great Britain, France and the United States would have no national representation as such, but would secure protection of their military interests on the Danube for the occupation period.

If Great Britain and France insist on the principle of non-riparian representation, either on the short or long term view, on the basis of their treaty rights, it is probable that the Soviet Government will continue to oppose it and, in fact, to control the Danube River in cooperation with Rumania, Bulgaria, Hungary, Yugoslavia and Czechoslovakia, as under the reorganized Danube Commission of 1940. It is in connection with this conflict between Soviet and Anglo-French policy that the United States may be forced to take a position. In the course of negotiations concerning the ownership of Danube ship lines in Austria, for example, this issue may lie implicit throughout, and may become explicit in the final stages. The issue is even more directly involved in the Balkan peace treaties. The Department may wish to formulate what it regards as an equitable and stable resolution of this conflict, if necessary after consultation with the British and French Governments, and be prepared to play a constructive part in its settlement. This may merely be a question of appropriate strategy in presenting the Department's views to the other governments.

B. Arguments in Behalf of Recommendations

The interests of the United States in the promotion of peace and the economic development of the Danube region, in this particular instance, should rest on the re-establishment of the principle of freedom of commerce and navigation not on the permanent participation of the United States in a Danube Commission, insistence on which would merely stimulate difficulties with the Soviet Government, without achieving any desirable objectives.

The historic policy of the United States in the Western Hemisphere, as well-illustrated in the instances of the Great Lakes-St. Lawrence Waterway and the Rio Grande, has been to accept international waterway commissions composed only of riparian states. While tradition need not be a determining factor, departure from the historic American policy as to riparian control of international rivers in the Western Hemisphere might logically give some justification for a possible Soviet demand for a *quid pro quo* in the Western Hemisphere. Although the traditional policy of the United States precludes this government, in principle, from supporting the Anglo-French position, it would not prejudice the case of the United Kingdom or France or

prevent the United States from playing a constructive role in resolving the conflict.

There is no fundamental reason, however, why the United States should become a permanent member of a Danube Commission, any more than a member of other European international river commissions, even though it might desire temporary participation as an occupying power. For example, the United States has joined the Central Commission of the Rhine on a temporary basis, although it was not a member of this Commission before the war, and does not expect to be a member after the withdrawal of the occupation forces. The primary interest of the United States in the organization of such a commission at this time is to promote the reestablishment of free navigation and the orderly utilization of the Danube River. In this connection it is well to recall that the United States, Great Britain and the Soviet Union at the Yalta conference in February 1945 jointly declared "their mutual agreement to concert during the temporary period of instability in liberated Europe the policies of their three governments in assisting the peoples liberated from the domination of Nazi Germany and the peoples of the former Axis satellite states of Europe to solve by democratic means their pressing political and economic problems."

Withdrawal of direct participation after the period of military occupation and failure to insist on permanent membership in a Danube Commission do not imply in any way withdrawal from the affairs of East-Central Europe or any other part of Europe. The United States can exercise its influence concerning the Danube River through the instrumentality of the United Nations and through the appropriate specialized agencies with which it is assumed the Danube Commission would be affiliated.

C. *Pertinent Data*

1. *History of International Regulation of the Danube.*—Since 1856 the Danube River has been subject to international regulation in which both riparian and non-riparian powers have participated. A European Commission was established for the purpose of freeing the Danube mouth and adjoining seas from various obstacles as a preliminary to reopening Danube navigation. When the European Commission had finished its work, its duties and powers were to be transferred to the Riparian Commission to be established for the entire navigable Danube. Russia was a party to these arrangements until 1918 when, through the loss of Bessarabia, it ceased to be a Danube riparian power and was excluded. The Treaty of Versailles of June 28, 1919 gave to non-riparian states broad privileges of navigation in the particular rivers recognized as having an international character. However, the acquisition by certain non-riparian Euro-

pean powers of a right to participate in the administrative control of rivers was merely an incident in the attempt of the Principal Allied Powers to re-establish, in essence, the situation which had obtained since 1856, so far as the Danube was concerned. In August 1938, however, Rumania obtained a virtual sovereign control over the maritime Danube and the European Commission, to all intents and purposes, became purely advisory in character. In March 1939 Germany and Italy adhered to the August 1938 arrangement concerning the Danube. In the fall of 1940, following the reacquisition of Bessarabia, the Soviet Union joined with Germany and Italy, and the riparian states, in the abolition of the International Commission of the Danube, which had been established in 1919-21, and in reorganizing the European Commission to the exclusion of Great Britain and France, and the European Commission was restricted, in principle, to the riparian states.

2. *The Position of the Soviet Union.*—Like Imperial Russia, the Soviet Union attaches great importance to the Danube River and closely identifies its position concerning the Danube with its policy in the Black Sea and the Turkish Straits. The Soviet Government takes the position that the pre-war International and European Commissions of the Danube, re-establishment of which is advocated by the United Kingdom, were founded upon treaties framed after the defeat of Russia in 1856 or the exclusion of Soviet Russia in 1919. Following a conference of riparian states on September 5, 1940, in Vienna, which did not include a representative of the Soviet Government, Germany announced the abolition of the International Commission of the Danube. The Soviet Government, which had advised the German Government in September 1940 that it must participate in the decision of all Danube questions, on joining the new Danube Commission stated categorically that the Danube Commission should be composed exclusively of riparian states and that neither Great Britain nor France should, therefore, have any place on such a commission. Failure of Germany and the Soviet Union ultimately to agree concerning the nature of Soviet control at the mouth of the Danube in December 1940 brought the first fissure in German-Soviet collaboration based on the nonaggression treaty of August 23, 1939.

The Soviet authorities indicated unpreparedness to discuss the problem of the Danube at the Potsdam Conference in July 1945. At the meeting of the Council of Foreign Ministers in September 1945 at London, Foreign Commissar Molotov presented a proposal that regulation of the Danube (as well as that of the Elbe and Oder) should be lodged with the supreme commander or commanders having jurisdiction over the river during the period of military occupation. A firm stand was taken at this time against a civilian commission which might interfere with military plans.

At the present time the Soviet Union has *de facto* control over the Danube from Linz to Constanza. There is no reason to believe that the Soviet Union has changed or is inclined to alter its position either as to non-riparian representation on a Danube Commission or as to control at the mouth of the Danube.

3. *The Position of Great Britain and France.*—Although France was unable to make its voice heard in the fall of 1940, Great Britain vigorously protested on October 27, 1940, against the organization of a new Danube Commission and advised the Soviet Government that it could not recognize any agreement whatever which might violate existing treaties and that it would reserve all its rights. Both France and Great Britain are now reasserting their rights to participation in the control and administration of the Danube River, based on the treaties of Paris (1856), Berlin (1878) and Versailles (1919) and the Paris Statute of 1921.

4. *The Policy of the United States.*—At the Potsdam Conference President Truman expressed the desire to see temporary international commissions established for the Danube and other European international rivers. At the London Council of Foreign Ministers in September 1945 Secretary of State Byrnes proposed establishment of a temporary Danube Commission to provide cooperative action in opening the river for movement of relief supplies. This Commission was to be made up of Danube riparian governments, including the U.S.S.R., and the states participating in the military occupation of Austria—Great Britain, France and the United States. In an address in New York on October 28, 1945, President Truman stated his belief “that all nations should have freedom of the seas and equal rights to the navigation of boundary rivers and waterways and of rivers and waterways which pass through more than one country.” This statement was repeated in the annual message to the Congress on the State of the Union on January 21, 1946. It should be noted that the President has never taken a stand on the issue of riparian or non-riparian representation with regard to the permanent international river regimes in Europe. It is precisely the latter issue which is before the Coordinating Committee for recommendation.

[Annex II]

March 12, 1946

CC-94

RESUMPTION OF NAVIGATION ON THE DANUBE

On February 18, 1946, the Coordinating Committee approved Document CC-93 [CC-93a] (The Policy of the United States Regarding International Regulation of the Danube River) with the understand-

ing that no instructions with regard to this policy statement should be sent from the Department without prior approval of the Committee. On February 21, 1946 the Secretary's Staff Committee approved a telegram for Mr. Dunn quoting the policy statement in CC-93a. In accordance with the understanding reached by the Coordinating Committee in approving CC-93 [*CC-93a*], this document (CC-94) presents for the Committee's approval a draft reply (Annex II) to a British *aide-mémoire* (Annex I)⁴³ requesting a joint United States-United Kingdom approach to the Union of Soviet Socialist Republics on the subject of resumption of navigation on the Danube.

Problem

To reply to a British *Aide-Mémoire* (see Annex I) requesting a joint United States-United Kingdom approach to the Union of Soviet Socialist Republics on the subject of resumption of navigation on the Danube.

Recommendations

1. That United States should join with the United Kingdom in instructions to their respective ambassadors at Moscow urging the Union of Soviet Socialist Republics to agree to:

a. The re-establishment of the general principle of freedom of commerce and navigation on the Danube for the nationals, the vessels of commerce, and goods of all members of the United Nations; and

b. The establishment of a provisional international Commission for the Danube.

2. Specifically, that the attached proposed reply to the British *Aide-Mémoire* (see Annex II) be approved and

3. That the attached proposed instructions to the United States Ambassador to the Union of Soviet Socialist Republics (see Annex III) be approved.

Discussion

Subsequent to the Coordinating Committee approval of document CC-93 [*CC-93a*] on February 18, 1946, ("The Policy of the United States for International Regulation of the Danube River"), the Department received the attached *Aide-Mémoire*, February 22, 1946 from the British Embassy.⁴⁴ In accordance with the Coordinating Committee's request that no instructions with regard to this policy statement should be sent from the Department without prior approval of the Committee, the proposed reply to the British *Aide-Mémoire* is submitted for Coordinating Committee concurrence.

⁴³ Neither annex attached here; but see text of Department's memorandum of March 15 to the British Embassy, p. 230.

⁴⁴ Not printed.

A paraphrase from General Clark's (United States representative on the Allied Council for Austria) most recent communication to the Department indicates that local approaches to the solution of this problem through the Allied Council have been exhausted.

Following is paraphrase of the appropriate sections of General Clark's P-3605, February 26, dealing with the Danube question:⁴⁵

The Soviets have acquired control of the Danube in Hungary and Rumania through recent agreements concluded with those countries establishing joint shipping interests. Soviet intention to extend this control of the Danube to include Austria is made evident by their recent seizure of the property of the DDSG in their zone in Austria except for the funds deposited in the Vienna bank and the boats and docking facilities in Linz and Passau. The Soviets control the north bank of the Danube between Enns and Passau and have full control of the river in Austria from Enns to the Hungarian border. They have already effectively blocked the river at Enns, but the United States has no way of blocking the river between Enns and Passau. Consequently, the Soviets have nominal control of the Danube from Passau through Austria, Hungary and Rumania to its mouth in the Black Sea.

All efforts to date to bring about any settlement of traffic on the Danube have been blocked by the Soviets. I am convinced that no progress can be made on this subject inasmuch as this waterway is too vital to the economic life of the Danubian countries.

In this telegram General Clark reviews the whole situation existing in Austria and concludes that little can be accomplished toward discharging the responsibility of the United States toward Austria until the four powers represented in the Allied Council adopt a uniform policy to carry out their agreed intentions. At the present time, the efforts of the United States, Great Britain and France are blocked by the Soviet veto power in the Allied Council, and the three states can do nothing to oppose any policy which the Soviet Government chooses to adopt, even though it may be contrary to the policy of the three Western states. General Clark concludes that this does not increase the prestige of the Allied powers, and it certainly does not contribute to the fulfillment of our international objectives.

The government-to-government approach appears to be the next logical step. Inasmuch as the United Kingdom has approached the United States and France for united representations at Moscow, is believed desirable to cooperate.

It is, of course, the Department's policy not to seek permanent membership on a Danube Commission, and the United States proposed reply stops short of this step which is mentioned in the British *Aide-*

⁴⁵ The full text of telegram P-3605 is printed on p. 312.

Mémoire but is not directly tied to the immediate request for joint action.

While it is unrealistic to expect a favorable reply on the part of the Union of Soviet Socialist Republics, it is believed important to continue to press for the principle of freedom of navigation and commerce on rivers of international concern in accordance with point 7 of the President's Foreign Policy Statement to Congress in his message of January 21, 1946:

"We believe that all nations should have the freedom of the seas and equal rights to the navigation of boundary rivers and waterways and of rivers and waterways which pass through more than one country."

840.811/5-146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 1, 1946—4 p. m.
[Received May 1—2: 17 p. m.]

1143. For Radius from Rainey. Reference your cable 982, April 26, 5 p. m.⁴⁶ In our discussions leading to preparation of paper on policy recommendation for Danube March 22, we did not contemplate US initiative in bilateral negotiations with Soviet. Information at that time indicated that Soviet representatives would approach US representatives in Vienna to discuss some practical solution for movement of Danube traffic under control of US and Soviet forces. Soviet position at Council of Foreign Minister in London last September that control of waterways was a concern of the respective zone commanders has been reaffirmed at meetings of Transport Directorate, Berlin, with regard to Rhine and Elbe. It is our understanding that Soviet takes some [*same*] position in regard Danube and that they are strongly opposed negotiations with French and British who do occupy areas bordering Danube.

We appreciate the advisability of taking no action which might prejudice French and British interests on Danube or their participation in a permanent Danube regime, but believe that they realize the frontier between US and Soviet forces will remain "frozen" unless agreement is reached between the two occupying forces concerned. This is implied apparently in London's discussion reported in London's cable 4302, April 18.

Representatives Transport Division Berlin agree that establishment of interim traffic committee is most important step to initiate

⁴⁶ Not printed.

free movement on Danube as recommended in our paper. Recommended temporary Danube conservancy commission is less significant at this time and might be omitted from US-Soviet discussion if you believe that bilateral establishment of such a body might prejudice French and British participation in some future Danube Commission. However, US-Soviet discussions limited to that stretch of the river where occupying forces are contiguous could result only in opening the Danube in Austria and Germany. This would not permit significant Danube traffic and probably would sacrifice the present US bargaining position. Therefore, believe that any negotiations with Soviets at this time should concern traffic on entire river.

Reference your paragraph 4, Transport Division Berlin assumes that former enemy vessels are captured enemy equipment. They now fly US flag as property under control of US Forces and therefore Transport Division believes that there is no possibility of claims against US Government in event of loss or damage. At present each vessel on Danube flying US flag has at least one member of US Armed Forces aboard. On Rhine and at Bremen German ships operated without US personnel aboard fly the international "C". It is not clear under present instructions whether these Danube vessels could move under US flag without US personnel. Will investigate further. We assume vessels would be operated by national crews and by [apparent garble] companies as at present on Rhine and Danube.

In view of discussion in London and possible discussions meeting Paris, suggest you request me report Washington for consultation to discuss this Danube matter in greater detail before I leave service. [Rainey.]

MURPHY

864.811/5-246

*The United States Political Adviser for Germany (Murphy) to the
Director of the Office of European Affairs (Matthews)*

[BERLIN?] May 2, 1946.

DEAR DOC: I presume that at some point in the Paris meetings the question of Danube navigation will be considered. With this in mind, the following view of the current problem as we see it from Berlin may be helpful.

As you undoubtedly know, there are some 500 vessels of all types now anchored in the U.S. Zone in Germany in the neighborhood of Passau. In addition, there are some 350 in the U. S. Zone, Austria, in the neighborhood of Linz. These vessels in the U. S. Zones, Germany and Austria, represent about $\frac{1}{3}$ of the pre-war Danube fleet

and we understand that current construction resulted in maintaining approximately the same number throughout the war. Therefore, on the Danube in countries under domination of the Russians, there are approximately 1600 vessels of all types compared with approximately 850 in zones under the control of the U. S. However, all reports from the Danube area indicate that the Soviets have removed to Russian rivers a large number of barges and tugs, so that at present there is a critical shortage of vessels, and particularly tugs, on the Danube below Vienna. So far as we know, all shipping on the Danube below Vienna is under the direct control of the Soviets. Moreover, they have formed shipping companies in Hungary and Yugoslavia at least, which are jointly owned by nationals of these countries and the Soviet Government.

No Danube traffic whatever is moving between the Soviet and U. S. Zones of occupation in Austria. Officially, traffic between the two zones is said to be impossible because the destroyed bridge at Tulln above Vienna prohibits the passage of vessels. Actually, vessels can pass this bridge and the obstruction could have been removed several months ago if either U. S. or Soviet forces wished to do so. Very few vessels have passed from Linz to Vienna and some of these have been fired upon by Soviet Forces.

During the Council of Foreign Ministers in September, Secretary Byrnes directed a telegram to the U. S. Forces in Austria and Germany, instructing them to withdraw all Danube ships under the control of U. S. forces into Bavaria and to withhold any restitution of these vessels pending some agreement with the Soviets. In January 1946, instructions were forwarded from State and War to restore and retribute Czech and Yugoslav vessels at once, and we gathered that the Department had decided not to make an issue of Danube shipping at that time. However, military and State Department representatives, both in Austria and Germany, dragged their heels and Erhardt cabled the Department urging that restitution be delayed until some working agreement had been reached with the Soviet occupation forces providing for free navigation on the Danube. After the Soviet forces in Austria had seized the offices of the first Danube shipping company (British Sector of Vienna) the attitude of the Department apparently stiffened, and new orders were forwarded through the War Department to withhold restitution of vessels belonging to countries under Soviet domination. Reports from Yugoslavia, Hungary, and Czechoslovakia indicate that the owners of vessels do not wish to have them returned at this time, even though the governments of those countries have pressed for restitution.

In March, Soviet transport representatives made an indirect approach to U. S. Transport representatives in Vienna, apparently with

the idea of arranging some working agreement with the U. S. forces which would permit traffic throughout the entire stretch of the Danube and which also might lead to the restitution of some vessels, particularly tugs, from the U. S. Zones to Czechoslovakia, Yugoslavia, Hungary, etc. In other words, there is every indication that the Soviets were not happy about the frozen frontier on the Danube and were having their own traffic difficulties in areas under their control. With this development in mind, Colonel Holmer, Deputy Director of Transport, OMGUS, and Rainey of my office, together with Lt. Col. Tunold, Director of Transport Division USFA and McIvor of Erhardt's office, worked out the attached paper recommending certain practical steps to be taken when and if the Soviets openly approached our representatives in Vienna. They felt that any agreement in principle which might be reached between the four powers at the Paris Conference or by direct intergovernmental negotiations must necessarily be reinforced by a very practical working relation with the Soviets in order to assure unrestricted traffic. Moreover, they assumed that the Soviets would discuss the Danube only with U. S. representatives and not with the French and British. You may recall that the Soviet reply to Secretary Byrnes's plan for international control of waterways proposed at the September Council of Foreign Ministers was to the effect that control of waterways was a concern of the respective Zone Commanders. This attitude has been reaffirmed in relation to the Rhine and Elbe at Transport Directorate meetings in Berlin. The Soviet attitude, opposing French and British participation in any control of the Danube, is apparently based on the fact that neither of these countries occupies territory on the Danube—and further on a basic opposition to French and British representation on any re-established Danube commission.

The paper of recommendations referred to above was approved by myself and General Clay, together with the Directors of Transport and Restitution Division in OMGUS, and returned to Vienna. We have not yet heard whether representatives concerned in USFA also concur in the recommendations. In the meantime, the paper was forwarded to the Department for comment. The cabled reply⁴⁸ would seem to indicate that the Department is not prepared to take the initiative for bilateral negotiations with the Soviets to establish some sort of control over the entire course of the Danube, at least not without obtaining concurrence from British and French. Moreover, there seems to be some question about deferring restitution of Danube watercraft until some satisfactory regulatory body is established for the entire length of the Danube.

⁴⁸ Telegram 982 to Berlin, April 26, 1946; not printed.

This hesitation on the part of the Department seems somewhat inconsistent with the statement of policy on the Danube forwarded from the Department to diplomatic and military missions during February, and we are therefore uncertain as to the basic issue. Is the Department prepared to withhold restitution of Danube vessels until some working agreement is reached with the Soviets, and is the Danube to become an issue in the settlement of peace treaty provisions?

We understand that it would be undesirable to take any action which might prejudice the French and British position in regard to some future international Danube commission, and we recognize their special interests in Danube navigation. However, we believe they realize the necessity for bilateral negotiations between U. S. and Soviet occupying forces to open the entire river for navigation. Their interests surely will not be lost sight of in the event of such negotiations, nor would their future participation in international control of the river be prejudiced. Just now the most urgent problem is to get some sort of agreement with the Soviet occupying forces which will permit the safe movement of ships on the river. We believe this can be done only through bilateral agreement with the Soviets which would protect vessels of the riparian states from seizure by Soviet military forces.

Control by the Soviets of all Danube navigation from the Austrian border to the Black Sea is now reported to be complete. The same domination, through "joint companies" or seizure of ex-enemy craft, would undoubtedly be extended to include Austria, if it were not for the presence of U. S. forces above Linz. In actual fact, then, there is unilateral control of the major part of the river. Certainly it would be unrealistic to expect a change in the present trend toward complete Soviet domination of the entire river, with consequent exclusion of French and British interests, unless the U. S., as the one other occupying power on the Danube, takes a very firm stand in opposition. Because the Soviets have removed from the Danube a substantial number of vessels, particularly tugs, those 800 vessels held by the U. S. forces constitute greater bargaining power than originally believed, and the most important factor in negotiations with the Soviets. If the withholding of these vessels causes the Soviets to discuss some agreement with the U. S., then our cooperation should be based flatly on (1) free movement for vessels of all nationalities, (2) U. S. representation on a traffic body to insure that vessels are not seized and that shipping companies, not yet absorbed by the Soviet system, may operate under U. S. protection. There could be no actual freedom of movement unless U. S. and Western European personnel, as well as vessels under the U. S. flag, are permitted to operate

throughout the length of the river. Of course these qualifications alone, in any Soviet-U.S. agreement, cannot effectively counteract Soviet domination of the Danube unless other and more far-reaching political changes take place in the Danube basin, but they should be basic in any temporary plan to initiate traffic.

Sincerely,

ROBERT MURPHY

[Enclosure]

March 22, 1946.

MEETING ON DANUBE NAVIGATION

AGREED JOINT OMGUS-USFA POLICY WITH REGARD TO DANUBE NAVIGATION

1. *Restitution*

There shall be no restitution of floating equipment in American hands on the Danube before the establishment through bilateral (Soviet-American) negotiations of bodies to control conservancy and traffic from the Black Sea to Regensburg.

2. *Freedom of Movement*

Agreement shall be reached through bilateral negotiation to permit free movement of all ships and personnel, when under the protection of the flags of the member nations, throughout the course of the Danube in accordance with regulations established by an Interim Traffic Committee. International traffic on the Danube shall not be restricted by excessive or prohibitive tariffs, tolls regulations, licensing fees or other restrictive measures. No ship operating in the pool or under the authority of the Danube Conservancy Commission as defined in paragraph 3, below, shall be subject to seizure. Agreement on these principles is a prerequisite to the establishment of the temporary control bodies outlined in paragraph 3, below, and to the utilization of American held vessels as outlined in paragraph 4, below.

3. *Temporary Control Bodies*

It is proposed to set up two separate bodies for control of conservancy on the Danube and traffic thereon.

a. *Temporary Danube Conservancy Commission*

The first body shall be a temporary Danube Conservancy Commission composed only of representatives of the riparian nations with a United States member representing Germany. This body will deal solely with conservancy measures on the entire river and the allocation of means for the maintenance of the navigable channel.

b. *Interim Traffic Committee*

The second body will be an Interim Traffic Committee composed of representatives of the riparian nations. The United States will act

for Germany. All vessels shall be pooled and operated under a traffic authority established by the Interim Traffic Committee. This traffic authority shall be composed of the Association of Danube Shipping Companies as established prior to 1938. The question of ownership of any vessel shall not be affected by its entry into the operations of the pool, but shall be subject to later determination. All income shall be paid into a common fund to be held in each country in the currency of the country in which such income is received. All necessary operating expenses shall be paid out of the common funds held in the country in which the expenses are incurred. When the question of ownership has been settled and when international exchange has been reestablished, the remaining common fund shall be distributed on an earned work basis after the expenses paid out have been adjusted.

4. *Utilization of American Held Vessels*

All boats now in American hands which were formerly owned by an enemy power shall operate under the American flag. These vessels shall operate without American guards.

Ships will only be released to the pool from American possession as traffic requirements indicate the necessity therefore and then only for operations upon the Danube.

5. *Alternate proposals:*

a. The above proposal would be made initially to the Russian element in Vienna. Failing their willingness to discuss it at the Vienna level, it shall be referred to Washington for discussion with the Soviet Government.

b. In the event of Soviet refusal locally to permit reestablishment of river-length navigation, it will be proposed to the Soviets that we will furnish assistance in clearing the Tulln Bridge at an early date, provided they would agree to permit free navigation between Regensburg and Vienna.

740.00119 Council/4-2446: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, May 4, 1946—6 p. m.

2113. Secdel 205. Dept wishes to call your attention to Vienna's 604 Apr 24 repeated to Paris as 72⁴⁹ and perceives no objections to Erhardt's recommendations concerning DDSG and Danube question. Recommendations, however, should be considered in light of Deptel 982 Apr 26 to Berlin repeated to Paris as 1910.⁵⁰ If you concur you

⁴⁹ Not printed; in it Erhardt recommended certain minimum requirements regarding the release of US-held ships to a proposed Austrian-Soviet steamship company (740.00119 E W/4-2446).

⁵⁰ Not printed, but for summary of this telegram, see p. 250, last paragraph.

may wish to instruct Erhardt to proceed in Vienna on lines he suggests and consider possibility of discussing provisional working agreement concerning Danube as suggested in Vienna's recommendation.

Sent to Paris as 2113 Secdel 205, repeat to London as 3740 Vienna as 448 and Moscow as 837.

ACHESON

840.811/5-1446

*Memorandum of Conversation, by the Adviser on Inland Transport (Radius)*⁵¹

SECRET

[PARIS,] May 9, 1946.

Subject: International Control and Resumption of Traffic on the Danube and Rhine Rivers.

Participants: M. Alphan	} French Ministry of Foreign Affairs
M. Lebel	
Mr. Merchant	
Mr. Radius	
Mr. Rainey	
Mr. Unger	

Note: The following memorandum covers only that part of the conversation which dealt with the Danube.

Mr. Radius reviewed several conversations held in London and Washington recently on the subject of an international regime for the Danube River. He pointed out that the United States does not seek permanent membership on any commission which may be established and that his Government's interest in participating even on a temporary basis is primarily to assist in the establishment of an international body which will assure freedom of navigation on the river. Such participation by the United States could be based either on our position as a victorious power or as an occupying power in Austria.

The United States does not feel itself in a position to take the initiative in advocating the representation of France and Britain on a permanent Danube commission. That Government wishes, however, to proceed with negotiations in such a way that the position taken by it in regard to the Danube regime should not prejudice the long run desire of both the French and British Governments to play a full and permanent part on any commission. The implications as to Russian participation on the Rhine if the United States were to base its position on its status as a victorious power were discussed. On the other hand, basing the United States position on the status of an occupying power implies an end of participation at the end of occupation; this

⁵¹ Copy transmitted to the Department in despatch 5121, May 14, 1946, from Paris; received May 23.

might make it difficult for the French and British to maintain permanent participation.

It was accepted as improbable that any favorable developments on the Danube question would occur at the present meetings of the Foreign Ministers and for the time being a direct approach to the problem appears to be ruled out.

M. Lebel indicated general agreement with the views set forth by Mr. Radius. He said that the French had in mind only two bases on which they might claim immediate French participation on a regulatory body for the Danube: (1) possession by them of barges on the Danube and (2) the Vienna quadripartite agreement of January 22⁵² concluded by the occupying powers.

In respect to the first point the French mentioned that, of the total Danube fleet, about 5 to 6 percent was held pre-war by a French company and 3 percent by a British company. At present the French barges are located principally in the lower course of the river in the neighborhood of Braila and Galatz and, although in Russian hands, are gradually being restored to French possession. These barges are not in movement at the present time. A few French barges are also reported to be in the United States Zone. As in the period before the war the crews of the barges in the lower river are mostly Rumanian with only a few French officials in Braila representing the company's interests. The French company, the SFND, is financed to the extent of about 85 percent by the French Government.

The January 22 resolution taken by the Austrian Allied Commission and signed, among others, by Marshal Konev was considered by M. Lebel to be a second possible basis for opening discussions on quadripartite supervision of river traffic. While it is difficult to predict whether these discussions would eventually lead to French and British participation in a subsequent, more permanent organization, they could probably at least start traffic moving. This approach would also not prejudice relations with the U.S.S.R. vis-à-vis the Rhine.

On the basis of his experience of the last few months, Mr. Rainey said that it is felt in Austria that today there is no further practical possibility of quadripartite action on Danube matters. The agreement of January 22, referred to in the preceding paragraph is a dead issue. He reported, however, that the Soviet representatives in Vienna had approached the U.S. representatives to discuss means of getting traffic on the river moving again. Since at the moment the Americans and the Russians are in physical possession of all the Danube facilities it was thought that such discussion might be fruitful if it were

⁵² See telegram 486, March 16, to Moscow, p. 230.

confined to direct operating arrangements and if care were taken not to prejudice the form of any eventual international commission. As a condition to any U.S. agreement with the Russians Mr. Rainey added, periodic mutual inspection on any part of the river would have to be permitted and guarantees against seizure would be required.

The French representatives, especially after Mr. Rainey had described the attitude prevailing in Austria concerning the January 22 agreement, were in accord that such discussions today provided the best opening. It would of course be desirable if any resultant agreement could include provisions for the freedom of navigation. Moreover, if the United States-Russian conversations should prove fruitful, French and British representatives might also seek to participate in any arrangements which are made in order to get their barges into movement again.

There followed a brief discussion of other factors which may have a bearing on French and British participation on a future Danube commission. It was recognized that the principle of riparian participation would not include the French and British on the basis of their zones of occupation. M. Alphanth thought, however, that there was considerable validity to an argument that stressed the importance of the Danube to the French and British zones, the transportation networks of which are almost entirely tributary to the Danube route. While attaching only moderate importance to the point, M. Alphanth also mentioned the established pre-war rights of the French and British to participate in control of the Danube.

At the present time by far the largest part of the lower Danube fleets is in Russian hands either directly, through Russian participation in the Rumanian and Hungarian navigation companies or through Russian influence in Yugoslavia. It appears to be the intention of the U.S.S.R. to secure a virtual monopoly of Danube navigation and to this end they have recently approached the Austrian Government. The Austrian DDSG which handled 35 percent of the Danube traffic before the war has been the subject of Inter-Allied discussions recently but any effort to reconstitute the company even on a basis of handling only Austrian traffic has been impeded by the attitude of the Czechoslovaks and Yugoslavs. These countries appear to associate the company with the Hapsburg period of Danubian domination. It was M. Lebel's feeling that it would be most desirable if the company could be fully reconstituted, carrying more than just the Austrian traffic, and thereby providing Austria with some vitally needed foreign exchange.

In connection with long-run developments M. Lebel mentioned the "Hitler" Danube-Rhine canal which, according to his information, could be completed within three years' time and would be able to

carry barges up to a thousand tons. The implications of this information, he thought, might have some influence on the Russian attitude about the use of the lower Danube. It was also suggested that in their position on the Straits the British have a bargaining point which might assist in changing the present Russian Danube policy.

In conclusion there was agreement that no general overall agreement on the Danube regime should be sought at the moment. Instead it appeared best to proceed step by step, starting with the prospective U.S.-Russian discussions which look toward some purely operating arrangements. As witnessed by the letter to the Secretariat of the Allied Commission from the Austrian Minister of Transport, it is vital to the Austrian economy at the present time that free movement on the river be resumed, if only within Austria itself.

840.811/5-2046 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 20, 1946—7 p. m.

[Received 9: 59 p. m.]

Subject: Central Rhine Commission

2456. From Merchant and Radius for Cook⁵³ and Fussell.⁵⁴ Re-Deptel 1756, April 19.⁵⁵ In agreement with British and French Foreign Offices we propose the following text of invitation to the Governments of Belgium, Holland and Switzerland to join in strengthening the Rhine Interim Working Committee. Please notify U.S. Missions in Brussels, The Hague and Bern to transmit the following agreed text simultaneously in concert with their French and British colleagues:

“The Central Rhine Commission has succeeded in establishing satisfactory arrangements for dealing with engineering questions on the Rhine by the setting up of its technical committee at Eltville, in liaison with the Tripartite Rhine Engineering Committee representing Germany.

“Rhine traffic questions have so far been handled by the Interim Rhine Working Committee which was established at Duisburg at the invitation of the British military authorities in September 1945. This committee was adequate in the early days when traffic was beginning to revive. The committee is composed of representatives of the British and the United States zones and representatives of the Rhine Missions sent by France, The Netherlands, Belgium and Switzerland.

⁵³ Richard F. Cook of the Office of Transportation and Communications.

⁵⁴ Frances R. Fussell of the Office of Transportation and Communications.

⁵⁵ Not printed. In this telegram the Department informed the Embassy that it had approved the draft of a joint invitation to the Dutch, Belgian, and Swiss Governments. (840.811/4-346)

"In the interests of the more effective coordination of traffic on the Rhine while emergency conditions last, the Governments of France, the United Kingdom and the United States invite the blank government to join in strengthening the Rhine Interim Working Committee. It is proposed that this name should be changed to Temporary Committee for Rhine Traffic and that it should be composed of accredited representatives of the Governments of Belgium, France, The Netherlands and Switzerland, and of the French, British and United States occupation zones of Germany, who would be empowered to take decisions on matters within their competence. German interests on the Rhine will be represented by the appropriate authorities of the three zones. The European Central Inland Transport Organization and the Central Rhine Commission would be invited to be represented at all meetings of the organizations. Its scope would include all traffic on the Rhine. Its terms of reference would include:

- (1) Assessment of traffic capacity of waters within its jurisdiction.
- (2) To receive traffic forecasts and effect any necessary coordination of operating.
- (3) To ensure the execution of agreed traffic programmes.
- (4) To provide the means for discussion of freight rates, charges and conditions of carriage for international traffic with due regard to other forms of transport.
- (5) To represent the operating aspect in any discussion on currency and other clearing arrangements." [Merchant and Radius.]

CAFFERY

840.811/5-2046: Airgram

The Ambassador in France (Caffery) to the Secretary of State

PARIS, May 20, 1946.

[Received May 28—10:31 a. m.]

Subject: Tripartite Traffic Operating Committee for the Rhine in Germany.

A-708. On May 17, 1946, representatives of the three Western Zones of occupation in Germany met at Duisburg. The purpose of the meeting was to discuss the establishment and organization of a Tripartite Traffic Operating Committee for the Rhine in Germany. Present for the U.S. Zone were Lt. Col. C. R. Clemens, Chief, Rhine Waterways Organization, OMGUS; Major R. M. Fulton, U.S. Representative, Rhine Interim Working Committee; and Mr. R. S. McClure, U.S. Department of State. The French and British Zones were represented by their respective chiefs of IWT, accompanied by their advisers.

Representatives of the three Zones agreed in principle that the formation of a Tripartite Traffic Operating Committee for the Rhine in Germany is desirable.

Methods of control and operation in the three Zones were examined and it was found that in the British and U.S. Zones the methods of

control and of operation were very similar. On the other hand, it was found that in the French Zone these were quite different. In the British and U.S. Zones, control of traffic and navigation facilities is in the hands of the military authorities with actual operation of the fleets in the Zones being the responsibility of Centralized German organizations known as Transport-Zentrale. In the French Zone, however, the use of German Rhine craft has been requisitioned by Zone authorities and assigned by these authorities to a government-sponsored shipping combine known as "La Communauté Française pour la Navigation Rhénane." The Communauté both controls and operates the French Zone fleet as well as the French national fleet, although the German owners retain nominal title to the craft. (See Frankfurt's No. 239 to the Department, May 2, 1946 and Paris' No. 2219 to the Department May 8, 1946.⁵⁶)

Methods of amalgamating these two different systems were explored at this meeting, and it was agreed to propose the following: (Concise.)

"(a) That the U.S., French and British German Rhine fleets be put under the common control of a Tripartite Traffic Operating Committee for the fulfillment of the German traffic programme and without regard to the sizes of the zonal Rhine fleets.

"(b) On the operating side the U.S. and British Zones agreed to propose the establishment of a Bipartite controlled German Rhine operating organisation. The German Rhine fleet in the French Zone is operated by the Communauté Française.

"The whole German Rhine fleet would therefore come under the common control of a Tripartite Traffic Operating Committee, and the actual operation of the craft would come under two controls, namely

"The Communauté Française and

"A Bipartite controlled German Rhine operating organisation."

Meanwhile, M. Lebel of the French Foreign Office had arranged a meeting on May 20, 1946, to discuss various questions regarding Rhine arrangements. The proposals arising from the Duisburg meeting on May 17 were discussed at this meeting, the U.S. group consisting of L. T. Merchant, W. A. Radius, R. S. McClure and A. P. Muelberger. The French are in agreement on these proposals, stipulating that their agreement is provisional pending decisions concerning reparations and size of inland fleet to be allowed Germany for minimum economy requirements.

It should be noted that French are concurring in these proposals in spite of their disapproval in principle of centralized German traffic organization. They fear that such an organization will permit Germans to regain ascendancy in Rhine shipping.

⁵⁶ Neither printed.

It had been agreed at the Tripartite discussions to meet again on May 29, 1946 in Duisburg, to see whether definite agreement on the above proposals were possible. The French, however, are asking that this meeting be postponed one week.

Repeated to London and Berlin.

CAFFERY

840.811/4-1846

The Department of State to the British Embassy

MEMORANDUM

The Department of State refers to the British Embassy's *Aide-Mémoire* of April 18, 1946⁵⁷ expressing the hope that the United States would take the initiative at the Paris Peace Conference in regard to the international river conventions. The reasons why the United States would be unable to do so were explained by Mr. Radius of the Department to a representative of the Embassy on April 19. The principal concerns of this Government were that there appeared to be basic differences in the views of the three governments on these problems and that there had been insufficient informal discussions on the subject with a view to reconciling such differences.

It was pointed out that there were at least four bases upon which a request for non-riparian representation on temporary or permanent regulatory commissions could rest:

(a) On the basis of rights carried forward from prewar treaty regimes (It was noted that the United States had no such rights.);

(b) On the basis of occupying powers (It was noted that the United Kingdom had declined to accept this alternative.);

(c) On the basis of special interest (It was noted that this was not an appropriate or convincing argument upon which to rest a case.);

(d) On the basis of victorious powers insuring the peace (It was noted that this was an acceptable position for the United States provided it applied to all international waterways in Europe. This would involve a thorough consideration of the principle of representation on the Central Rhine Commission no less than on a prospective Danube regime.).

It was not known on what basis the United Kingdom or France would rest their cases. The United States believes that the pattern established for provisional regimes will affect the pattern of the permanent regimes and that, therefore, the detailed proposals should be carefully developed simultaneously with the development of general principles, in advance of a tripartite approach to the Soviet Government.

⁵⁷ Not printed.

The Department would be willing to discuss these matters informally with the United Kingdom and French representatives in Washington.

WASHINGTON, May 21, 1946.

840.811/6-1546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, June 15, 1946—6 p. m.
[Received June 16—8:18 a. m.]

1514. Reference Paris 2819 dated June 12 [11], 1946.⁵⁸ I have discussed with General Clay contents of reference telegram outlining certain fears of French, Belgians and Dutch that United States position in Control Council might restore German Rhine cartel at their expense. Obviously we have no such intent as we expect reasonably free competition. We would, however, be opposed to French action in placing German barges under French operation and to all intents and purposes under French ownership. If Germany is de-industrialized it is obvious it must be left other means of livelihood. Operation of barges under International Rhine Control can hardly be regarded as war potential. It is, however, a major business in which Germans excelled. Its financial returns are essential to a balanced export-import program. My [*Any?*] transfer of barges was not a part of reparations program. Any loss of revenue from such operations would increase our own financial liability and would result only from commercial desire and not destruction of war potential. If similar procedure will be followed in other competitive fields such as textiles, pharmaceuticals, etc., Germany would find itself with nothing to export but coal and in the light of the experience of the past months would have much difficulty collecting for the coal.

Sent Department as 1514, repeated to Paris as 158.

MURPHY

740.00119 EW/6-2046 : Telegram

The Acting Secretary of State to the Ambassador in Czechoslovakia (Steinhardt)

SECRET

WASHINGTON, June 20, 1946—noon.

770. Dept has received note from Czech Embassy dated June 5⁵⁹ requesting restitution of 43 Czech vessels in the possession of US mili-

⁵⁸ Not printed; in this telegram Mr. Merchant reported on the meeting of the Central Rhine Commission and the Duisburg Committee in which French, Belgian, and Dutch representatives expressed apprehensions over Germany's re-emergence as a predominant Rhine shipping power (840.811/6-1146).

⁵⁹ Not printed.

tary authorities on upper Danube between Linz and Regensburg. Current US policy is to defer restitution of all Danubian vessels pending outcome of negotiations on resumption of navigation in Vienna. Dept believes these vessels have a bargaining power vis-à-vis Soviets. Czech representative on ECITO has indicated informally no need for immediate restitution and that major concern is that craft be maintained in good condition pending ultimate return.

Dept interested your view on (a) Czech control of barges if returned; (b) probable use to which they would be put (i.e. coal movement Bratislava to Vienna, or on lower Danube?); (c) evidence that Czech supports US view of freedom of navigation. Info your despatch 653 March 25⁶⁰ very helpful. Sent to Praha; repeated to Vienna, and Moscow.

ACHESON

740.00119 EW/6-2446 : Telegram

The Ambassador in Czechoslovakia (Steinhardt) to the Secretary of State

SECRET

PRAGUE, June 24, 1946—5 p. m.

[Received 8:15 p. m.]

1122. ReDeptel 770, June 20. In my opinion:

1. The Czechoslovak control of any Danubian barges which might be returned at this time would be purely nominal. I believe Soviets would exercise effective control which Czechoslovak Govt would not dare challenge.

2. Having regard to the domination the Soviets are seeking to achieve over Southeastern Europe, it seems most likely that these barges would be put to whatever use best served Soviet purposes from day to day. As Czechoslovakia's coal production is insufficient for its own requirements, it is most unlikely that for a long time to come there will be any substantial quantities of coal to move from Bratislava to Vienna or on the lower Danube.

3. Aside from lip service there is no evidence that the Czechoslovak Govt supports US view of freedom of navigation on Danube or that Czechoslovak Govt would support this view in opposition to Soviet wishes.

Sent Dept 1122; repeated Vienna 48; Moscow 13; and USPolAd Berlin 66 in reply to its 1546 of June 19 to Dept; repeated Praha as 58.

STEINHARDT

⁶⁰ Not printed; it dealt with the transportation conditions on the Danube in Czechoslovakia (840.811/3-2546).

840.811/6-1946 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

RESTRICTED

WASHINGTON, June 26, 1946—6 p. m.

US URGENT

3089. For Merchant and McClure from Radius and Rainey. Reurtel 2974 June 19.⁶¹ Subject: Agenda CRC meeting July 1-July 7.

1.⁶² Re immediately following telegram. In view of position taken by US zonal representative in Duisburg meeting June 6 Dept recognizes difficulties faced by you in pressing for strengthened IRWC at this CRC meeting. However Dept maintains opinion that Tripartite Traffic Operating Committee should be formed on basis of compromise reached with French at Paris meeting of May 20. Difficulty of establishing workable IRWC without tripartite zonal agreement on German Rhine should be made clear to Colonel Neff with view to obtaining US zone support of agreement reached May 20.

In this connection you might reassure representatives of riparian states at this meeting that US has no intention of permitting re-emergence of German domination Rhine shipping. Such reassurance might follow tone of Merchant's discussions with Dutch and French representatives reported in your tel 2918 [2819] June 11.⁶³

2. Dept sees no objection to CRC representative attending meetings on Inland Navigation Committee of the Inter-Allied Reparations Agency. However, detailed discussions of complex question of surplus German Rhine vessels for reparations should be avoided pending decision by Control Council re German level of industry affecting inland shipping. A request for opinions of Deputy Military Governor in this matter has been forwarded by telegram. In this connection Dept agrees most desirable that ample consultation be afforded Dutch, Belgians and Swiss prior to any ACC decision in matters of Rhine shipping available for reparations.

3, 4 and 5. No comment.

Sent to Paris repeated to Berlin. [From Radius and Rainey.]

ACHESON

⁶¹ Not printed.

⁶² The numbering of this and subsequent paragraphs relates to the numbers of the agenda of the CRC meeting as outlined in telegram 2974.

⁶³ See footnote 58, p. 261.

840.811/6-1746: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

RESTRICTED

WASHINGTON, June 26, 1946—6 p. m.

US URGENT

3090. For Merchant and McClure from Radius and Rainey. Reurtel 2924 June 17.⁶⁴ Dept is concerned by delay in creation of Tripartite Traffic Committee for Rhine occasioned by attitude of US zone representative at meeting of June 6. We feel that concessions made by French in meeting of May 20 attended by Lebel, French FonOff, Merchant, Radius, McClure and Muelberger representing US, indicate notable cooperation and that compromise plan for Tripartite Traffic Committee outlined in A-708 May 20 should be fully acceptable by US authorities.

French reluctance to participate in formation of German Rhine operating organization resulting from their formation of "La Communauté Française pour la Navigation Rhénane" is understandable in view of Control Council delay in decision re surplus of German Rhine vessels available for reparations and natural fear of reconstituted German Rhine monopoly through formation of combined German operating organization. Believe that French agreement participate in tripartite Traffic Operating Committee made up of three zonal representatives will effectively coordinate German Rhine traffic program without complete pooling of German vessels and will lead to more practical working arrangements.

Does final paragraph your 2924 June 17 indicate that US Transport Division Berlin has reversed instructions to Major Boyd permitting establishment of Tripartite Traffic Committee as agreed in meeting at Paris May 20? If so, this meets with Dept's full approval.

Sent to Paris repeated to Berlin and London. [From Radius and Rainey.]

ACHESON

740.00119 Control (Germany)/6-2646: Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, June 26, 1946—7 p. m.

[Received June 27—8:18 a. m.]

910. Text of proposals Danube traffic requested your 583, June 21⁶⁵ follows:

⁶⁴ Not printed.

⁶⁵ Not printed; in it the Department requested the text of the proposals made to the Soviet Government regarding the opening of Danubian traffic (740.00119 Control (Germany)/5-2946).

“Agenda for informal meeting with Soviets 16 May 1946.

(1). That commercial traffic be resumed on Danube from Regensburg to Black Sea and vice versa.

(2). That security from seizure be guaranteed to all ships, their crews and their cargoes.

(3). That all vessels on Danube be allowed to sail under flag they are flying at present time (Yugo and Czecho vessels under their own flag).

(4). That no excessive duties, tolls fees or other impediments be imposed on vessels or cargoes thereon that will hinder free commerce.

(5). That all ships at present on Danube be pooled and vessels be supplied from the pool according to needs.

(6). That the pool be managed by the companies that have vessels therein and under general supervision by USSR and USA elements as representing the powers directly responsible for control of zones on river.

(7). That the management of pool be charged with instituting rates and general traffic regulations which shall be uniform.

(8). That information be exchanged freely on conditions of navigation and responsibility be undertaken for river maintenance and navigation items over the whole length of river.”

Soviets have not responded. Believed due to coming discussions in Paris and connected with increasingly apparent Soviet press campaign throwing blame to Western Allies especially US for failure resume river traffic. American authorities here have not taken further initiative due to Department's desire caution and imminent discussions Paris.

ERHARDT

840.811/6-3046 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, June 30, 1946—midnight.

US URGENT

[Received July 1—9:35 p. m.]

1632. Deptels 1414⁶⁶ and 1415⁶⁷ June 26 have been discussed with Gen Clay and Transport Division and I feel impelled to express concern at the Dept's apparent inclination to attach greater importance to Rhine transport problem (which we feel is no longer of immediate and critical urgency) than to the truly pressing problem of central administrative machinery which is here involved and on which the French attitude has blocked all progress.

Instructions to OMGUS representative at Duisburg conference June 6 were based primarily upon view that compromise proposal

⁶⁶ Same as telegram 3089 to Paris, p. 263.

⁶⁷ Same as telegram 3090 to Paris, p. 264.

under consideration ran counter to whole principle we have been fighting for—namely, the necessity of German central administrative machinery (in this instance in transport field) as provided in Potsdam Agreement. We feel strongly that to yield here as proposed would prejudice our whole position on central administrative agencies and only serve to strengthen French intransigence on this question and perhaps in other directions as well.

As for Rhine transport problem, Transport Division feels, generally desirable though French participation in Duisburg committee as well as strengthened IRWC would be, that real urgency has definitely receded as far as Rhine traffic situation is concerned. Available barges are now much in excess of cargo to be moved: at Duisburg on one day last week there were 265 barges awaiting cargo. A Dutch trade delegation recently in Berlin showed more concern about Rhine cargoes than any other problem. All this would appear to indicate that Rhine transport bottleneck has been cleared, at least for present, and that with over 1,500,000 tons barge capacity under British-American control as against some 100,000–150,000 under French, we are not in position necessitating yielding to French or Dutch on this matter.

We are in fact much concerned at increasing evidence that French, Dutch and Belgians are aiming at a permanent, drastic reduction in German Rhine fleet, removal of such equipment as reparations, and securing for themselves a dominant, if not monopoly, position in German import and export movements via Rhine. This seems to us to run counter to the level of industry and reparations plans, and to imply a further reduction in German ability to meet its own import needs—with consequent increased reliance on occupying powers.

We believe that our representative should go to the IRWC meeting with instructions to agree to a program of closer collaboration only on a basis which adequately safeguards legitimate German interests, and is consistent with principles we stand for as occupying power.

To Dept as 1632, repeated to Delsec and Paris as 180.

MURPHY

740.00119 Council/7-1346: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, July 13, 1946—6 p. m.

3436. Secdel 473. Subject is Czech, Yugo, Hungarian, Rumanian Danube River Craft.

1. In Jan ACC Ger reached agreement on general restitution United Nations property removed from such nations to Ger during occupation. Incident to this Agreement and previous JCS directive

(WARX 85965)^{67a} Nov 1945 which instructed OMGUS and USFA to restitute such UN property, Czech and Yugo crews, upon invitation from OMGUS and USFA took possession of some craft. Vessels were immovable at that time.

In Mar Hungary and Rumania, among others, were brought under restitution program by JCS directive WARX 99226. Also in Mar JCS directive WARX 82436 instructed OMGUS and USFA to suspend restitution barges pending further instructions. This directive based on view that Czech, Yugo, Hungarian, and Rumanian barges constituted bargaining lever vis-à-vis Soviets in US attempts to open Danube to safe and free navigation. Transfers to owning govts were suspended and permission to move vessels on which Czech and Yugo crews were already present was denied.

2. Since Mar Czechs, Yugos and Hungs have insistently requested return of barges. Protests have taken form of notes to Govt, notes to and calls on American missions in Belgrade and Praha, official press charge in Belgrade, and representations to American military authorities. Yugo charges in particular have become quite heated culminating in FonOff note of July 4 stating Yugos resolved refer to international authority matter unjustified retention Yugos barges by US Govt unless within reasonable time Yugos restitution mission Frankfurt reports possible all Yugos vessels sail unhindered to Yugos ports (Belgrade's tel 653, July 6⁶⁸). Anti US press particularly in Yugo, and Austria have had field day over this alleged manifestation of US indifference to transport crises of Danubian countries. US replies to note representation ranged from statement matter would be investigated to fol Dept instruction to Embassy, Belgrade:

“US Govt recognizes in principle that property of this nature should be returned to rightful owners. There are, however, various problems involved in implementation of this policy for which satisfactory solutions must be found and to which consideration is currently being given.”

US has not explicitly stated to Soviets, Czech, and Yugo that restitution is being withheld pending agreement with Soviets which establishes freedom of movement of vessels on Danube without danger of seizure.

However memorandum handed by Acting Secretary to Hungarian Prime Minister⁶⁹ on June 14 stated: “The US military authorities have been directed to defer restitution of commercial inland water craft on Danube pending the outcome of discussions which are cur-

^{67a} *Foreign Relations*, 1945, vol. III, p. 1427.

⁶⁸ Not printed.

⁶⁹ The Hungarian Prime Minister, Ferenc Nagy, was in Washington on an official visit from June 11 to June 19. For documentation concerning his visit, see vol. VI, pp. 302-317.

rently taking place between them and Soviet authorities in Vienna with view towards establishing principles of freedom of movement of vessels on Danube under flags which they now fly without danger of seizure." Hung PriMin's comments this provision are contained in Budapest's 1210, June 29 [28] rpt to Paris as 221.⁷⁰

3. Fol is text in full of Murphy tel to Dept of June 28:

"Yugoslav Military Mission has presented communication to Control Council asking for restitution of Danube barges in US zone. Communication lists steps taken in attempt to have craft restored and gives statement of Yugoslav war losses and contribution to war effort. Asks Control Council to take steps to effect their restitution.

Paper will be discussed shortly in RDR directorate. Dept will realize possibility of acrimonious debate. Urgent comments desired."

4. Since Danubian negotiations now underway in Paris, it is suggested you advise Clay of position to take in forthcoming sessions. If you decide on frank statement along lines last two sentences para 2, above, suggest you point out that interim proposals for opening safe Danube traffic presented informally to Soviets on May 16 has not received reply. Vienna cable to Dept summarizing proposals is reprinted as Part 2 this message.

5. In connection Vienna cable, note that item (3) should be changed to permit all vessels except Ger to sail under their own flag, since upon acceptance of agreement by Soviets, US would retribute Hungarian and Rumanian as well as Czech and Yugo vessels.

[Here follows Part 2, same as Vienna cable 910, June 26, 7 p. m., printed on page 264.]

6. Dept not certain Secdel is informed re these negotiations which were directed to narrow point of resumption river traffic under conditions of safety and did not purport to replace discussion river regimes. Secdel may wish to refer to this US approach and, in view of Soviet press campaign, might wish to make knowledge of approach public.

7. Fol. is rept of Berlin tel to Dept dated June 19 for ur info:

"OMGUS personnel returning from Czechoslovakia where they attended ceremonies celebrating restitution of property from US zone Ger indicate that US prohibition to restitution of barges to Czechoslovakia causing adverse political developments there and seem to feel that conditions which led to this prohibition have substantially changed insofar as Czechoslovakia is concerned.

Suggested that Praha and Vienna inform Dept and Berlin of any recent developments bearing on problem."

Sent to Secdel, Paris, rptd to USPolAd, Berlin 1516, AusPolAd, Vienna 651.

ACHESON

⁷⁰ Vol. VI, p. 316.

740.00119 Control (Austria)/7-2546

*The United States Political Adviser for Austria (Erhardt) to the
Secretary of State*

SECRET
No. 1508

VIENNA, July 25, 1946.
[Received August 7, 1946.]

Subject: Announcement by USFA on Danube Navigation

SIR: I have the honor to report an official release by USFA designed to offset the current campaign in the Soviet and Soviet controlled press.

As has been reported to the Department by this Mission and various others, the Soviet releases have sought to create the impression that the United States, by holding inactive in Austria and Bavaria the major part of the Danube fleet, is blocking the great and generous efforts of the Soviets to restore navigation and that in spite of the fact that commerce on the river is still very halting and inadequate in the lower reaches of the river and almost totally failing in Austria and Germany, the United States persists in holding back the needed vessels for the political purpose of forcing agreements which would open the way for imperialistic economic penetration by the Western capitalist states.

The truth is of course that the western elements of the Allied Commission in Austria, led by the American element, have made every effort since early autumn 1945 to work out a reasonable interim basis for resuming traffic, culminating in May 1946 in concrete American proposals for bilateral discussions (concurring in by the British and French) which the Soviets have ignored; that these efforts have been consistently thwarted by the Russians who even refused to discuss the matter on various pretexts and evasions; that river commerce in Austria was impossible until recently due to delays in clearing the wrecked bridge at Tulln; that these delays have been due in large part to Soviet inefficiency and refusal to cooperate with both the Austrian and American authorities concerned; that only about one-third of the original river fleet is in American hands and that if this now constitutes a majority it must be due to substantial removals to the Don and other Russian waters of the vessels the Russians found (which is known to be a fact); that while the Soviets have sought to establish services between their zone in Austria and Hungary, the effort has been so mishandled technically, diplomatically and in practical management that it has been a complete failure; that the genuine shipping entities, at least in Hungary, Czechoslovakia and Austria, have strongly expressed themselves that practical commercial traffic on the river is possible only under international guarantees and controls:

that Hungarian ship owners have asked us not to return their ships before Soviet occupation of Hungary is terminated; and finally that the complete Soviet economic domination of all the riparian states up to and including Hungary, and the current vesting by the Soviets of Austrian firms in Austria, together with the fact that they have kept the door closed tight to all non-riparian powers (including ourselves) on the river below Enns, Austria, results in the most complete unilateral economic penetration that can be imagined. It is believed self evident that the current press campaign is doubly stimulated, first to shift the blame for substantial and mounting public resentment and for the failure of the much publicized Soviet effort to restore and manage river commerce, and second to be timed for the current discussions in Paris.

The enclosed USFA release ⁷¹ appeared in the *Wiener Kurier* July 16 and was picked up by the *Wiener Zeitung*, *Kleine Volksblatt*, *Oberoesterreichische Nachrichten*, *Salzburger Volkszeitung*. It was also carried by the *Amerikanischer Nachrichten Dienst* (American News Service) and the British news review in English.

Respectfully yours,

JOHN G. ERHARDT

740.00119 Control (Germany)/7-2346 : Telegram

The Acting Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, August 1, 1946—4 p. m.

717. Reurtel 1022 July 23 ⁷² and 910, June 26, referring proposals on Danube traffic operating agreement submitted by US military to Soviet military Vienna May 16, 1946, Dept believes that item (3) should be modified to permit all vessels except German when restituted to sail under their own national flags in event of acceptance of operating agreement Soviet military. US is now committed to restitute Hungarian and Rumanian vessels in same manner as Zecho and Yugo. Therefore, in possible future Danube traffic discussions with Soviet occupation authorities you should clarify this point if possible before the issue is raised by Soviet representatives.

Repeated Paris, Secdel, and Berlin.

ACHESON

⁷¹ Not found attached to file copy.

⁷² Not printed.

740.00119 Council/8-2446: Telegram

*The Acting Secretary of State to the Secretary of State*⁷³

SECRET

WASHINGTON, August 24, 1946—2 p. m.

US URGENT

4256. Secdel 743. Dept informed August 23 that on August 13 Yugoslavs requested that question of restitution of Danubian vessels be placed on ECOSOC agenda. Considerable attention focused on this question here as result of Moscow radio report August 22 which stated, erroneously, that matter had been referred to Security Council. When question arose in Acting Secretary's press conference the position was taken that this barge question was only one element in broader question of freedom of navigation on Danube and that US has been endeavoring to discuss Danube question with interested parties for long time.

In light of these developments it is suggested that Dept immediately issue press release summarizing efforts to get consideration of Danube question at Potsdam, at first CFM meeting, in peace treaties, and through bilateral negotiations with Soviet authorities in Vienna, such a statement to be followed by release of US proposals made to Soviets in Vienna early this year. (Refer USDel Memo from Clayton to Secretary of August 2.⁷⁴) With this record made publicly available, plus other factual information regarding actual conditions on the Danube, the US could then take the position that we would welcome additional consideration of the Danube questions in ECOSOC. The objective would be to broaden consideration from merely the 167 Yugoslav vessels as a restitution issue to the broad question of restoration of freedom of navigation on the Danube. Sent to Paris, repeated to Berlin and Vienna.

ACHESON

840.811/8-2046

The Department of State to the French Embassy

MEMORANDUM

The Department of State acknowledges the receipt of the memorandum No. 523 from the Embassy of France dated August 20, 1946.⁷⁴

⁷³ The Secretary was in Paris for the meeting of the Council of Foreign Ministers.

⁷⁴ Not printed.

in which the French Embassy transmits certain proposals regarding French participation in an American, British and French tripartite organization to insure effective control of the German Rhine fleet.

With reference to the Embassy's request that the United States Government support the adoption of measures itemized in the memorandum, as follows:

- “1. Quantitative and qualitative limitation of the German fleet on the Rhine,
2. Removal of the said fleet from cartel control,
3. Authorization for that fleet to engage in international trade as soon as it has been reduced and removed from cartel control,
4. Increase of the French fleet by the allocation of German matériel as reparations,”

the Department of State believes that points 2, 3 and 4 as well as point 1 specifically concern the occupation authorities in Germany. The United States Government agrees with the French Government that it is the responsibility of the Allied Control Council in Berlin to reach a decision on a quantitative and qualitative limitation of the German Rhine fleet. Furthermore, when and if a decision is reached on a quadripartite basis that there is a surplus of German Rhine vessels over the minimum German requirements, the distribution of this surplus among reparation claimants should take place through I.A.R.A. as indicated in the Embassy's memorandum. Questions 2 and 3 above are considered specific concerns of the occupation authorities in areas contiguous to the Rhine, that is, British, French and United States military authorities.

The United States Government accepts the proposal of the French Government that these questions as a whole should be discussed in an informal meeting to include representatives of the French and British Foreign Offices and the United States State Department as well as representatives from the French, British and United States occupation zones in Germany, provided that, as the Department understands from discussions with the representative of the French Embassy concerning this memorandum, the French Government now accepts in principle the formation of a German administrative organization, under adequate tripartite control, to administer a combined German fleet. Such a meeting should serve for an exchange of views preceding French participation in the tripartite organization.

It is understood that German vessels from the French zone are now being returned from French national administration to French zone administration and therefore that pooling of German Rhine vessels under German administration and tripartite control is agreeable to

the French Government provided that adequate security and strict decartellisation of the fleet is arranged by the zonal authorities.

The inclusion of representatives from the Netherlands and Belgium in these discussions would appear to be premature at this time in as much as the coordination of traffic within Germany is a primary concern of the three occupying powers. However, when the three Governments have reached agreement on the tripartite organization, the United States Government believes that representatives of the three Governments should meet at some future date with representatives of the Netherlands and Belgium to discuss Rhine traffic matters which specifically concern those countries.

If the French Government prefers, the United States Government would be prepared to have these tripartite discussions held in Strassburg following the Central Rhine Commission meeting of October 11.⁷⁶

WASHINGTON, October 3, 1946.

740.00119 Council/10-346 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, October 3, 1946—5 p. m.

US URGENT

5262. Secdel 1039. Discussions re Yugoslav and Czech requests for return Danube vessels began in plenary session ECOSOC Sept 27 and continued through two sessions Sept 28.⁷⁷ Both Yugo and Czecho delegates read statements indicting US for unjustified retention vessels urgently needed in Czecho and Yugo. Winant replied with agreed statement U.S. position. Greek delegate stated no arrangements had been made for return Greek vessels in Soviet zone, and proposed resolution for Council similar to those of Czecho and Yugo but directed at Sov Govt.

Sov delegate made lengthy statement attacking U.S. for unjustified retention vessels and for issuing what he termed "ultimatum" to Czecho and Yugo. Statement included line that conference in Vienna re operating arrangements not connected with restitution issue. Also referred to no internationalization American rivers. Urged Council

⁷⁶ In telegram 5276, October 3, the Department informed the Embassy in France of the contents of this note (840.811/10-346).

⁷⁷ For minutes of these sessions, see United Nations, *Report by the Economic and Social Council of the General Assembly*, Tenth Meeting, September 27, 1946, pp. 62-72; Eleventh Meeting, September 28, 1946, pp. 73-76; Twelfth Meeting, September 28, 1946, pp. 76-78; Twenty-first Meeting, October 3, 1946, pp. 152-155.

decision on restitution issue but denied right to act in calling Vienna conference by reason Art. 107 Charter.

French, Brit, Belgian, Lebanese, Greek, Canadian and Chilean delegates spoke in favor U.S. resolution re Vienna conference. Peruvian delegate expressed opinion none of resolutions presented were within competence ECOSOC. Debate on competence ECOSOC act on such questions ensued. Chairman Stampar⁷⁸ finally closed debate with statement Chair would entertain any proposal and bring question to vote in plenary session Council sometime during coming week.

In summary, Council now split along East West lines. If question had come to vote Sat, Dept. representatives present believe Yugo-Czecho and Greek resolutions would have been defeated, while U.S. resolution would have been passed. However, defeat Yugo-Czecho resolutions would not accurately reflect support U.S. position since some negative votes would have indicated only belief question was not within competence Council. Believe South American group would vote "No" on Yugo-Czecho resolution with some abstentions on U.S. resolution together with some approvals of it. French delegate was uneasy and uncertain re French vote.

Summary Danube negotiations in Paris would be helpful.

Please report local reactions resulting from U.S. position in ECOSOC and degree to which U.S. position is reported locally.

Sent Paris as 5262, repeated Vienna 890, Praha 1206, London 6963, Budapest 1020, Moscow 1754, Belgrade 660, Bucharest 642, Sofia 310.

ACHESON

840.811/10-946

*The Acting United States Representative at the United Nations
(Johnson) to the Acting Secretary of State*

No. 705

NEW YORK, October 9, 1946.

The Acting United States Representative to the United Nations presents his compliments to the Acting Secretary of State and has the honor to transmit herewith a telegram from the Secretary General of the United Nations dated October 8, 1946, requesting the Government of the United States to inform the Secretary General of its intention to participate in a conference of representatives from all States interested in international traffic on the Danube River, to meet in Vienna not later than November 1, 1946.

NEW YORK, October 9, 1946.

⁷⁸ Dr. Andija Stampar, Yugoslav delegate.

[Enclosure]

The Secretary General of the United Nations (Lie) to the Acting United States Representative at the United Nations (Johnson)

LAKE SUCCESS, NEW YORK, October 8, 1946.

M3581. Kindly bring following attention your Government.

Have honour inform you that Economic Social Council adopted 3 October following text resolution submitted by United States Delegation regarding international traffic on Danube River.

“In view of the critical limitations of shipping facilities on the Danube River which are adversely affecting the economic recovery of southeastern Europe the Economic and Social Council recommends that a conference of representatives from all interested States be arranged under the auspices of the United Nations to meet in Vienna not later than 1 November for the purpose of resolving the basic problems now obstructing the resumption of international Danube traffic and establishing provisional operating and navigation regulations. Interested States are the Riparian States, States in military occupation of riparian zones and any States whose nationals can demonstrate clear title to Danube vessels which are now located on or have operated prior to the war in international Danube traffic. As a basis for discussion in this projected conference of representatives from interested States the Economic and Social Council submits the following recommendations:

A That commercial traffic be resumed on the Danube from Regens[burg] to the Black Sea;

B That security from seizure be guaranteed to all ships, their crews and cargoes;

C That all Danube vessels except German be allowed to sail under their own national flag;

D That adequate operating agreements be arranged between the interested states as well as the national and private shipping companies under general supervision of the occupying powers to permit the maximum use of the limited shipping facilities;

E That information be exchanged freely on condition of navigation and that responsibility be undertaken for river maintenance over the entire length of the river.”

According supplementary rule K of amended provisional rules procedure General Assembly requiring prior consultation members United Nations before calling international conference by Economic Social Council I have honour request your Government to inform me if it agrees meeting Danube conference and if willing participate therein.

TRYGVE LIE

740.00119 Council/10-1246 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, October 12, 1946—1 p. m.

US URGENT

5502. Secdel 1112. Personal for Matthews⁷⁹ from Hickerson.⁸⁰ The action of the conference⁸¹ in approving by two-thirds majority clause in Rumanian and Bulgarian treaty providing for free Danube navigation and establishment of permanent Commission suggests possibility that we should take advantage of this development to settle Danube barge question, at least to the extent of returning Zecho, Yugo, Hungarian, Rumanian and Bulgarian vessels now held in US zone. It may be that we have extracted the maximum bargaining value from our retention and we could perhaps capitalize on return of barges to a greater extent now than we can at some later date. Winant tells me that our position in ECOSOC was none too popular and the favorable votes obtained with some difficulty. Furthermore, we are on the receiving end of considerable criticism in the press because of shortage transportation and need of barges whether or not Danubian agreement reached.

The restitution envisaged would still leave approximately 400 enemy vessels including Austrian under our control for use in later negotiations. Furthermore, Yugo assets now in US greatly exceed US claims and retention of Yugo vessels for this purpose is unnecessary as we could state that Yugo gold assets in US are being kept blocked against claims.

I realize that Soviets may eventually veto Danube clauses irrespective of conference rules thereby leaving us with a noble gesture and no result. Also this plan might be interpreted as a weakening of our general position and thereby affect the treaties. If there is danger of that, I would favor holding the barges until Hell freezes over. Frankly, however, in this question we have a bear by the tail and if we have exhausted bargaining power of barges we should be thinking of a satisfactory way to get out from under. Eur thinks this may be a good time and there may be no other opportunity for a long while. This telegram is a suggestion and not a recommendation since we here haven't the whole picture. If you agree and the Secretary approves we think action should be taken immediately. Because of President's previous interest, we would clear with him. [Hickerson.]

ACHESON

⁷⁹ H. Freeman Matthews, Director, Office of European Affairs, Political Adviser at the Paris Peace Conference.

⁸⁰ John D. Hickerson, Deputy Director, Office of European Affairs.

⁸¹ This is a reference to the Paris Peace Conference, July 29–October 15, 1946.

840.811/10-946 : Telegram

The Acting Secretary of State to the Acting United States Representative at the United Nations (Johnson)

WASHINGTON, October 16, 1946.

237. Reference your letter of October 9 No. 705 transmitting copy of telegram from Secretary-General concerning conference on Danube shipping. Please inform the Secretary-General that this Government agrees to the holding of such a conference and that it is prepared to participate therein.

ACHESON

840.811/10-2346 : Telegram

The Acting Secretary of State to the Minister in Austria (Erhardt)

SECRET

WASHINGTON, October 23, 1946—3 p. m.

957. Urtel 1345 Oct 11⁸² Dept has received telegram from Secretary-General United Nations quoting ECOSOC resolution calling for conference interested states under auspices UN to discuss provisional operating agreement for Danube and stating rules procedure require prior consultation members UN before calling such conference by ECOSOC. UN asks this Govt if it agrees to Danube conference and will participate. Dept naturally replying this Govt will participate.

Soviet representative ECOSOC indicated in speech before voting on this item USSR, Czecho and Yugo would not attend conference even though resolution was approved by Council. Therefore Dept assumes USSR, Czecho and Yugo will reply in negative to UN telegrams and conference will not be held.

Dept now considering subsequent steps in Danube controversy and will advise you soonest. Your views and comments welcomed.

ACHESON

Lot 54 D 211, Box 12726

*Memorandum by the Assistant Chief of the Shipping Division (Rainey)*⁸³

[WASHINGTON,] October 25, 1946.

SUGGESTED PROCEDURE IN DEALING WITH THE DANUBE ISSUE AT THE FORTHCOMING MEETING OF THE COUNCIL OF FOREIGN MINISTERS

Briefly stated, I understand the basic policy of the United States in regard to the Danube to be as follows:

⁸² Not printed.⁸³ Addressed to the Secretary and to the Under Secretary for Economic Affairs, Mr. Clayton.

This government insists upon the reestablishment of the general principle of freedom of commerce and navigation on the Danube through international agreement on the statute of the future International Commission for the Danube. This statute should insure freedom of transit as well as equal rights and equality of treatment for the nationals of any country wishing to participate in commerce on this waterway. In the discussions of the Peace Conference the United States has maintained that the U.S.S.R., U.S.A., U.K. and France together with the riparian states should participate in a conference to reestablish statute for the future International Commission of the Danube.

The State Department has maintained that the United States does not wish to participate as a permanent member of the International Commission for the Danube unless this is necessary in the interests of world peace. However, this position has never been stated publicly.

It may be that the principal objection of the Soviets to the clauses in the peace treaties calling for freedom of navigation on the Danube and for the convening of a conference to establish the statute of the Danube commission is based upon fear of U.S.A., U.K. and French representation on the permanent Commission. If this is true, then you may wish to use for bargaining purposes in the coming Council of Foreign Ministers meeting the statement that the U.S.A. does not insist upon representation in the permanent commission, but wishes to assure that the statute for the Danube contains adequate provisions to protect the interests of non-riparian states. Furthermore, in informal conversations representatives of both French and British Governments have indicated that the United Kingdom and France also will not insist upon participation in the permanent commission, provided they are included in the conference to set up statute for the commission and have the opportunity of approving such statute.

If you wish, representatives of the Department will check this suggested position with the United Kingdom and French Government prior to the Council of Foreign Ministers meeting, so that you would have three-power agreement on nonparticipation in the permanent commission to utilize in discussions at that meeting.

With such an agreement between the three western powers it may be that the Soviet representative will be in a position to accept the principle of freedom of navigation and Soviet participation in a conference of the four powers and the riparian states to reestablish the statute of the commission. If CFM principles prevailed, four-power approval of statute could be required, even though only riparian states sat on the Commission. In that event, the United States would maintain its principle, the vessels held in the United States zones of occupation could then be returned, and one of the most insoluble con-

troveries facing the CFM would be eliminated. Regardless of the outcome of the conference to establish the Danube statute, the United States would continue to press its long-range policy of freedom of navigation and to support the commercial interests of non-riparian states on the Danube through its representation in the United Nations.

840.811/10-2846 : Telegram

The Representative of the United States on the Economic and Social Council of the United Nations (Winant) to the Secretary of State

SECRET
URGENT

NEW YORK, October 28, 1946—6 p. m.
[Received 6:30 p. m.]

720. Regarding ECOSOC invitations to the Vienna Conference on the Danubian question, UN has received favorable reply from US, UK, and Greece, and negative reply from USSR and Yugoslavia. Negative reply expected from Czechoslovakia tomorrow. France has replied re-affirming support of free navigation on Danube but expressing unwillingness to attend conference in absence of Danubian states.

Secretary General will shortly communicate results of invitations to governments concerned and ask them whether in these circumstances they wish to hold conference.⁸⁴

WINANT

840.811/11-346

*Memorandum by the Secretary of State to President Truman*⁸⁵

WASHINGTON, November 1, 1946.

Subject: Danube river craft belonging to Czechoslovakia, Yugoslavia, Hungary, Rumania, Bulgaria and Austria now in United States Zones of Occupation in Germany and Austria.

As you are aware this Government has been retaining in its possession in United States zones of occupation in Germany and Austria a number of Danube barges and other river craft belonging to Czechoslovakia, Yugoslavia, Hungary, Rumania, Bulgaria and Austria. We

⁸⁴ These replies were transmitted by Mr. Johnson to the Department in telegram 767 of November 6, as follows: "Governments Greece, United Kingdom and United States agree calling conference and express willingness participate therein. Governments Czechoslovakia, Union Soviet Socialist Republics, and Yugoslavia do not agree calling conference and are not willing participate therein. French Government expresses interest resuming free navigation on Danube and ready participate conference but on condition riparian states also participate therein." (840.811/11-646)

⁸⁵ The memorandum was returned to the Secretary with the handwritten notation on the margin, "Approved Nov. 3, '46, Harry S. Truman".

have been motivated to that action by our desire to reach international agreement in regard to freedom of navigation on the Danube. I believe that General Clark and Minister Erhardt discussed this matter with you recently.⁸⁶

The Peace Conference at Paris has now approved by a two-thirds majority recommendations for the inclusion in the Rumanian, Bulgarian and Hungarian treaties of clauses which provide for freedom of navigation on the Danube and for the calling of an international conference within six months of the ratification of those treaties with a view to the establishment of a permanent international Danube regime.

We are of course conscious of the possibility that the Soviets may veto the final acceptance of this recommendation or, if they accept it, may take measures locally which in fact will prevent the realization of such freedom of navigation. However, it seems to us that, having obtained the approval of our views by an international body, we have extracted all the bargaining power possible from our retention of these river craft, which are in fact needed by the countries concerned to assist in their economic rehabilitation, and that the occasion of this decision by the Peace Conference affords us an opportunity to capitalize on the return of the barges such as may not be forthcoming at a later date. Accordingly, if you approve, we propose to return the Czechoslovak, Yugoslav, Hungarian, Rumanian and Bulgarian vessels. In doing so, we would still retain some 400 Austrian and German river craft, the disposition of which is involved in separate negotiations.⁸⁷

I also would propose to make our position in the matter known to the press along the lines suggested in the attached statement.

JAMES F. BYRNES

[Enclosure]

DRAFT FOR THE PRESS

The Paris Conference has recommended by a two-thirds majority that the Peace Treaties with Bulgaria, Rumania, and Hungary include clauses providing that navigation on the Danube river shall be free and open to the nationals, vessels of commerce and goods of all

⁸⁶ In a memorandum of October 21, 1946, to the Secretary, Mr. Matthews wrote: "About a week ago Gen. Clark and Mr. Erhardt were at the White House and on that occasion the President asked Gen. Clark whether we were still holding the Danubian barges. Gen. Clark replied that we were. The President replied 'keep them.'" (840.811/10-2146)

⁸⁷ In a circular telegram of November 7, 1946, Acheson informed a number of American missions abroad that arrangements were being made to return the Danube river crafts belonging to Czechoslovakia, Yugoslavia, Hungary, Rumania, and Bulgaria (840.811/11-746).

states and that a conference of all interested states shall be convened within six months of the coming into force of those treaties to establish a new permanent international regime for the Danube.

It has been with a view to the achievement of international agreement along these lines that the United States Government has been holding some 450 Yugoslav, Czechoslovak, Hungarian, Rumanian, and Bulgarian river craft found in United States zones of occupation in Germany and Austria. Consequently, the United States Government is now taking the necessary steps to return such river craft to the Governments of their ownership.

It may be noted that the United States Government has never questioned the ownership of these vessels by Yugoslavia, Czechoslovakia, Hungary, Rumania, and Bulgaria, and hopes that, in consonance with the terms of the international recommendation which has now been made, the river craft which are being returned will operate freely, throughout the whole navigable extent of the river.

840.811/11-646 : Telegram

The Acting Secretary of State to the Acting United States Representative at the United Nations (Johnson)

SECRET

WASHINGTON, November 8, 1946—8 p. m.

278. For Stinebower.⁸⁸ Retel 767 Nov 6⁸⁹ quoting telegram from SYG Oct 30 USDel requested to inform SYG that US Govt regrets to inform SYG that in light of information conveyed in his telegram of Oct 30 this Govt feels that no good purpose would be served in convoking conference on Danube River traffic at this time. However US Govt suggests that SYG should inquire of other Governments concerned as to circumstances under which they would agree to convocation of such a conference.

Suggest you discuss with Thorp⁹⁰ or Matthews to assure that foregoing will not embarrass any positions being taken in CFM.

ACHESON

840.811/11-2146 : Telegram

The Acting Secretary of State to the Minister in Austria (Erhardt)

SECRET

WASHINGTON, November 21, 1946—7 p. m.

1026. ReDeptel cir 1610 Nov 7,⁹¹ WX 85902 Nov 20 to OMGUS and USFA⁹² requests US military authorities to discuss with proper

⁸⁸ Leroy D. Stinebower, Adviser, US delegation, preparatory commission of the UN Food and Agricultural Organization.

⁸⁹ See footnote 84, p. 279.

⁹⁰ Willard L. Thorp, alternate delegate, US delegation, preparatory commission of the UN Food and Agricultural Organization.

⁹¹ See footnote 87, p. 280.

⁹² Not found in Department files.

Austrian authorities means of returning Austrian Danube vessels to Austrian Govt under circumstances permitting utilization by Austrians in international traffic. Suggestion has been made that formation new Austrian shipping company might safeguard vessels now in US zones from Soviet seizure in operations below Linz.

Sent Vienna, repeated 2324 to Berlin.

ACHESON

840.811/12-1746 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, December 17, 1946—9 p. m.
[Received December 17—4: 36 p. m.]

2922. Reurcirtel Nov 7, 1946, 4 p. m.⁹³ on restitution Danube craft. Restitution proceeding satisfactorily in atmosphere of cordiality between Hungarians, Yugoslavs and Czechs and OMG authorities. To date 184 Hungarian, 162 Yugoslav, and 25 Czech have been restituted, which number represents all non-controversial claims. Twenty-four Hungarian craft, 17 Yugoslav craft presently retained pending clarification titles. Friendly and understanding atmosphere prevails with respect to these craft. Twenty-five Rumanian and 3 Greek craft still retained due to fact that no mission has arrived. Twenty-eight French and 8 Belgian craft in process of restitution. Nonriparian states owning craft are negotiating with riparian states in some instances for sale of craft. Craft are proceeding downstream to home countries. However, movements seriously impeded due to low water and channel obstructions. To date 33 Hungarian craft and 34 Yugoslav craft have departed from Germany.

MURPHY

⁹³ See footnote 87, p. 280.

AUSTRIA

UNITED STATES CONCERN FOR THE POLITICAL AND ECONOMIC DEVELOPMENT OF AUSTRIA FOLLOWING THE WAR

Vienna Mission 59A543 PL9, Box 256

Memorandum of Conversation, by Mr. S. L. W. Mellen, Senior Economic Analyst in the Office of the United States Political Adviser for Austria (Erhardt)

SECRET

[VIENNA,] January 2, 1946.

Present: Mr. J. G. Erhardt
Mr. Philip Mosely—Council of Foreign Ministers, London
Mr. Llewellyn Thompson—Council of Foreign Ministers,
London
Mr. S. L. W. Mellen

1. *German Foreign Assets in Austria*

It was brought out that Mr. Byrnes was unable to secure discussion and agreement on this problem at the Moscow Conference,¹ and that it would, therefore, be left to Ambassador Harriman to try to obtain from the Soviet Government sufficient agreement as to general principles so as to enable the Allied Commission in Austria to work out the detailed execution of the Potsdam provisions.² Mr. Mosely was asked for his views as to the most effective arguments to use with the Soviets, at all levels, in order to secure their agreement to the United States policies and procedures. Mr. Mosely suggested focusing all discussion on the question—"what are German assets?"³ He also suggested having the Austrian Government present to the Allied Council a note outlining from the point of view of the Austrian economy the need for obtaining a prompt settlement of the questions raised by the Potsdam agreement—with emphasis upon the impossibility of any comprehensive plan for economic rehabilitation and reconstruction until it is known what industrial equipment and other resources are

¹ For discussions at the meetings of the Foreign Ministers on December 21 and 24, 1945, see *Foreign Relations*, 1945, vol. II, pp. 716 and 766, respectively.

² See *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1604, entries in Index under "Austria: German assets in Austria".

³ For a comprehensive view and interpretation of German assets in Austria, as expressed at the Potsdam Conference, see telegram 10380, November 29, 1945, to London, *Foreign Relations*, 1945, vol. III, p. 668.

available to Austria. He also suggested that the Soviets might be impressed by an argument that it is essential for Austria to get on its own feet economically during 1946, since UNRRA aid is expected to come to an end this year.

2. *Austria's Economic Relations with Other Countries*

Mr. Mosely was asked for his views on the desirability of having Austria develop close economic relations with the other countries in the Danube Basin, in an economic confederation or otherwise. It was understood that a Danubian economic community would doubtless be strongly influenced by the USSR, certainly in an economic sense, and probably in a political sense also. Mr. Mosely pointed out that because of the difficult economic situation of Hungary and Rumania, and the relatively heavy reparations obligations imposed on those countries, they would be able to contribute little for several years to a Danubian economic community. He expressed the opinion that only Czechoslovakia would be in a position to contribute materially. He and Mr. Thompson also emphasized the fact that the economic and political differences existing among the various Danube countries (including differences in respect of nationalization) would make it difficult to develop an integrated cooperative association.

At the same time Mr. Mosely brought out that in a 1937 trade agreement the United States Government conceded the principle that it would not consider Danube tariff preferences a violation of the most-favored-nation clause.

Messrs. Mosely and Thompson expressed the view that basically the great powers are not yet ready to reach agreement on a long-term basis concerning the economic disposition of Austria. Mr. Thompson thought it likely that the Soviet Government would be willing to enter into some sort of understanding as to a division of Europe into spheres of interest, under which Hungary and Rumania, among others, would fall in the Soviet sphere, and under which Austria should pass to the western sphere. However, he pointed out that the United States Government wishes to avoid any such settlement, and this was, of course, agreed.

Mr. Mosely suggested that some study be given to the possibility of trade between Austria and Italy. He conceded that Italy is poor in exportable surpluses and, therefore, in foreign exchange, and will probably remain so for some time. There is, however, a possibility of financial aid to Italy from abroad. In any case, Mr. Mosely felt that some small but worthwhile volume of trade might be developed. Both Mr. Mosely and Mr. Thompson referred to Austria's ability to export lumber and leather products, and to Austria's potential tourist trade.

Mr. Thompson suggested asking the State Department to send a special economic mission to Austria to make a study of the country's resources and potentialities with a view to drawing up a long-term plan of reconstruction and development.

3. *International Control of the Danube*

Messrs. Mosely and Thompson were unable to suggest any means of securing international agreement on this subject. It was pointed out that the Soviets have advocated having the military authorities in control of the various countries in the Danube Basin exercise control over the corresponding portions of the river. This naturally would result in Soviet control over the lower Danube. Mr. Mosely pointed out that the Soviets would not be willing to agree to a Danube commission unless it were dominated by them. Reference was made to the fact that the Soviets have shown no desire to participate in control of the Rhine,⁴ and it was suggested that they might use this as a reason why the western powers should not concern themselves with the Danube.

4. *Austrian Peace Treaty*

It was explained to Messrs. Mosely and Thompson that in the Allied Commission here the Soviets have indicated that they look to a peace treaty with Austria as the event which will officially terminate Allied control. It was also brought out that General Clark has within the last few days expressed the intention of withdrawing his Headquarters from Austria by July. In view of these two circumstances it seems most urgent that the Peace Conference in May should include in its work a definitive settlement of Austrian questions.

There was a brief discussion of the need for a peace treaty with Austria, in the light of the fact that the Allied powers have not been at war with Austria as a separate nation. Mr. Mosely pointed out that there could nevertheless be a treaty reaffirming Austria's independence and defining its relations with other countries.

Mr. Mosely was asked how arrangements should be made to secure a settlement of the Austrian questions at the May Conference. He suggested that efforts should be made to have the Conference of Foreign Ministers in Washington in March put this subject on the agenda for the May Conference. In order to get the matter before the March Conference, he agreed that it would be desirable for Mr. Erhardt to send a message to the Department, indicating the need for early action on Austria, and suggesting some of the topics which should be included in a treaty with Austria.

⁴ See memorandum of October 22, 1945, by Mr. Norman J. Padelford, *Foreign Relations*, 1945, vol. II, p. 1373.

There was a brief discussion of the subjects which might appropriately be covered in a treaty with Austria. It was agreed that the following should be included: sovereignty, boundaries, maintenance of civil liberties, specification of continuing obligations under former treaties, prohibition of *Anschluss* with Germany, and prohibition or limitation of a military establishment.

With reference to the last point, Mr. Mosely suggested that there are some reasons for having a small army separate from the *gendarmerie*; one reason is that if the country's entire armed personnel is concentrated in the *gendarmerie* there would be a possibility that the Government ministry controlling it might at some future time become undemocratic or irresponsible. If there were a small army in addition, control of armed personnel would be divided between two ministries.

Mr. Mosely stated that the treaty need contain nothing on reparations since if it were silent it would follow that Austria had no reparations obligations.

The question was raised whether the treaty should be used as a means of finally settling the difficult problems of German foreign assets. Messrs. Mosely and Thompson thought it essential that these matters should be settled separately and beforehand.

S. L. W. MELLETT

863.014/1-346

Memorandum by the Chief of the Division of Central European Affairs (Riddleberger)

[WASHINGTON,] January 3, 1946.

The Federal Austrian Chancellery on November 30, 1945 submitted to the Allied Council for Austria a memorandum over the signature of Dr. Gruber, Minister without Portfolio for Foreign Affairs, requesting the incorporation of the South Tyrol into Austria. The Council took note of the memorandum but did not consider that the question fell within its competency and decided that each representative would send a copy to his Government.

I consider that the receipt of this memorandum from the United States Representative on the Allied Council for Austria points to the need for reopening of the discussion on the question of the Italo-Austrian frontier on the basis of the recommendations contained in the State Department policy paper "The Treatment of Austria" (PWC 218),⁶ which received the approval of President Roosevelt. The recommendations made in this paper are as follows:

⁶ For text, see *Foreign Relations, 1944*, vol. 1, p. 438.

"The Austro-Italian Frontier:—It is recommended that the frontier between Austria and Italy be rectified by cession to Austria of the Italian province of Bolzano with the provision that minor adjustments of this line may be made in accordance with the distribution of the linguistic groups.

The Committee has proposed this solution because:

- a.* It recognizes this area as Austrian in its history, culture and tradition, and as an area which will probably be predominantly Austrian in population at the end of the war;
- b.* The retrocession of this region to Austria would aid both in the political and economic reconstruction of an Austrian state;
- c.* The loss to Italy through this cession would be slight in comparison with the gain to Austria".

The available statistics provide indisputable evidence that the population of Bolzano is Germanic. The Italian Government is reported to be sending in many Italian nationals in anticipation of a plebiscite in this area. It is well known that the ethnic principle was disregarded in disposing of this area after the first World War and that in spite of the efforts of Hitler and Mussolini the province of Bolzano did not lose its Austrian characteristics. The action of the Allied Powers in the Treaty of Versailles in giving this area to Italy has been severely criticized. It is apparent that if Bolzano is not returned to Austria or if a plebiscite is not held to determine the wishes of the local population, the Allied Powers will repeat the mistake made after the first World War.

The cession of Bolzano to Austria would provide an impetus to the Austrian national feeling and would create a stronger national state than any which might result from the re-establishment of the previous frontier between Austria and Italy. It would likewise strengthen the western orientation in Austria. The creation of a healthy Austrian state is of basic importance in the entire Danubian area and could be used as an important part of an active program for the rehabilitation of the small states of Central Europe.

The loss of Bolzano should not entail serious economic difficulties for Italy and would aid the economic reconstruction for Austria. If Bolzano is ceded to Austria it is suggested that the United States advocate the establishment of a joint machinery between Italy and Austria to provide for the equitable distribution of electric power generated in Bolzano. Arrangements might also be made between Austria and Italy to provide for Austrian use of port facilities in Trieste.

In view of these considerations, I recommend that the question of South Tyrol be included in the forthcoming negotiations for a peace treaty with Italy and that the United States support its policy recommendation that the Austro-Italian frontier be rectified by the cession of Bolzano to Austria.

JAMES W. RIDDLEBERGER

863.01/1-546 : Telegram

The Secretary of State to the Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, January 5, 1946—8 p. m.

18. Dept informed instructions will be sent by War Dept to General Clark⁷ to introduce proposal into AC for agreement on reduction of occupation forces in Austria.⁸ Following is plan for progressive reduction during 1946, as proposed by War Dept:

In Vienna, each power to have 9,000 troops on Feb 1, 8,000 on Jul 1, 5,000 on Nov 1.

In zones other than Vienna, size of occupation force proposed for US is 31,000 on Feb 1, 16,000 on Jul 1, 12,500 on Nov 1; for France 28,000 on Feb 1, 16,000 on Jul 1, 12,500 on Nov 1; for UK 50,000 on Feb 1, 30,000 on Jul 1, 20,000 on Nov 1; for USSR 60,000 on Feb 1, 40,000 on Jul 1 and 28,000 on Nov 1.

Figures proposed are maximum figures and each power, in its discretion, may maintain garrisons of lesser strength. Specified strength, however, should include personnel of all ranks of ground, air and sea forces.

You will notice that proposal calls for equalization of occupation forces in Vienna but does not in zones due to differing degrees of frontier responsibility. Dept will appreciate your comments on advisability of proposing agreement on equalization of occupation forces in various zones if Council agrees to draft declaration proposed by British on guarantee of frontiers (Deptel 403, Dec. 29⁹).

Dept considers US proposal for reduction of occupation forces should properly be made as soon as possible after recognition of Austrian Govt.

BYRNES

863.014/1-346

Memorandum by the Acting Chief of the Division of Southern European Affairs (Reber)

[WASHINGTON,] January 7, 1946.

SE can not concur in CE's recommendation that we support the cession of Bolzano to Austria. Aside from the merits of the case, both Italy and Austria have a strong emotional attachment to this territory,

⁷ Gen. Mark W. Clark, United States Army, Commanding General, U.S. Forces in Austria, U.S. Military Commissioner in Austria; after September 1, 1946, U.S. High Commissioner in Austria.

⁸ For a communication between Secretary of War Patterson and the Secretary of State on the reduction of occupation forces in Austria, see a letter dated December 28, 1945, and footnote 68, *Foreign Relations*, 1945, vol. III, pp. 691 and 692, respectively.

⁹ Not printed.

which in the case of Italians is bolstered by the following rationalization on their part:

1. The settlement after World War I was no more than retribution for the unjust settlement imposed by Austria in 1866.

2. The revival in Austria of Pan-Germanism, threatening both Italy and the Balkans, can not be excluded, and Italy's frontier must therefore remain on the Brenner.

3. Austrians fought to the last at the side of the Germans in North Italy, many of the present advocates in Bolzano of Austrian claims were staunch Nazis until the German defeat, and Austria therefore does not deserve consideration at the expense of Italy, a co-belligerent.

On economic grounds, the Italians also offer a variety of arguments, pointing out *inter alia* that Bolzano is the most important source of hydro-electric power in Italy, and that the province ranks next to Piemonte in tax revenues.

Italian insistence upon the retention of Bolzano is shared by all classes and parties, including the Communists, who are in fact particularly vehement in rejecting the Austrian case. In these circumstances, it is doubted that any Italian Government would sign a treaty ceding Bolzano to Austria, and American advocacy of the Austrian claim would only have most serious repercussions in Italy.

Should the question be re-opened in the Council of Foreign Ministers with a view to changing the agreement that the Italo-Austrian frontier "would be unchanged, subject to hearing any case which Austria might present for minor rectifications in her favor" it is recommended that we oppose any proposal for the outright cession of Bolzano to Austria. If circumstances warrant, consideration might be given to a solution of the problem through the holding of a plebiscite to decide the issue.

SAMUEL REBER

740.00119 E W/1-946 : Telegram

*The Acting Secretary of State to the United States Political Adviser
for Austria (Erhardt)*

SECRET

WASHINGTON, January 9, 1946—8 p. m.

25. Following is text of correspondence between Byrnes and Molotov re German Assets in Austria.

"My dear Mr. Molotov: You will recall our recent conversation with regard to Austria¹⁰ and I understand that we are in agreement that we should instruct our representatives on the Allied Control Council for Austria to take up in the next session of the Council the question of the interpretation and application of paragraph 9 of the section on reparations agreed to at the Berlin Conference in so far

¹⁰ See *Foreign Relations, 1945*, vol. II, p. 761.

as concerns German assets in Austria.¹¹ I know that you will agree with me that the question is an important one and that we should take prompt action.”

“Secretary of State: On December 30 I received letter dated December 27 addressed by Molotov to the Secretary. Contents were as follows:

‘Dear Mr. Byrnes: In connection with your letter of December 26 in regard to German assets in Austria I recall that at the time of our conversation, you proposed to authorize the [representatives?] of our Governments in the Allied Council to make a study of the question of the interpretation and application of the Berlin Conference decisions, in particular paragraph 9 on reparations concerning German assets in eastern Austria. However, we did not have an opportunity to conclude this talk and to come to some common conclusion.

As you know, in accordance with the decisions [of?] the Berlin Conference, reparations are not collected from Austria but the zonal principle has been established for the extraction of German assets on reparations account. The above does not exclude, however, the possibility of consideration by the Allied Council of concrete cases of the origin of this or that kind of German assets in Austria, if their various portions are distributed in different zones of occupation of Austria and if their origin provokes doubt.

In accordance with this, the Soviet representative on the Allied Council in Austria will be given the necessary instructions in the event that concrete question of this sort may arise. With sincere respect.’”

You will note that Molotov agrees to concrete discussion within Control Commission of cases within that limited category of German assets which are distributed in different zones and where the origin of the assets provokes doubt.

We appreciate ambiguity of category of assets “distributed in different zones” and welcome your suggestions with respect to those types of assets which, in general, could, might, or could not fall within the category. We propose, further, that you promptly investigate and report possible specific cases which, in your judgment, could fall within this category.

It is our intention to exploit this limited opening and simultaneously to reaffirm our position, through diplomatic channels in Moscow, in the over-all settlement of the question of German assets in Austria set forth in our note of November 29, 1945, repeated to Vienna as 316.¹²

¹¹ See *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1486-1487.

¹² Telegram 10380, November 29, 1945, to London, *Foreign Relations*, 1945, vol. III, p. 668.

In survey of possible cases for initial discussion, we suggest that, if feasible, you select those which involve:

- (a) unambiguous forced transfer to German ownership;
- (b) resources which, if retained, would be of significance to post-war Austrian economy; and/or
- (c) ownership rights which, if transferred to USSR would compromise independence of Austrian economic operations.

For purposes of formulating reply through diplomatic channels would you report as soon as possible within limits of information present state of USSR removals program. In general, to what extent and in which industries have removals taken place from Austria? Are removals still proceeding? If so, at what rate, in what industries?

With respect to oil would you report if any Austrian oil is presently being allocated to the Austrian civilian economy by USSR authorities or for export on Austrian behalf?

Sent to Vienna as 25, repeated for information to Moscow as 52, to London as 269, Paris as 137 and to Berlin as 69 for Angell No. 127.

ACHESON

863.014/1-346

Memorandum by the Chief of the Division of Central European Affairs (Riddleberger) and the Acting Chief of the Division of Southern European Affairs (Reber) to the Director of the Office of European Affairs (Matthews)

[WASHINGTON,] January 11, 1946.

MR. MATTHEWS: Attached are two memoranda prepared respectively in CE and SE presenting opposing views on the problem of the South Tyrol.¹³

At a meeting today Mr. Riddleberger, Mr. Reber, Mr. Dowling and Mr. Williamson agreed to the following view concerning the South Tyrol question: "If the question is reopened in the Council of Foreign Ministers with a view to changing the agreement that the Italo-Austrian frontier 'would be unchanged subject to hearing any case which Austria might present for minor rectification in her favor', it is recommended that we oppose the outright cession of Bolzano to Austria. Consideration should be given to a solution of the problem through the holding of a plebiscite to decide the issue."

SAMUEL REBER

JAMES W. RIDDLEBERGER

¹³ Memoranda of January 3 and January 7, pp. 286 and 288, respectively.

740.00119 Control (Austria)/1-1146: Telegram

The Counselor of Mission in the Office of the United States Political Adviser for Austria (Gray) to the Secretary of State

SECRET

VIENNA, January 11, 1946—3 p. m.
[Received January 14—1:53 p. m.]

37. General Clark has not yet received the JCS instructions forecast in Department's 18, January 5, to press in Allied Council for reduction of occupation troops. He will of course carry out instructions when received but he has misgivings for the following reasons, in which I agree:

Our experience here has shown very definitely that Marshal Koniev¹⁴ and other Soviet members of Allied Commission are prepared to discuss with US matters which they consider within scope of Allied Commission but refuse absolutely to discuss here matters which they consider within purview of the respective govts of occupying powers rather than Allied Commission. The latter include such matters as (a) constitution of Allied Commission as determined by intergovernmental agreement, (b) size of occupation forces, (c) military expenditures and (d) interpretation of Potsdam Agreement regarding German foreign assets.

This attitude has already been made explicitly clear in our previous discussion of these matters with Soviets.

Both General Clark and I feel certain that the only productive approach to reduction of troops would be on governmental level. We understood from War's 86274, Dec 2, that this was being done. Has it now been done either through diplomatic channels to Moscow or at the Moscow Conference?

GRAY

840.50 UNRRA/1-1246

Memorandum of Conversation, by Mr. George C. McGhee, Special Assistant to the Deputy to the Assistant Secretary of State for Economic Affairs (Thorp)

[WASHINGTON,] January 12, 1946.

Subject: UNRRA Program for Austria

Participants: Mr. Roger Makins, British Embassy¹⁵
Mr. Eric Barthoud, British Embassy¹⁶
Mr. Thorp, A-C

¹⁴ Ivan Stepanovich Konev, Marshal of the Soviet Union, Commander of Russian Occupation Forces in Austria.

¹⁵ Roger Makins, British Minister in Washington.

¹⁶ Eric Alfred Barthoud, Director, Economic Division, British Element, Allied Command, Austria, 1944-46; Under Secretary, Ministry of Fuel and Power, 1946.

Mr. Dort, LA ¹⁷
Mr. Kindleberger, GA ¹⁸
Mr. Riddleberger, CE
Mr. Williamson, CE ¹⁹
Mr. deWilde, GA ²⁰
Mr. McGhee, A-C

Problem:

The purpose of the meeting was to arrive at a tentative agreement between the U.S. and U.K. with regard to a basis for an UNRRA program in Austria and for solution of problems involved in transition from the present system of aid through military channels.²¹

Discussion:

Mr. Thorp stated that a basic problem was whether or not Austria could be treated on the same basis as surrounding countries currently receiving relief through UNRRA. It was generally agreed that Austria should be so treated.

Mr. Dort stated that one of the principal points of disagreement in adopting an UNRRA program for Austria had been the question of its relationship to the distribution of relief supplies by the military authorities in their respective zones. The U.S. had taken the position that UNRRA relief should be supplementary to supplies furnished by the military, however, the U.K. had insisted on discontinuing supplies through the military with the initiation of the UNRRA program. The U.S. had now conceded this point.

Mr. Makins stated that the U.K. had made proposals to the U.S. Government on the question under discussion and that a reply from the U.S. was expected. Mr. Thorp stated that the U.S. was now in agreement as to the necessity for the UNRRA program in Austria. He asked for a definition of the relationship between the UNRRA program and the military authorities in Austria. Mr. Barthoud stated that the UNRRA contract would be with the new Austrian Central Government. The ACA would exercise only general supervision and would furnish the necessary transportation, although it still had final control. Since the UNRRA program would be an agreed

¹⁷ Dallas W. Dort, Adviser, War Areas Economic Division.

¹⁸ Charles P. Kindleberger, Chief, Division of German and Austrian Economic Affairs.

¹⁹ Francis T. Williamson, Acting Assistant Chief, Division of Central European Affairs.

²⁰ John C. deWilde, Associate Chief, Division of German and Austrian Economic Affairs.

²¹ For previous documentation on this subject, see telegrams P 7627, December 8, and 561, December 12, 1945, *Foreign Relations*, 1945, vol. III, pp. 675 and 681, respectively.

program, following recommendations by the Central Austrian Government, the ACA and the four governments involved, Mr. Barthoud felt certain that the ACA would not interfere with the program, although there would unquestionably be some bargaining in ACA on particular points. He felt that a fairer distribution of critical items, such as seeds, for example, would be assured.

Mr. deWilde asked what internal barriers to distribution would remain after initiation of the UNRRA program. Mr. Barthoud stated that the UNRRA program constituted a basis for doing away with such barriers and for bringing about the economic unification of Austria.

He stated that if the responsibility for relief had been left to the military, the Russians and the French would probably not have fulfilled their share of the responsibilities. The U.K. had advocated the initiation of an UNRRA program and had agreed to continue relief through the military to the end of February. At this time the U.K. would expect UNRRA to take over existing relief stocks as well as imports under way. Control of resources would be handed over on a "phase" basis to the Central Austrian Government.

In answering a question from Mr. Dort as to whether other members of the ACA would agree to the UNRRA program, Mr. Barthoud stated that the Russians had advocated pooling before the recent elections. Due to their low level of supplies, they had stood to gain from such pooling. Since that time, however, the Russians have withdrawn from this position. In all probability they would not consent easily to pooling the petroleum production in their zone, which they consider their property. The placing of this production into the pool may be expedited by tying it in with the pooling of coal by the U.K., U.S. and France.

Mr. deWilde asked what the UNRRA principle would be with regard to the use of indigenous resources, i.e., oil. Mr. Barthoud stated that the UNRRA working team in Austria had placed emphasis on the full use of indigenous resources and planned no imports of petroleum. If the Russians do not permit pooling of indigenous petroleum the entire UNRRA program will break down.

Mr. Barthoud stated that the first impact of the UNRRA program would be a shortage of supplies in the U.S. and U.K. zones. He assumed that this would be a matter of concern to General Clark. The Austrians recognize this danger but would prefer to risk it in order to regain their sovereignty.

Mr. Dort asked whether or not undue drain of supplies into the Russian zone could be expected. Mr. Barthoud replied that the Russians had agreed that their military forces will not live off the

country. He stated that exceptions would probably represent examples of indiscipline. If evidence existed that the Russians were removing equipment beyond that included in the definition of German assets, an appeal could be made by the U.S. and U.K. in the ACA.

Mr. Makins stated that in his opinion the situation was basically quite simple. We now have a satisfactory General Austrian Government which is still under the control of the ACA, and any UNRRA program initiated would have prior approval of both these organizations and the governments involved. The only question remaining appeared to be the degree to which the ACA in practice would interfere with the administration of the UNRRA program. It was agreed that this was up to the U.S. and U.K. representatives in the ACA.

Mr. Thorp asked whether the UNRRA program would move ahead automatically unless changed by the ACA, or whether the ACA would exercise positive control over the program. Mr. Makins stated that after Russian approval of the program in UNRRA, approval by the Russian representative on ACA should be automatic. Following this approval, the Austrian Government should be able to move on with the program without hindrance.

Mr. Dort questioned whether Russia would use control of its transportation as a method of imposing changes in the UNRRA program. Mr. Thorp replied that the only results the Russians could achieve in withholding transportation would appear to be to their disadvantage. Mr. Barthoud replied that a possible disadvantage to the other zones was in transportation of coal from Poland, which must cross the Russian zone. He pointed out that total imports of coal from all sources aggregated 700,000 tons yearly.

Mr. Thorp asked whether General Clark had been advised of the proposal. Mr. deWilde replied that General Clark had been advised of the proposal made by the U.K. Mr. deWilde stated that in his opinion the most immediate problem was in securing an adequate UNRRA program for Austria.

Mr. Barthoud stated that if Austria was to be treated on a basis comparable to surrounding UNRRA countries, the U.K. had estimated an UNRRA appropriation of 80 million dollars. Mr. deWilde and Mr. Dort agreed that Austria should be considered on the same basis as surrounding UNRRA countries, but would not commit themselves to U.K. figure. Mr. Barthoud stated that the original figure had been 150 million dollars (FAS), which would actually represent 200 million dollars on a landed basis, and which did not include any provision for displaced persons. Mr. Dort stated that the 80 million figure would represent 100 million dollars on the landed basis.

Mr. Barthoud inquired what the U.S. would do if the appropriation on a comparable basis meant a cut in Austrian rations below the agreed 1,550 calorie standard. Mr. Dort replied that a shift should then be made in the program from non-food to food items and from expensive to high calorie foods. Mr. Barthoud stated that the 80 million figure had assumed that farmers would retain approximately 2,800 calories, which may result in lowering of standards in Vienna to as low as 1,000 calories. It was pointed out by Mr. Dort that this was a technical problem for UNRRA and that experience had shown it possible to effect adequate distribution in cities under similar conditions.

Mr. Makins stated that in order to achieve economic unity in Austria, the UNRRA program should be initiated on March 1, even though there is a temporary lowering of the level of supplies in the U.S. and U.K. zones. In the meantime, he believed that military supplies should be pooled between the zones insofar as possible. Mr. Thorp replied that pooling before March 1 seemed improbable, since it may result in the U.S. failing to meet its responsibility in its own zone. He suggested as an alternative that the military commanders initiate closer collaboration with officials of the Central Austrian Government in their zone, and agreed that pooling may be started prior to March 1 if agreeable to the zone commanders. All agreed that any surplus military supplies remaining after March 1 should be sold to UNRRA.

Conclusion:

It was agreed that a draft of the proposed agreement arrived at in this meeting be drawn up before Mr. Barthoud's departure on January 14, and that the proposal be submitted to the appropriate authorities on both the U.S. and U.K. sides before final decision was reached.

740.0011 EW (Peace)/1-1846

*Memorandum by the Assistant Secretary of State (Dunn)*²²

SECRET

[WASHINGTON,] January 18, 1946.

DESIRABILITY OF A GENERAL INTERNATIONAL TREATY WITH AUSTRIA

It is believed that at an early date the United States should attempt to get British, Soviet, and French agreement to the negotiation of a general treaty with Austria along the lines of the peace treaties. Since our position is that Austria has a status comparable to that of a liberated country, a treaty of peace would not be appropriate, but the document might be called, for example, "Treaty for the Reestablishment of Austrian Independence". The United States, in any case,

²² Addressed to the Secretary and to the Counselor of the Department, Mr. Benjamin V. Cohen.

never recognized the Nazi seizure of Austria and has not been at war with Austria.

The treaty should be drafted by the representatives of the four occupying powers, but it would be desirable that in addition to these powers it be submitted to the other United Nations and in particular that it be signed by Yugoslavia and Czechoslovakia, as this would settle definitely the question of the frontiers between these countries and Austria. The drafting of such a treaty could be undertaken by the Deputies on the Council of Foreign Ministers following the drafting of the peace treaties. The treaty could contain provision for such temporary Allied control or supervision as might be considered necessary, or, alternatively, this could be covered by a separate civil affairs agreement.

The principal reasons for the conclusion of such a treaty are the following:

1. In the interests of establishing Austrian independence and economic rehabilitation, it is necessary to end the Allied occupation at the earliest possible date. Apart from the disastrous economic effects of the occupation upon Austrian economy, the continued presence of Soviet troops in Austria would provide an excuse for Soviet troops to remain in Hungary to maintain lines of communication.

2. Termination of Allied military control would encourage the Austrians to work out their own salvation and facilitate the reestablishment, at least to some extent, of the normal channels of trade both within Austria and with foreign countries.

3. It would enable a definite determination of Austria's frontiers to be made. Until this is done, relations between Austria and her neighbors will be prejudiced by agitation in those countries, as well as in Austria itself, for territorial adjustments.

4. The conclusion of the Italian treaty appears likely to result in a disappointment to Austrian aspirations in the South Tyrol. It would be well to offset this by the encouragement which the conclusion of a general treaty would bring to the Austrian people.

Moreover, if peace treaties are concluded with the satellite states and no treaty is negotiated covering Austria, the tendency will be to continue to associate Austria and Germany as the only two countries remaining under Allied control. This would run counter to our objective of establishing Austrian independence and is in contradiction with our recognition of a freely elected Austrian Government.

5. The treaty would also provide a convenient means of imposing upon Austria the same obligations as are contemplated in the peace treaties with the satellite states relating to freedom of religion, et cetera. Moreover, if military restrictions are placed upon Austria's neighbors, it would seem advisable to place similar limitations upon Austrian armaments by treaty.

740.00119 Control (Austria)/1-1946: Telegram

*The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)*²³

SECRET

WASHINGTON, January 19, 1946—3 p. m.

623. You are requested to inform FonOff the following with reference to reduction of occupation forces Austria: U.S. agrees in principle with note of Brit Emb, Wash, Nov 28, 1945²⁴ that occupation forces Austria should be reduced and that Allied Council should be instructed to work out detailed plan. Instructions sent Jan 15 by JCS to General Clark to introduce at earliest practicable moment U.S. proposal for progressive reduction to begin Feb 1 and proceed to Nov.

In view of different conditions in zones, U.S. does not consider that occupation forces should be equalized in zones in immediate future. Account should be taken of different degrees of frontier responsibility, area and population in zones. Immediate objective of U.S. is large scale and progressive reduction as preliminary step in realizing ultimate objective stated in Article 14, Agreement on Control Machinery signed July 4, 1945.²⁵ U.S. agrees that four power announcement of guarantee of frontiers is desirable and should accompany decision on reduction of forces. U.S. will support Brit proposal to this effect.²⁶

U.S. hopes that Brit member Allied Council will be instructed to discuss specific plan for reduction. Similar notes have been sent to Paris²⁷ and Moscow. Please inform Vienna when above is communicated to FonOff.²⁸

Sent to London as 623; repeated to Vienna as 59.

ACHESON

²³ Substantially the same telegram was sent to Paris as 302 and to Moscow as 107.

²⁴ *Foreign Relations*, 1945, vol. III, p. 666.

²⁵ For negotiations leading to the Agreement on Control Machinery in Austria, see *ibid.*, pp. 1 ff.; for text of the Agreement, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. I, pp. 351-355.

²⁶ In a memorandum of January 21, Mr. Riddleberger noted that according to Mr. D. D. Maclean, First Secretary of the British Embassy, the Russian reply to the British approach in Moscow, proposing a reduction of Allied forces in Austria, was unfavorable. It contended "that one of the objectives of the occupation was to effect the disarmament of German forces in Austria. The Soviet Foreign Office said that this action was not as yet completed and accused the British Government of retaining some units of the German Army in its Austrian zone of occupation and under the command of a White Russian colonel." (740.00119 Control (Austria)/1-2146)

²⁷ In telegram 455 of January 29, from Paris, Ambassador Caffery reported that the French Foreign Ministry shared the views of the American Government and that instructions had been sent to General Bethouart to support General Clark's proposals in the Allied Council (740.00119 Control (Austria)/1-2946).

²⁸ In telegram 1072 of January 29, from London, Ambassador Winant reported that the British Foreign Office warmly welcomed the Department's proposals.

740.00119 E W/1-2246

Memorandum by the Chief of the Division of Central European Affairs (Riddleberger) to the Director of the Office of European Affairs (Matthews)

[WASHINGTON,] January 31, 1946.

MR. MATTHEWS: General Clark and the Mission in Austria have submitted to the Department (Vienna 87, January 19²⁹) a joint recommendation that a treaty be concluded to bring to an end the system of Four Power controls and to establish the complete national independence of Austria. This subject was also referred to by the Acting Secretary in his press conference of January 22.³⁰

At the present time, Austria is still under the Four Power military occupation although the Government formed after the elections of November 25, 1945 has been accorded *de jure* recognition by the Four Powers.³¹ The United States, France and Great Britain have agreed to exchange political representatives with the Austrian Government and the Soviet Government has indicated its intention of a similar exchange in the near future.

The United States has taken the lead in proposing on an intergovernmental level a large-scale reduction of the occupation forces and an agreement on the interpretation of the Potsdam Declaration concerning the Soviet removal of German foreign assets in eastern Austria.

In view of the provisions of Article 14 of the Agreement on Control Machinery providing for a new international agreement following elections and the recognition of an Austrian Government, CE recommends that the United States propose to the other Powers the conclusion of a treaty to establish the complete independence of Austria and to define the interests of the Four Powers in the maintenance of that independence. CE concurs in the recommendations contained in Vienna's 87 of January 19.

The following recommendations are submitted by CE concerning procedure for the conclusion of a treaty with Austria:

1. That the Department propose to the British, French and Soviet Governments, with the concurrence of the Chinese Government, that the question of a treaty with Austria be placed on the agenda of the deputies and an agreed draft treaty prepared by them be submitted to the conference in Paris in May.

2. That an American draft treaty be drawn up for introduction into the agenda of the deputies to contain the recommendations made by

²⁹ Not printed.

³⁰ See *New York Times*, January 23, 1946.

³¹ For a description of the events relating to recognition of the Austrian Government by the Four Powers, see *Foreign Relations*, 1945, vol. III, pp. 693 ff.

General Clark and the Austrian Mission in addition to any other points recommended by the Department. CE has already inaugurated an extensive research program on a possible draft treaty.

3. That the Department consider the advisability of postponing the implementation of a treaty pending the conclusion of a Four Power Agreement concerning German foreign assets in Austria to determine what resources and assets will be available for an independent Austrian economy.

JAMES W. RIDDLEBERGER

740.00119 EW/2-146 : Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, February 1, 1946—9 p. m.

96. Following is tentative view of Dept for your urgent comment on appropriate next stage of action concerning German assets in Austria, reurtels 117 of Jan 25 and 131 of Jan 28.³²

1. We intend, in the near future, to take up this question again in Moscow and with other Governments. We envisage, however, that specific cases be taken up in Vienna promptly, as indicated below.

2. We suggest that the Allied Commission set up immediately adequate machinery for prompt and efficient dealing with specific cases within framework agreed by Molotov. U. S. representative may wish to express view that while we regard this framework as inadequate to settle all outstanding issues, we are anxious to begin settlement of the problem in interests of Allied cooperation and Austrian economy and trust that treatment of particular problems will develop agreement on principles which will be of wider applicability. U. S. Government further regards the issue as one in which all the Occupying powers, and Europe as a whole, have a large and legitimate interest and hopes negotiations will prove ability of Allies to disentangle consequences of German aggression in a manner consistent with the in-

³² Neither printed. In telegram 117 of January 25 (863.6363/1-2546) Gray reported that the Soviets refused to make available figures of oil production or refinery output but that the mission had fairly accurate estimates. He also stated that he and General Clark considered it most important that the whole subject of German assets be pressed at governmental level without delay. In telegram 131 of January 28 (740.00119 EW/1-2846) Erhardt reported that the British representative "has received word informally from London that whole question of German assets in Austria is now being considered at governmental level on new basis and that until decision has been reached there UK Government would prefer not to have subject discussed in ACA unless there is reason to believe a complete overall solution would result." Erhardt also stated "that the category of concrete cases which Soviets are willing to discuss is limited to cases where doubt arises as to origin and where the property is located in two or more zones."

dependence of Austria, the various national interests, and the overall interest of Europe.

3. We suggest, on the limited data available here, that the DDSG case would make a useful beginning, for the following reasons:

a) it apparently involves forced transfer after *Anschluss*, before outbreak of war, and should therefore generate a useful definition of a "German asset" in terms of Forced Transfer Declaration;

b) it raises issue of accretion to capital value, and the appropriate disposal of such accretion;

c) it raises question of treatment of such payment as Germans did make in the course of forced transfer; in this instance 30 percent of par value of stock, on our evidence;

d) it raises question of treatment of Credit Anstalt,³³ pre *Anschluss* shareholder in DDSG, and thereby the treatment of banks and insurance companies that were nazified;

e) it raises question of appropriate form of post-war organization for major Austrian national assets; and the role, if any, of foreign ownership interests;

f) it raises question of unified treatment of Danube within Austria, and may well raise question long run representation on Danube control if Allied Commission seeks temporary representation.

g) it concerns an issue; namely, transport on the Danube, of obvious immediate importance to Austrian and European economic revival;

h) the physical possession by the U. S. Army of about 300 Austrian barges gives us special status and interest in this matter.

4. On our limited evidence the issues of principle involved in the DDSG case should generate common law applicable to virtually all the problems of German assets in Austria, with the exception of certain aspects of the oil question. We shall raise this question on governmental level should conditions not permit treatment in Allied Commission.

5. Our 316 of Nov 29³⁴ appears to cover US principles for initial negotiation position, with exception issues b) and c) above, on which we request your views. We will shortly forward our reaction to British and French positions, and would appreciate any comments you may care to make.

6. Subject to your agreement would you proceed urgently to collection of facts and formulation of DDSG case.

Sent to Vienna as 96, repeat[ed] to London as 1153, Paris as 543, Moscow as 206 and Berlin as 311, for info.

BYRNES

³³ A major Austrian bank.

³⁴ Same as telegram 10380, November 29, 1945, to London; for text, see *Foreign Relations, 1945*, vol. III, p. 668.

840.50 UNRRA/2-446 : Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, February 4, 1946—1 p. m.

URGENT

[Received February 4—10:59 a. m.]

161. British representatives here report that agreement is being negotiated in Washington among UNRRA, British Embassy and Department for transfer of supply responsibility in Austria to UNRRA.

General Clark and I are concerned over lack of definite information as to when and to what extent UNRRA can take over supply responsibility. Also disturbed by reported UNRRA assumption that indigenous production amounts to 1,200 calories per person, whereas our experts estimate maximum of 1,083 calories, assuming full use of indigenous food in Lower Austria. Question is raised whether UNRRA would be able to acquire full use of that food if substantial Soviet occupation force is still present. In this connection, attention is invited to the several messages recently from General Clark to JCS and passed to Department concerning difficulties Soviets and French are having in meeting food commitments.³⁵

General Clark feels that supply responsibility should not be turned over to UNRRA until there is assurance that 1,550 caloric level will be provided in all zones and until UNRRA can handle distribution.

General Clark therefore hopes, as I do, that Department will make no firm commitments without obtaining views here.

ERHARDT

740.00119 Control (Austria)/1-2446 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan)

SECRET

WASHINGTON, February 7, 1946—6 p. m.

238. Deptel 107 Jan 19 urtel 217 Jan 24.³⁶ Proposal for reduction occupation forces in Austria introduced into Allied Council Jan 31 by Gen Clark. French and Brit members agreed to US proposal. Konev stated he could not agree to discussion in Allied Council as question could only be handled by Govts. Following Council meeting Clark discussed matter with Konev personally and reports that no

³⁵ Messages not found in Department files.

³⁶ Telegram 107 January 19, was substantially the same as telegram 623 to London, printed on p. 298. In telegram 217, January 24, not printed, Mr. Kennan reported that he had sent a letter on that day to Dekanozov in accordance with the Department's instructions in telegram 107.

progress can be made until instructions are received by Soviet member. Konev stated Soviet forces are now being reduced by demobilization but Allied Council can not reduce occupation forces due to fact that surrender instrument has not fully been carried out; denazification and demilitarization not complete, campaign against Nazi ideology not satisfactory, and Austrian Govt is delaying trials of war criminals.

If answer to your letter Jan 24 to Dekanosov³⁷ is delayed or not satisfactory, I am considering sending personal letter to Molotov calling to his attention discussion held in Moscow in Dec and requesting appropriate instructions be sent to Konev to discuss question in Allied Council.

Sent to Moscow as 238; repeated to Vienna as 117.

BYRNES

462.00R/2-546: Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

SECRET
NIACT

WASHINGTON, February 7, 1946—8 p. m.

1329. Position of Dept on appropriate next step re German assets Austria is set forth in our 778 to London of Jan 24³⁸ and our 96 to Vienna of Feb 1, repeated to London as 1153. Considerations set forth below lead Dept to view that it would be inappropriate for US to approach Vishinsky³⁹ at the present time reurtel 1408 of Feb 5.⁴⁰

1. On information available here USSR removals have virtually ceased. Decisive issue appears extent and nature of long run ownership interests that will arise from Potsdam provisions re German assets in Austria. British approach does not seem clear in this respect.

2. Dept would, of course, be pleased if USSR would agree that removals to date have satisfied reparations claims and would waive further claims on German assets, including alleged ownership rights to oil, Danube shipping etc. We have no objection to its presentation to Vishinsky by British.

3. In particular Dept believes Vienna negotiation will determine:

³⁷ Vladimir Georgyevich Dekanosov, Soviet Assistant People's Commissar for Foreign Affairs until March 1946; thereafter Deputy Minister for Foreign Affairs.

³⁸ In this telegram the Department informed Ambassador Winant that it was "now inclined to explore the limits of the USSR position by raising specific significant cases, and to reserve further approach on a governmental level until such time as specific approach is proved to be inadequate or unsatisfactory." (740.00119 EW/1-1846)

³⁹ Andrey Yanuaryevich Vyshinsky, Assistant People's Commissar for Foreign Affairs of the Soviet Union.

⁴⁰ Not printed.

a. the extent of USSR and possible other permanent foreign ownership interests that will result from the Potsdam provisions re German assets in Austria;

b. the status of such ownership interests; ie., whether they assume the status of official foreign government interests or are derated to something approximating the pre-war status of private foreign interests;

c. above all, the extent of Austrian freedom of action in controlling the resources within borders, including foreign exchange, regardless of extent of foreign ownership.

It is US intention to insist on application forced transfer clause which will limit permanent foreign ownership rights in Austria, to press for non-governmental status for any rights which do emerge from negotiation and for maximum freedom of action for Austrian government in management of economy.

4. USSR actions appear firmly to indicate intention to translate Potsdam provisions into permanent ownership interests in oil, Danube shipping, and possibly other basic Austrian economic institutions in a manner similar to that being followed in Hungary and other East European countries. There are some indications that the French may have similar interests (see 230 to Dept from Paris of Jan 15 repeated to London as 30⁴¹), as well as some intention to carry out removals.

5. Dept is convinced that the opening for discussion and negotiation afforded by the Byrnes-Molotov exchange should be exploited and that the Allied Commission Vienna is the appropriate forum for such discussion. We anticipate further approach on a governmental level to cover issues not within Molotov formula or to meet possible future difficulties, or stalemate in Vienna.

6. In this matter Brit are in effect suggesting a change in Potsdam. The US has taken the position that Potsdam must be interpreted in the light of the Moscow Declaration on Austria and the United Nations Declaration on Forced Transfer. Dept believes that maintenance of US approach will prove the more effective in achieving the results in Austria towards which both US and UK aim.

7. Question of US position on Austrian external assets now being considered. In general it is envisaged that Austrian assets will be sharply distinguished from German and will be available to Austria. We will inform you when position is fully formulated.

Sent to London as 1329, repeat[ed] for info to Vienna as 120, Moscow as 245 and Paris as 655.

BYRNES

⁴¹ Not printed.

840.50 UNRRA/2-446: Telegram

*The Secretary of State to the United States Political Adviser for Austria (Erhardt)*SECRET
URGENT

WASHINGTON, February 7, 1946—8 p. m.

119. UNRRA Washington instructing Parminter,⁴² Vienna, to take up immediately with Allied Council arrangements for assumption UNRRA responsibility. Substance of this cable being dispatched to Clark for his information thru military channels with appropriate comments agreed by State and War Departments.

UNRRA proposes to assume responsibility for loading supplies March 1 and for distribution in Austria April 1, such program to be in lieu of further military distribution. We expect British to press for UNRRA distribution responsibility commencing March 1 with UNRRA assuming financial responsibility and taking over existing military stocks and pipe line as of that date. We have no objection to March 1 date if UNRRA can in fact work out distribution arrangements satisfactory to it and sign agreement with Austrian Govt prior to that time, reur 161, February 4. We believe objective of UNRRA and of members of Central Committee which will approve UNRRA operating program for Austria is to develop program on comparable basis with those in other European countries. We are satisfied that items for agricultural and industrial rehabilitation, clothing and textiles are reasonably adequate but are concerned with food item in budget. We assume UNRRA's representatives in Vienna are familiar with its bases of calculation, and would appreciate urgently any comments or additional information which will have a bearing on this point when budget for Austrian program is considered by Central Committee probably February 13 or 14. Do not anticipate difficulty in raising proposed amount if we can show UNRRA's assumptions or calculations are erroneous.

The critically short supplies of cereals, fats and some other foods probably will result in inadequate allocations over next several months whether UNRRA or military are responsible for supplies.

BYRNES

740.00119 Control (Austria)/2-1246: Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

RESTRICTED

WASHINGTON, February 12, 1946—9 p. m.

1453. You are requested to present following note to FonOff:

"In accordance with the objectives stated in the Moscow Declaration of 1943 and Article 14 of the Agreement on Control Machinery con-

⁴² Brig. R. H. R. Parminter, Chief of UNRRA Mission, Austria.

cluded in the European Advisory Commission in 1945, the US Govt proposes that the four powers now in occupation of Austria proceed to the negotiation of an agreement with the Austrian Govt transferring supreme authority from the Allied Council to the Austrian Govt and reestablishing Austria as a free and independent state. The US Govt suggests that the proposed treaty not only complete the reestablishment of Austria's independence but also provide appropriate measures and guarantees for the maintenance of that independence and for assistance in the future to the Austrian people in upholding the continued and unhampered existence of a democratic govt. and democratic civil rights. The US Govt also considers that the proposed treaty should assist the Austrian people in the creation of a stable economy in order that the independent Austrian state may achieve both the political and economic security envisaged in the Moscow Declaration.

"The US Govt considers that the conclusion of an agreement is appropriate at this time in view of the recognition of the Austrian Govt freely chosen in the elections of Nov 25, 1945 and the achievements of the Allied Council in carrying out the Allied objectives concerning the separation of Austria from Germany, the destruction of the German war potentials found in Austria, and the eradication of Nazi influences and institutions.

"The US Govt has therefore instructed its deputy⁴³ on the Council of Foreign Ministers in London to propose that a draft agreement between the four powers represented on the Allied Council and the Austrian Govt be formulated for the Council of Foreign Ministers with a view to the presentation of an agreed draft to the conference in Paris in May, 1946. A proposed draft agreement will be forwarded to the US deputy for presentation and discussion.

"The fulfilment of the four-power objective of reestablishment of an independent and democratic Austria is of basic importance in the reconstruction of peace and security in Europe. The US Govt therefore hopes that appropriate instructions may be transmitted by the Brit Govt to its deputy on the Council of Foreign Ministers to discuss the conclusion of a treaty fulfilling the four-power commitments to the Austrian people."

Sent to London as 1453; repeated *mutatis mutandis* to Paris as 709 and Moscow as 277, and repeated to Vienna as 134.⁴⁴

BYRNES

⁴³ James Clement Dunn.

⁴⁴ In telegram 2724 of March 7, from London, the Chargé reported that in a note of March 4 the Foreign Office had replied that "We share the desire of the US Govt to conclude an early treaty with Austria and we agree that this is a suitable subject for the CFM. We shall be happy to study draft which US Govt will present and to join in discussions at Lancaster House. The necessary instructions will be issued to UK deputy." (740.00119 Control (Austria)/3-746)

On March 5, Ambassador Caffery transmitted in telegram 1067 from Paris the text of a French note of February 14, which, while agreeing in principle with the Department's point of view, stressed "that the transfer to the Austrian Government of the supreme authority held by the Allied Council could take place only after the elimination of all Nazi influence and institutions in Austria, and that, at the present stage, while waiting for this condition to be fulfilled, certain problems still require the intervention of the Allied Council. (740.00119-Control (Austria)/3-546)

In telegram 457 of February 16 (740.00119 Control (Austria)/2-1646), the Chargé in Moscow reported that he had transmitted the proposal to Dekanozov on February 15. There was, apparently, no reply from the Soviet Government.

740.00119 E W/1-1946

*The Secretary of State to the United States Political Adviser for
Austria (Erhardt)*

SECRET

WASHINGTON, February 12, 1946—9 p. m.

135. Suggestions urtel 87 Jan 19⁴⁵ are strongly supported by Dept. Notes presented by US to Moscow, Paris, London are repeated to you as well as instructions to Dunn⁴⁶ to propose inclusion of preparation of draft treaty on agenda of deputies.

Draft treaty now being drawn up here for presentation in London based on suggestions in your 87 and other proposals by Dept which will be transmitted to you for comment. In view of desirability of concluding treaty in May and short time involved Dept urges that your specific recommendations be sent here as soon as possible and repeated to London.

Dept will propose to War Dept that instructions be sent to Gen Clark to inform Council of US proposal, but considers actual negotiation of draft treaty should be carried out in London.

Please make clear in your discretion to Austrian Govt that four-power agreement is necessary for conclusion of treaty but that agreement is made extremely difficult by Soviet attitude as expressed in P-2438 Feb 6.⁴⁷ Such objectives as reduction of occupation forces and conclusion of final treaty can not be achieved without Soviet agreement which apparently will not be forthcoming as long as Soviets regard Austria as "fascist" state. While Dept will not propose any change in Austrian Govt, it is clear that Austrian policy will have important influence on Soviet attitude towards conclusion of treaty and Austrian Govt should be impressed with difficulties reported in P-2438.

Dept concurs that it would be desirable to settle problem German assets prior to any final determination of Austrian status in Europe but does not consider that negotiation of treaty should be delayed on this account.

You will be kept fully informed of details of draft treaty now in preparation here.

BRYNES

⁴⁵ Not printed, but see Mr. Riddleberger's memorandum of January 31, p. 299.

⁴⁶ See telegram 1453 to London, February 12, *supra*.

⁴⁷ In this telegram, not printed, General Clark gave a detailed description of Soviet attempts to take over the Danubian Steamship Company and four other companies in Vienna. (Department of the Army files)

740.00119 Control (Austria)/2-1846

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[WASHINGTON,] February 18, 1946.

Participants: Dr. Ludwig Kleinwaechter, newly appointed Representative of Austria
 The Secretary
 Mr. Riddleberger, CE

The newly appointed Representative of Austria, Dr. Ludwig Kleinwaechter,⁴⁸ called at his request to see the Secretary. He was accompanied by Mr. Riddleberger.

The Representative handed the Secretary his letter of introduction⁴⁹ and said he was very proud and pleased to be here as Austria's first representative after those terrible years. He said also that he had been requested to transmit the thanks of his Government to the Secretary, which he hoped the Secretary would convey to the President, for the part of the United States in the liberation of Austria and also for the great assistance they are now receiving from the United States in food, clothing, etc.

The Secretary told Dr. Kleinwaechter he was pleased to welcome him. He said he realized the people of Austria must face many problems.

Dr. Kleinwaechter said he wished to bring to the attention of the Secretary some of the specific problems. He stated that they would like as soon as possible to have a reduction of the occupation troops in Austria. They could not begin reconstruction or stabilize their currency so long as so many troops remained there. He explained to the Secretary the effect on their currency of the large number of Russian troops.

Mr. Riddleberger told the Secretary he had stated to Dr. Kleinwaechter that the US is interested in reduction of Russian troops and have requested that they be reduced as soon as possible.

Dr. Kleinwaechter said they are also interested in conclusion of the treaty, which might solve the problems.⁵⁰

The Secretary said that he too believes it might solve some of the problems. He said he had requested reduction of troops, but as yet has not received a reply from the Soviets.⁵¹ He said the Generalissimo had told him when they discussed the matter that Russian troops did

⁴⁸ For the approval of designation of an Austrian representative in the United States, see Department of State *Bulletin*, February 3, 1946, p. 177.

⁴⁹ Not found in Department files.

⁵⁰ In despatch 810, February 8, from Vienna, Mr. Erhardt reported that the Austrian Foreign Minister had presented to him under covering note of February 2 the outline and German text of a proposed treaty "for the reinstatement of Austria into its rightful position". (863.01/2-846)

⁵¹ See telegram 623, January 19, to London, p. 298.

not live off the countries which they occupied. The Secretary inquired as to how many Russian troops are in Austria.

The Minister (Dr. Kleinwaechter) said there were over ten times as many as the US has there, and estimated the number to be about 400,000. He stated that they do live off the country, which by now is entirely cleaned out. He said the Russians have made excuses for not bringing food into Austria from Southern Russia saying that this part of Russia was cleaned out by the Germans.

The Minister stated further that he had been advised by his Government that any machinery or equipment obtained for Austria should remain the property of the US, otherwise it would be taken over after it was sent to Austria. Also any money that might be borrowed from the US would not be allowed to remain in Austria's possession.

The Secretary stated that the US could not consider at this time making a loan to Austria.

Mr. Riddleberger stated that we are attempting to get UNRRA's program for Austria into operation, but the worry there again is that it will pass through Austrian hands.

The Secretary said he thought it would be well to push ahead now for the peace treaty with Austria and not wait for the Conference in May,⁵² and also to try to get the reduction of troops. He said he thought the treaty must come before it would be possible to get a reduction of troops.

Dr. Kleinwaechter brought to the Secretary's attention also the question of South Tyrol and Italy's claim to that territory. He said it is important to Austria both as a source of food and for tourist traffic.

The Secretary stated that this matter is under discussion in London⁵³ and he can make no commitments here because he does not have the latest information on what Mr. Dunn has accomplished in London.

The Secretary told Dr. Kleinwaechter he was glad to have had a talk with him and the Minister thanked the Secretary for receiving him.

740.00119 Control (Austria)/2-2646: Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

TOP SECRET

VIENNA, February 26, 1946—6 p. m.
[Received, February 27—9:21 a. m.]

296. Following fundamentals of Soviet policy have been con-

⁵² This is a reference to the meeting of the Foreign Ministers in Paris, April 25 to July 12, 1946, to negotiate the peace treaties; see volume II.

⁵³ For documentation on the meeting of the Deputies of the Council of Foreign Ministers in London, see vol. II, pp. 1 ff.

sistently evident in recent meetings of Allied Council, Executive Committee, and Divisional Committees of Allied Commission:

- (1) The Danube River should remain under exclusive Soviet control;
- (2) German property in eastern Austria has become Soviet State Property not subject to any regulation by Austrian Government or AC;
- (3) Trade and other relations with Soviet occupied or dominated countries should be exclusively under Soviet control.

Considering the vital role of the Danube as an artery of Austrian economic life, the fact that the bulk of Austria's natural trade would be with the Danubian countries now that Germany is eliminated, and the fact that a large part of Austrian industry and other resources would become Soviet State property under the apparent Soviet interpretation of the Potsdam Agreement, if these policies were fully realized, Austria would have more the character of a dependent Soviet satellite than of a free and independent democracy. Soviet policy appears to be directed toward this end, to ensure effective Soviet control after withdrawal of Red Army.

As examples of trend lines in the pattern just sketched, in meetings of Council and Executive Committee during past month Soviet members have refused to agree to resolutions to:

- (1) Invite ECITO⁵⁵ to establish office here;
- (2) Order Transport Division to study need for navigation on Danube within Austria;
- (3) Permit Austrian transportation officials to attend International Railway Conferences in Paris and Bern;
- (4) Invite trade mission from ACC Berlin to discuss necessary emergency trade between Austria and Germany;
- (5) To effect US Congressional stipulations regarding UNRRA appropriations;⁵⁶
- (6) To consider data prepared for Council of Foreign Ministers regarding availability of food supplies from Hungary, Rumania and Bulgaria;
- (7) Or to withhold seizure of Danube Shipping Company assets pending discussion. Companies like latter, Creditanstalt and oil industry subject to seizure on ground of Potsdam Agreement constitute the core of Austrian economic life.

Initial phases of the Western Allies' policy in Austria coincided in principle with policy Russians who entirely ready to join with [ap-

⁵⁵ For previous documentation on the European Central Inland Transport Organization, see *Foreign Relations*, 1945, vol. II, pp. 1389 ff.

⁵⁶ This is a reference to Public Law 259, part of which stipulated: "B. The President is hereby requested, through appropriate channels, to facilitate the admission to recipient countries of properly accredited members of the American press and radio in order that they may be permitted to report without censorship on the utilization and distribution of United Nations Relief and Rehabilitation Administration supplies and services." For complete text, see 59 Stat. 609. For further details on UNRRA, see *Foreign Relations*, 1945, vol. II, pp. 958 ff.

parent omission] denazification, demilitarization and separation from Germany. Only they now wish to carry these much further. They are pushing denazification into the realm of eradication of everything directed "against the Allies" i.e. against the Soviet Union and by analogy, against Communism. In Council meeting February 10th demilitarization took the form of a violent conflict with British over Soviet accusation that British are harboring a White Russian army and other forces hostile to Soviet Union in labor units and DP camps in British zone Austria. Soviets also imply British failing denazify thoroughly thus protecting anti-Soviet influences in Central Europe. Both afford argument for keeping large Red Army here. Having separated Austria from Germany, Russians appear content to leave it also separated from rest of outside world subject to trade only by grace of Soviet authorities either in Allied Commission or in Danubian and other Eastern European areas controlled by them.

The initial phase of Commission work went comparatively smoothly because of fairly broad agreement in principle on policies of denazification demilitarization, and separation from Germany, and of favorable Soviet attitude towards Renner Govt. During that phase fortunately the Commission accomplished successfully the internal political reconstitution of a free democratic Austria.

Commission is now entering new phase: Soviet attitude toward Figl Govt is less favorable. Western members' policies now call for reconstruction, rehabilitation, currency stabilization and trade promotion both foreign and domestic. In these fields Soviet attitude is apathetic except where it is either directly opposed or directly interested, as, for example, in incidental flow of resources from western areas into eastern zone depleted by Russians. (Soviet zone is still practically a closed area even to AC personnel.)

Stockpiles of raw materials acquired prior to liberation will be used up within 4 to 6 months necessitating extensive industrial shut-downs and economic collapse, if present strangulation on imports and interzonal movements continues. Resulting economic disruption may not be displeasing to Soviet as means of making more pliable a people who voted overwhelmingly against communism.

Whenever Moscow Declaration⁵⁷ is cited, western members cite only part about freedom and independence of Austria, while Soviet members cite only part about responsibility of Austria for participation in war at side of Hitlerite Germany.

Russians remember Austrians fought at Stalingrad. They can in all honesty see no reason why Austrian standard of living should exceed Soviet Union with Allied help.

⁵⁷ November 1, 1943; for text, see *Foreign Relations*, 1943, vol. I, p. 761.

Moreover, as far as their instructions and basic policy appear to be concerned, a free and independent Austria is not necessarily preferable to an Austria dependent on USSR.

Personal relations in AC are still good but it is, of course, impossible to move Soviet representatives contrary to their instructions from Moscow. Attempts to do so are futile irritants in AC.

As between a free, independent democracy and a dependent Soviet satellite, Austria's future will depend largely on action between Govts affecting: (1) the nature of ultimate settlement of ex-German assets; (2) the success or failure of an early reduction of Soviet occupation forces and occupation costs; (3) the extent and pattern of Soviet penetration into Austrian economy and relationships with Danubian countries and east European countries. Time is working in favor of the Soviet toward determining which of the above alternatives may prevail.

Sent Dept as 296; repeated Moscow as 17.

ERHARDT

Department of the Army Files: Telegram

*The United States Military Commissioner in Austria (Clark) to the Joint Chiefs of Staff*⁵⁹

TOP SECRET
PRIORITY

[VIENNA,] February 26, 1946—10:02 p. m.

P-3605. For the past several weeks we have attempted to make progress in the Allied Council in the development of Austria along economic lines. These efforts have been blocked by the veto power of the Soviet element. The most important efforts made include:

- a. Clarification of German assets.
- b. Breaking down demarcation lines to enable the free exchange of goods without guarantee that Soviets will utilize for own benefit.
- c. Reduction of troops in order to relieve Austria of excessive occupation costs.
- d. Resumption of inter-state traffic on the Danube with the view of allowing Austria to return to normal supply sources.

No progress whatever has been made on any of these matters since the Allied Council was established. Each time these questions, as well as others which vitally effect the future of Austria, are raised the Soviet element uses every means to block progress.

It is clearly evident to me that Soviet policy is to prevent the establishment of Austria as an economic entity without strong ties to Soviet territory or Soviet controlled areas. While the governments of the

⁵⁹ This telegram was also sent to the Secretary of State.

three Western powers are attempting to reach agreement on the vital question of German assets, the Soviets are removing many important plants, resources and other economic assets from their zone. In other cases, such as the Zistersdorf Oil fields and the Danube Shipping Company, they are taking over control in such a way that Austria must remain dependent upon Soviet influence for years to come. Whole plants essential to the existence of Austria have been stripped of machinery. Others have been put to work solely on production of items most needed by the Red Army. There are indications that the Red Army is using schillings obtained to pay troops to meet payrolls of civilian personnel operating such plants. Also it is reported (not verified) that Red Army troops are using pay derived from schillings to purchase property.

The Soviets have acquired control of the Danube in Hungary and Rumania by their recent agreements with these countries leading to the establishment of joint shipping interests. The fact that they recently took over the properties of the DDSG in their Zone of Austria, except funds deposited in Vienna banks and the boats and docking facilities in Linz and Passau, indicates their intention to extend this control of the Danube to include Austria. It is pointed out that the Soviets control north bank of the river between Enns and Passau, and have full control of the river in Austria from Enns to the Hungarian border. They can effectively block the River at Enns, which they have done, and we have no way of blocking the river between Enns and Passau. This gives them nominal control of the Danube from Passau through Austria, Hungary and Rumania to its mouth in the Black Sea.

All efforts to date to bring about settlement of traffic on the Danube have been blocked by the Soviets. I am convinced that no progress can be made on this subject as this waterway is too vital to the economic life of the Danubian countries.

Several attempts have been made to seek full relaxation of the demarcation barriers between Zones. The Soviets have consistently taken the position that the removal of demarcation barriers is a matter not within the competence of the Allied Council. Their Zone is blocked so effectively that it is almost impossible to learn what activities are taking place therein. The Soviet element is most reluctant to grant passes for Allied personnel, including correspondents, to visit any place in the Zone, or to pass through the Zone.

The Soviet element has refused to discuss reduction of troops. The Western Allies are fast reducing troop strengths in their respective zones. According to the best intelligence information the Red Army in Austria totals approximately 130,000. My troop strength now is 32,000 and by 1 April will be 12,000. Each time the question of reduction of troops arises Konev justifies the presence of Red Army forces

because of the slowness of de-nazification by the Austrian Government and existence of potential military and para-military organizations in Austria, both of which require careful observation by the Soviet element. The result of all this is that the Red Army is remaining strong in Austria and the Western Allies are daily growing weaker through redeployment and reduction of strength. Furthermore, the demands made by the Red Army upon the Austrian Government for schillings to pay troops each month is greater by more than one-fourth the combined total of the three Western Allies. For example, in January the Soviets obtained 243,000,000 schillings as against 55,000,000 obtained by each of the three Western Allies. This places a serious drain upon the economy of the country and gives rise to inflation.

As a further indication that the Soviets intend to maintain substantial forces in Austria, the Red Army has just placed a demand upon the Austrian Government for approximately 60,000 acres of farm land in Lower Austria for use by the Red Army to raise vegetables and other garden produce to feed their troops. Our experts estimate that this acreage is sufficient to feed 80,000 to 100,000 people for one year at 1550 calories. Withdrawal of this land from Austrian economy will indirectly mean that UNRRA will be feeding the Red Army because of the necessity for greater food imports to meet Austrian deficiency due to loss of this farm land.

Because of the strength of the Soviet position in Austria it is daily becoming more evident that the Austrian government recognizes the inability of the Western Allies to cope effectively with this position. Within the past two weeks the Austrian Government has adopted the strategy of submitting a counter proposal to each demand made by the Soviet element. This indicates clearly that the Austrian Government feels it must get along somehow with the Soviets, and that it is too much to expect the Western Allies to cope with the strong Soviet position, other than to voice a protest to demands made which are in conflict with announced policies of the respective Western governments. Prominent Austrians in Vienna realize they are surrounded by Soviet-held territory and there is little hope of economic liberation under such a situation.

At the moment it appears to the average Austrian that the best the Western Allies can do is to supply food and other essential supplies to keep down disease and unrest; that the presence of Western Allied troops serves mainly as a hope that some solution to the future of Austria may develop, although that hope gives no immediate encouragement. There is increasing indication that our press correspondents are becoming impressed with the hopelessness of the position of the Western Allies and are beginning to recognize that the

Western Allies are carrying on a program here, which in the face of Soviet policy can only result in gains for the Soviet Government with no great benefit to the Governments of the Western Allies. Sooner or later the press will begin to raise doubts in the minds of the people of our country regarding the lack of benefits if we pursue the type occupational role we have assumed. This question will grow in importance when, and if, UNRRA takes over supply responsibility, since approximately 72% of UNRRA funds are derived from the United States.

While I recognize the responsibility of the United States toward Austria, I am of the opinion that little can be accomplished toward discharging that responsibility until the governments of the four powers adopt a uniform policy in carrying out the avowed intentions. Early satisfactory settlement of the question of Germany assets will do much to aid in the restoration of Austria as an independent, democratic state and to bring real economic hope to the country. The Western Allies are at present blocked by the Soviet veto power in the Allied Council and they can only give lip-service to the Austrian Government on any policy which the Soviets choose to adopt and which is contrary to the policy of the Western Allies. This does not serve to accomplish our mission nor does it increase the prestige of the Western Allies. The economic gains being made by the Soviets can result only in eventual political strangulation if Soviet policy is allowed to continue.

[CLARK]

863.52/2-1646: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, March 4, 1946—6 p. m.

US URGENT

NIACT

201. Urtels 228 Feb. 16, 257 Feb. 20, 258 Feb. 20.⁶⁰ You are requested to bring following to attention Gen Clark for presentation to AC at earliest possible opportunity:

⁶⁰ None printed. In telegram 228 of February 16, Mr. Erhardt reported that the Russians had requested that 25,000-27,000 hectares of land in Lower Austria be assigned to them to supply Soviet Army personnel with milk products, meat, potatoes, and fresh vegetables. In addition, the Russians had asked that large areas of land be rented to them. (863.52/2-1646) In telegram 257 of February 20, Erhardt reported that Austrian Foreign Minister Karl Gruber had discussed with Kiselev (Soviet diplomatic representative in Austria) the Austrian treaty and found the latter's attitude completely negative (740.0119 Control (Austria)/2-2046). Telegram 258, February 20, informed the Department that Austrian officials were apprehensive lest Soviet take-over of large areas should seriously affect Austrian food production program (863.52/2-1646).

Soviet request for 27,000 hectares Austrian land is viewed by US as seriously endangering whole process of four-power cooperation in Austria. US regards Soviet action as contrary to agreed procedure of operating through AC on all questions affecting Austria as a whole. Withdrawal of large percentage of arable land from production of food stuffs for indigenous consumption is clearly a matter which should be discussed in AC and undertaken only after consent of other powers is obtained.

US regards Soviet action as a requisition on Austrian food supply. You may remind Soviets that they had declared (urtel 561 Dec. 12⁶¹) that no Austrian food or essential supplies are being requisitioned for use by their armed forces. US considers that such practices endanger fulfillment of Allied agreed objectives to liberate Austria and to secure establishment of economic security for the Austrian people.

US has now proposed that UNRRA program supplant present supply program, giving Austria level of food consumption comparable to that of other liberated areas of Eastern Europe. This proposal will involve pooling of resources and the establishment of an equitable level of consumption throughout Austria as a whole. Proposal is desirable not only from point of view of providing uniform and adequate Austrian relief but also in terms of Allied agreed objectives to secure Austrian independence and treat Austria as an economic unit. US has also proposed as part of same objective that occupation forces in Austria be reduced substantially.

Under these circumstances US, as chief contributing state to UNRRA, can not agree to an UNRRA program throughout Austria as proposed, together with pooling of resources and termination of present program, if arable land is removed from production of indigenous food supply for exclusive use by Red Army, or if Red Army local Commanders persist in forcing rent contracts on local farmers. In view of discussions in Congress when additional funds were voted for UNRRA⁶² it is clear that US public opinion will not tolerate fact that large percentage of arable land was used exclusively for production for Red Army at same time that UNRRA operations are begun and a decrease is made necessary in relief supplies to Austria due to world food situation. US considers that Soviet action violates principles clearly enunciated in resolutions of UNRRA Council providing for equitable distribution of available food supplies and the furnishing of full information to Director of UNRRA concerning any change in system of local distribution.⁶³

⁶¹ *Foreign Relations*, 1945, vol. III, p. 681.

⁶² See *Congressional Record*, vol. 91, pt. 9, pp. 11487-11517 and 12151-12165.

⁶³ For details regarding the equitable distribution of food supplies, see George Woodbridge, *UNRRA, The History of the United Nations Relief and Rehabilitation Administration* (New York, 1950), vol. I, pp. 360-361.

Unless assurances are immediately forthcoming that Soviet authorities will make substantial reduction in their occupation forces in order to relieve pressing financial burden which maintenance of these forces has placed on Austrian Govt and that no land will be withdrawn from Austrian production for exclusive use by Red Army except by quadripartite agreement in AC, US will take following steps:

1. Instructions will be given to US member of UNRRA Central Committee to oppose agreement on proposed program throughout Austria now under consideration on grounds that Soviet action is in violation of provisions of UNRRA charter and resolution involving equitable distribution of relief goods.

2. An approach will be made immediately to Govts of Brit and France proposing that supply arrangements be maintained, with pooling of resources and equalization of consumption standards in three Western zones, or that an alternative program be instituted on a tripartite basis, until such time that UNRRA program can be inaugurated in Austria as a whole.

3. To make it clear in UNRRA Council and to Austrian Govt and people, as well as in US, that UNRRA relief throughout Austria has been made impossible by Soviet action and that in addition to maintaining a military force in Austria far in excess of military or administrative requirements, cost of which is borne by Austrian Govt, Soviet action in withdrawing arable land will place a further burden for maintenance of Soviet occupation army on inhabitants of Soviet zone in Vienna and Soviet zone in Austria. US will make it plain that this added burden will fall solely on inhabitants of Soviet occupied areas and will seriously endanger fulfillment of agreed Allied objectives in Austria.

US considers that AC was set up by international agreement to discuss questions of this kind and that all proposals affecting Austria as a whole fall under its exercise of supreme authority in Austria.

You may furthermore wish to inform Marshal Koniev that the UNRRA Central Committee will meet on March 4 and will consider the Austrian program during week.

Sent to Vienna as 201; repeated to Moscow as 371; to London as 1963; and to Paris as 996.

BYRNES

840.50 UNRRA/3-1046: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET
U.S. URGENT
NIACT

WASHINGTON, March 10, 1946—2 p. m.

222. Dept received yesterday British *aide-mémoire*⁶⁴ stating that Brit Govt prepared to support fully position in Deptel 201, March 4,

⁶⁴ Not printed.

in AC meeting March 11. Brit Govt does not however desire to take categorical position at this time to oppose UNRRA program if Soviet assurances are not forthcoming. British state that absence of UNRRA program may perpetuate economic frontiers between zones and set back recovery of Austria creating a situation which may not be undesired by Soviets.

It now appears that in absence UNRRA program it is possible that British and French would be unable to furnish supplies for their zones. US would have to underwrite supplies for all three zones.

In view of these circumstances please request Gen Clark to state in AC on March 11 that US intends to reconsider its position on UNRRA program for Austria in light of Soviet action and that issue will inevitably be raised at fourth UNRRA council meeting Atlantic City March 15. This meeting will consist of representatives of nearly all United Nations and will probably be open to the press. Gen Clark should not commit US to categorical opposition to UNRRA program in Austria at this time, although this position may be taken by US in UNRRA Council after ascertaining Soviet response and further consultation with Brit and French. This is only modification in Deptel 201.

US representative will also state this position in UNRRA Central Committee March 12.

War Department concurs but due to lack of time will be unable to transmit cable through regular channels until tomorrow.

Sent to Vienna as 222; repeated to Moscow as 432; to London as 2156, and to Paris as 1111.

BYRNES

740.00119 Control (Austria)/2-2646: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

TOP SECRET
U.S. URGENT

WASHINGTON, March 21, 1946—1 p. m.

277. After consideration of problems raised in urtel 296 Feb 26 and Gen Clark's P-3605 Feb 26 and War 99140 Mar 1,⁶⁵ Dept and War Department recommend that Gen Clark present to AC as soon as possible a statement of US policy on Austria and draw together into a comprehensive program various proposals already made by US. Identical communications, repeated to you, have been sent to Moscow,

⁶⁵ Telegram War 99140 not printed; in this telegram the War Department informed General Clark that the problems raised by him in telegram P-3605 were being considered in the State Department and that the Department recognized the serious nature of the problems he faced (Department of the Army Files).

Paris, and London informing governments that comprehensive US program for fulfillment of agreed objectives in Austria will be presented to AC for immediate agreement and requesting that appropriate instructions be sent to respective members to enable AC to function according to provisions Control Machinery Agreement.

Dept recommends that the presentation to AC be based on following considerations:

1. US gravely concerned over failure of Allies to agree on basic policy for reconstruction of Austria and restoration of its national independence as stated in Moscow Declaration and in agreements providing for military occupation. Austria is regarded by US therefore as area liberated from Nazi rule and as an important element in whole process of European reconstruction which will effectively test ability of four powers to cooperate in achieving an agreed objective.

2. Fulfillment of Moscow Declaration, however, has to date been made impossible by Soviet refusal to discuss in AC any concrete proposals designed to contribute to Austrian reconstruction. US wishes to make it plain that it has no intention of repudiating any international commitment designed to restore Austrian independence.

3. US does not regard recent Soviet policy of refusing to discuss various proposals for Austrian reconstruction as consistent either with Moscow Declaration or with proclamation of Red Army of April 9, 1945⁶⁶ which stated that Soviet Govt did not seek to acquire Austrian territory or to change social structure and would carry out Moscow Declaration by assisting in reestablishment of democratic practices and institutions. Similarly, US considers that continued maintenance of unduly large military force constitutes a punitive measure against Austrian people which is not contemplated either in Moscow Declaration or in Soviet assurance at time of establishment of Provisional Government⁶⁷ that Austrians had resisted Nazis and thus fulfilled conditions of Moscow Declaration.

4. US has been forced to consider Soviet policy in recent months in refusing to agree to discussion in AC of concrete proposals for Austrian reconstruction as a progressive violation of the principles enunciated in Control Machinery Agreement. This policy has led to distinct feeling in US that Soviets seek exclusive rights in Austria by using method of unilateral action in attempting to deal directly with the Austrian Government on matters affecting Austria as a whole rather than through AC.

5. US does not consider that reasons given by Soviet member AC in justification of Soviet policy as valid reasons for delaying common action in fulfillment of agreed objectives. US insists that all four powers have an equal concern in the establishment of an independent Austrian state. US policy has clearly stated that Austria shall be denazified and that Habsburg Monarchy has no place in Austrian national life. Similarly, US policy has clearly directed that pan-German influences should be eradicated. Consequently, US can not

⁶⁶ For text of proclamation, see *Red-White-Red-Book* (Austrian State Printing House, Vienna, 1947), First Part, p. 201.

⁶⁷ April 27, 1945.

agree that Austria presents any security threat to the Soviet Union and that it is necessary for the Soviet Union to maintain their present troop establishment.

6. US therefore sees in present outstanding issues nothing which can be considered incompatible with the enunciated aims of Soviet policy and considers that a full and frank discussion should take place in AC on a program for Austrian reconstruction lest charge be made that four powers can not cooperate to achieve an agreed end. US proposes that AC proceed to a discussion of the following points:

a. Food supply, and relief and removal of all obstacles which hinder immediate inauguration of UNRRA program, such as Soviet requisitioning of Austrian land;

b. Immediate and substantial reduction of occupation forces to relieve financial burden now placed on Austrian Govt;

c. Economic rehabilitation and immediate establishment of a basis for the existence of an independent national economy by agreement on an interpretation of Potsdam which will enable Austria to exist as an independent state and to control her economic resources in a manner consistent with national independence;

d. Agreement on recommendations to be submitted to respective govts on a new international agreement according to terms of Article 14 of Control Machinery Agreement.

7. Please emphasize that on all points raised in 6 above, US has approached Soviet Union on an inter-governmental level requesting that appropriate instructions be sent to Soviet member AC.

Dept considers that each of foregoing points is adequately covered by instructions. If Konev refuses to discuss these questions, Dept will address formal note to Moscow requesting statement on Soviet intentions in Austria and will propose similar action to British and French. This note as well as US proposals in AC might subsequently be made public.⁶⁸

BYRNES

740.00119 Control (Austria)/3-2146 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan)

TOP SECRET
US URGENT

WASHINGTON, March 21, 1946—1 p. m.

512. You are requested to bring following immediately to attention
FonOff:

US is gravely concerned over failure of four powers to reach agreement on Allied policy to fulfill commitments undertaken in Moscow

⁶⁸ The statement on United States policy in Austria came before the Allied Council for discussion on April 25. The minutes of discussion are filed under ALCO/M(46)21.

Declaration to create independent Austria. When US signed EAC agreements on zones of occupation⁶⁹ and control machinery it expected that AC would on recommendations from respective governments take necessary steps to carry out Allied policy uniformly in Austria as a whole and recommend steps for establishment of Austria's complete independence. US considers that this policy has not been carried out due to inability of AC to reach unanimous decision on any program designed to relieve Austria from crushing burden of four power military occupation or to carry out provision of Article 14 control machinery agreement concerning new international agreement following Austrian elections and recognition of government.

In order to avoid charge that four powers are unable to cooperate to achieve agreed objectives US has instructed Gen Clark to present in AC as soon as possible a comprehensive program for reconstruction of Austria as an independent state. Gen Clark will propose that AC proceed to a full and frank discussion of following points:

1. Food supply and relief and removal of all obstacles which hinder immediate inauguration of UNRRA program.
2. Immediate and substantial reduction of occupation forces.
3. Economic rehabilitation and establishment of basis of existence of independent national economy by agreement on interpretation of cases arising under Potsdam Agreement enabling Austria to exist economically as independent state and to control resources in a manner consistent with national independence.
4. Recommendations to be submitted to respective governments concerning international agreement as stipulated in Article 14 control machinery.

US urgently requests that full and appropriate instructions be sent Soviet member AC to permit discussion of this program in a manner consistent both with international objectives respecting Austria and machinery designed by international agreement to achieve those objectives.

Please inform Vienna directly when foregoing communication has been sent to FonOff.⁷⁰

Sent to Moscow as 512; *mutatis mutandis* to London as 2474 and Paris as 1302, and repeated to Vienna as 278.

BYRNES

⁶⁹ See *Foreign Relations*, 1945, The Conference of Berlin (The Potsdam Conference), vol. II, p. 681.

⁷⁰ The British and French Governments were in substantial accord with the position of the United States, as reported in Embassy telegrams 3480, March 27, from London, and 1564, April 2, from Paris (740.00119 (Austria)/3-2746,4-246).

740.00119 Control (Austria)/3-2346 : Telegram

*The United States Political Adviser for Austria (Erhardt) to the
Secretary of State*

SECRET

VIENNA, March 23, 1946—3 p. m.
[Received March 23—12:36 p. m.]

423. Inform War Dept. Executive Committee meetings this week brought out following indications of Soviet policy in Austria.

Soviet member refused to discuss proposals by other three to establish procedure for Austrian budgeting of occupation costs, taking position maintained consistently heretofore that occupation costs and expenditures of military forces are matters solely within competence of governments of four powers and not of Austrian Government or Allied Council.

He also refused to make any commitment re distribution of oil and gasoline from Soviet held Zistersdorf sources to other zones of Austria, and criticized as an "ultimatum" UNRRA representative's letter March 18⁷¹ informing AC that Director General UNRRA had instructed him not to sign UNRRA-Austrian agreement until receipt of definite assurances that oil and gasoline needed for relief program will be provided from resources other than UNRRA. Soviet member agreed refer this question to Economic Directorate for discussion but held UNRRA agreement should be signed without awaiting outcome of oil discussion.

They held it unreasonable to make signature of UNRRA agreement dependent on a decision which concerns only the commanders, remarking that UNRRA should put up additional funds to buy fuel abroad for Austria rather than make demands upon AC for oil products to ensure distribution UNRRA supplies.

Russians refused to approve Austrian law regarding export import controls unless it were amended to provide that it apply "neither to enterprises and firms controlled by Allied forces nor to concerns in which Allied countries or nationals have any interest". This is first indication that Russians did not intend to subject to Austrian law those enterprises which become Soviet state property under Potsdam Agreement.

Soviet element consistently refuses in Executive Committee discussions to approve the temporary draft constitution now submitted by Austrian Government on ground that Austrians should be ordered to submit for approval a permanent constitution and meanwhile it would be confusing and undesirable to approve an interim constitution, in

⁷¹ Not printed.

spite of fact that formulation of latter was earlier requested by Allied Council. This is on agenda for AC meeting 25 March.

Russians argue against acceptance of Indian and Australian Missions on ground EAC agreement limits Missions to United Nations "chiefly interested".

They refuse to authorize Austrian Government to accept invitation to send representative to April 3 EECE meeting London, taking position that situation of Austria in international political affairs is not yet ripe for Austrian participation in international conferences.

Sent Dept. as 423, repeated Moscow as 22 and London as 41.

ERHARDT

840.50 UNRRA/3-2746 : Telegram

The Acting Secretary of State to the United States Political Adviser for Austria (Erhardt)

WASHINGTON, March 27, 1946—6 p. m.

308. Pls inform Gen Clark following resolution adopted yesterday by UNRRA Council, over Soviet opposition and with Fr abstaining.

"Whereas Section 2a of Article 1 of the UNRRA agreement sets forth as a primary purpose of UNRRA that in areas in which it operates it shall provide food, fuel, clothing, shelter and other basic necessities, medical and other essential services, and shall facilitate in such areas, so far as necessary to the adequate provision of relief, the production and transportation of these articles and the furnishing of these services, and

Whereas the use or requisitioning by foreign military forces of local relief supplies or land or other resources for their production in such areas will tend to defeat the purpose of UNRRA as stated above, and

Whereas, such use of requisitioning by decreasing local relief supplies will put an additional burden on the resources of UNRRA in its efforts to provide adequate relief

Resolved, 1. That the council recommend that member Governments maintaining military forces in other countries receiving relief from UNRRA direct their forces to refrain from

(a) Consuming locally produced foodstuffs (other than fresh fruits and vegetables of a perishable nature which are in temporary local surplus), fuel or other supplies which are normally included in an UNRRA program, or using land or other local resources which could be utilized for the production of supplies to meet the relief needs of the local population, and

(b) Impeding in any way the equitable distribution of imported and indigenous relief supplies, or the effective use of land or local resources for the production of such supplies.

2. That the administration shall establish programs for such countries on the assumption that all such military forces of member Gov-

ernments will, in fact, carry out the recommendation set forth in 1 above."

Sanction provision included in original proposed resolution (Deptel of Mar 21) still under discussion. Will inform you of outcome.

ACHESON

840.50 UNRRA/3-2946: Telegram

The Acting Secretary of State to the United States Political Adviser for Austria (Erhardt)

WASHINGTON, March 29, 1946.

323. UNRRA Council Mar 27 voted twenty-three to none for addition of following paragraph to resolution previous cabled you (Deptel # 308 Mar. 27) with Soviets and Soviet orbit countries refraining from discussion or voting. Text or [of] additional paragraph to resolution follows:

"That if the Central Committee determines on information received from the administration or any other official authoritative source that any such military forces are not carrying out the provisions mentioned in 1 above (not to requisition), the administration shall accordingly adjust its program in such a way that to the greatest practicable extent the deficit in relief supplies thereby created will not reduce the standard of living in areas other than the zones in which the military forces of the member governments responsible for causing the deficit are present, except that the Director General in consultation with the Central Committee, may take other appropriate action if he deems it advisable."

ACHESON

Vienna Mission/59A543/PL9 Box 256: Telegram

The United States Military Commissioner in Austria (Clark) to the Joint Chiefs of Staff ⁷²

SECRET PRIORITY

[VIENNA,] April 4, 1946.

P 6000. I had Konev and Zheltov ⁷³ to lunch yesterday with view of determining any change of attitude as result of their trip to Moscow. We had a long talk and relations were extremely cordial. He manifested some concern about the stand I have taken in the Allied Council on the land question ⁷⁴ and the extent to which UNRRA has injected

⁷² This telegram was also sent to the Secretary of State.

⁷³ Col. Gen. Alexsey Sergeyeovich Zheltov, Soviet Deputy High Commissioner in Austria.

⁷⁴ See telegram 201, March 4, 6 p. m., to the United States Political Adviser for Austria, p. 315.

this and the oil question into its Austrian relief program and publicity therefore which has occurred.

After much discussion on the UNRRA program Konev made it clear that: (1) The Red Army proposes to use not to exceed 15,000 hectares of land in Lower Austria to raise vegetables and other perishable foodstuffs for troop consumption. (2) This acreage is property confiscated by the Germans after the *Anschluss* and therefore falls under the terms of the Potsdam agreement in Konev's opinion. (3) Soviet authorities will turn over to UNRRA during April and May sufficient food to feed their zone in Vienna plus five other cities in the Soviet Zone based on 1200 calorie ration scale. Food will not be turned over by Soviets to feed smaller communities and farmers in their zone. Konev stated it was unnecessary to provide food for smaller communities and farmers as these classes had access to indigenous supplies. I could not ascertain exact amount of food the Soviets will turn over to UNRRA for April and May, but he indicated it would be an amount substantially greater than the 4700 tons reported in paragraph 4 my message No. 5350.⁷⁵ He stated however it would be much less than the tonnage to be turned over by either the British or U.S. elements.

We also discussed reduction of troops. Konev stated that reduction of his forces in Austria would be a continuous process. I rather gained the impression that a speed-up in the withdrawal of Soviet troops from Austria might be in the offing. He would not agree to any discussion in the Allied Council on troop ceiling objectives to be attained. He made it clear that any such discussions must be conducted on Governmental level. I am convinced that we can make no progress here on this subject. In this connection he laughingly stated: "General Clark need have no concern about any Soviet offensive intentions in Austria."

I raised the question of occupation costs. Konev agreed that such costs should be included in the Austrian budget and stated he is prepared to discuss this subject with the other commanders. Until this matter is settled the Soviets will be unable to obtain schillings to pay their troops as other commanders took action in February with Austrian Government to block Soviet demands for funds until commanders agree on amounts to be turned over to each occupation force.

Konev mentioned draft submitted by British on new control machinery and stated he is ready to discuss subject in Allied Council. He believed agreement could be reached on this draft as Soviet element has in mind only two minor changes.

Konev has invited me to Baden Friday where we will continue our informal discussions. I will send report of this meeting.

[CLARK]

⁷⁵ Not printed.

740.00119 Council/3-2946 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

SECRET

WASHINGTON, April 4, 1946—9 p. m.

2955. For Dunn. Deptel 1452, Feb. 12.⁷⁶ As we contemplate simultaneous conclusion Balkan and Austrian treaties it appears unnecessary to include in Rumanian and Hungarian treaties provision for Soviet troops to remain on territory those countries for maintenance lines of communication with Soviet zone Austria (Delsec 326, March 29⁷⁷). Austrian treaty would, by restoring independence and sovereignty that country, terminate Allied occupation.

Please present this view energetically. We feel it represents important aspect our basic intention to reestablish effective independence and sovereignty of all states that area.

Presumably, if they accept this position, Soviets would not object inclusion clause for return unused currency and goods as provided Sept. decision CFM.⁷⁸

ACHESON

863.00/3-346 : Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, April 5, 1946—4 p. m.

347. Austrian view concerning local elections⁷⁹ considered by Dept not necessarily consistent with result or conduct of national elections

⁷⁶ Not printed, but see fourth paragraph of telegram 1453 of the same date, to London, p. 305.

⁷⁷ Not printed; in this telegram Mr. Dunn reported that the drafting committee approved the following text of article 12 of the Soviet proposal for a treaty with Rumania; ". . . upon the entry into force of the present treaty all Allied forces will, within the period of one month, be withdrawn from Rumania subject to the right of the Soviet Union to keep on Rumanian territory such armed forces as it may need for the maintenance of the lines of communication of the Red Army for the Soviet zone of occupation in Austria." (740.00119 Council/3-2946)

⁷⁸ At its 14th Meeting on September 20, 1945, the Council of Foreign Ministers agreed that on the conclusion of the Peace Treaty with Rumania all Allied forces would be withdrawn from Rumania (except as might be provided for the maintenance of the lines of communication of the Red Army with the Soviet zone of occupation in Austria) and that all unused currency and goods would be returned to the Rumanian Government. For the Record of Decisions of this meeting, see *Foreign Relations*, 1945, vol. II, p. 275.

⁷⁹ In telegram 315, March 3, from Vienna, Mr. Erhardt reported that "Figl [Austrian Chancellor] and Weber expressed opinion that in view of Communist defeat in November voters in Soviet zone might be intimidated to point where large percentage would stay away from polls or vote Leftist under duress thereby making free and fair election unlikely in Soviet zone. They claim in any event local elections now would not give fair picture and are strongly against any idea holding such elections only in western zones . . . Figl does not think local elections can be held in 1946. . . . Observers here feel Figl and Weber really fear Socialists might win local elections now and if so, they could use victory to call for new national elections. Figl reported to believe Peoples Party loss in prestige due to denazification measures and other difficulties and he hopes to hold off local elections until he can proceed with some counterbalancing steps such as amnesty for little Nazis and implementation nationalization program." (863-00/3-346)

in Nov. In view recognition Austrian Govt and support given by US to Austrian constitutional requirements and traditions Dept considers local elections should be held uniformly in four zones occupation as soon as practicable. Reluctance Austrian Govt to hold elections now may contribute to hard Soviet policy and to Soviet view that Austrian Govt is reluctant to build democratic institutions and practices. Before making definite recommendations, however, Dept would appreciate your comments on possible pattern of local elections and evaluation of following questions:

1. Would fair elections be held in Soviet zone in view greater chance of intimidation on local basis than was possible in national elections?
2. Would proposal for system of inter-Allied observers in all four zones to assure fair elections be accepted?

Dept does not consider as desirable any weakening of present Govt as recognized by four powers but does not wish to put US in position of postponing local elections in order to maintain present Govt which may or may not be supported by majority of Austrian people.

Prior to any decision on local elections Dept considers as desirable action in American zone to transfer administrative authority from MG to local Austrian administration as soon as possible and to a degree consistent with military security. Recommendation transmitted to War Department that transfer should be made in all aspects, from Kreis to Land level, in manner to be determined by local military authorities. Inquiry sent by War Department to Gen Clark concerning status MG in relation to local administrative bodies and requesting his views on early transfer of authority. Dept considers such move necessary to the steps to create complete Austrian independence and urges that transfer be made in US zone as soon as possible.⁵⁰

BYRNES

740.00119 Control (Austria)/3-2746 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

TOP SECRET
US URGENT

WASHINGTON, April 5, 1946—7 p. m.

2982. Reurtel 3480 Mar 27.⁵¹ Instructions have been sent Gen Clark in light UNRRA resolution finally adopted Mar 28 [26] concerning full use indigenous resources in Austria that he should

⁵⁰ In telegram 522, April 12, 1946, Erhardt pointed out that the Russians had not interfered directly during the November elections, though they had the means to exert pressure indirectly. "Quadripartite observers throughout all zones would be neither acceptable nor practicable, but general quadripartite supervision from Vienna, as in November . . . should be acceptable, practicable and effective if accompanied by usual Austrian precautions, including three-party boards." (863.00/4-1246)

⁵¹ Not printed.

no longer reserve US right to disapprove UNRRA program but to utilize every opportunity to press occupying powers to adhere terms UNRRA resolution. US has approved program for Austria in Central Committee UNRRA and program will start presumably Apr 1 if local arrangements can be completed and full agreement reached in AC on use indigenous supplies including oil.

Dept considers maximum publicity was given Soviet seizure land and public discussion in Atlantic City has achieved desirable results in bringing agreement in UNRRA on use of indigenous resources by occupation forces. If Soviets persist in requisitioning land US will consider further measures. In meantime, however, US will not delay inauguration UNRRA program in Austria as a whole.

Dept agrees UNRRA will facilitate removal zonal economic barriers and permit reconstruction of country on nation-wide basis provided free access to Soviet zone is possible. If present restrictions on movement to and from Soviet zone are continued US will bring matter to attention Central Committee UNRRA on grounds that full information concerning distribution relief goods is not available.

Brit position concerning Potsdam (urtel 3479 Mar 27 ⁸³) now under consideration in Dept. Reply will be forthcoming in near future.

Point 4 Deptel 2474 Mar 21 ⁸⁴ referred to treaty which US has proposed and urged AC to make recommendations for content of treaty as provided in Control Machinery Agreement.

Draft treaty with Austria in preparation here and will be submitted to London as soon as possible. In meantime US has instructed representatives in Vienna to discuss new control agreement proposed by Brit. US will push for conclusion of treaty as only means of bringing occupation to an end and recognizing full sovereignty of Austrian state.

Sent to London as 2982; repeated to Vienna as 350.

BYRNES

863.00/4-1246

*Memorandum by the Representative of the Austrian Federal Government in the United States (Kleinwaechter)*⁸⁵

The development of the situation in Austria is viewed by the Austrian Government with growing alarm. No political disturbances of a greater extent may be expected as long as the present favourable

⁸³ Not printed.

⁸⁴ Same as telegram 512 to Moscow, p. 320.

⁸⁵ Apparently this memorandum was left with the Department by Mr. Kleinwaechter on April 19, when he called to discuss the Austrian situation.

season lasts. Should it, however, not be possible to bring about a considerable amelioration in Austria before next fall and a stiffer support by the Western Powers in all of Austria's vital questions, the possibility of violent innerpolitical conflicts is to be taken into account.

The time from January to April 1946 has been completely taken up by staving off Russian demands of a financial nature, or such as the requisitioning of land or going even so far as confiscating industrial products such as f.e. 50 carloads of screws a.s.o., a.s.o. [*and so on*] To add to these difficulties and to make bad conditions still worse, the Allied Commission in its meeting of March 25, 1946, has decided to direct the Government to have the Austrian Constitution repealed. The Austrian Government has made it clear that it refuses most strongly to comply with such a request and that it cannot take into consideration changing this truly democratic constitution approved by all parties. Still further aggravated are conditions by certain measures in the Soviet Zone. In the plants requisitioned by the Soviet forces higher wages are paid and workers are being supplied with considerably higher food-rations. This can of course not be duplicated in the plants managed by their Austrian owners. Consequently the workers of the less favored plants are growing restless and the Government receives in ever growing numbers resolutions passed by them demanding nationalization, higher food-rations, better wages a.s.o. of a more and more peremptory nature.

Should it not be possible to bring about generally felt improvements of the present situation it seems unavoidable that this or any other Austrian Government could but abide to some of the Russian demands giving up at least part of its position, trying to find some *modus vivendi* in order to save the mere existence of Austria's population in the hard years still to come.

The Potsdam Protocol and the stand taken by the Western Powers in regard to the question of South Tyrol, the addition of which with its population adverse to all experiments of an economic or political character would undoubtedly strengthen possible resistance to an encroachment upon our Country, is taken in Austria as proving the lack of a sufficiently strong interest in Austria's full rehabilitation and liberty by the Western Powers.

WASHINGTON, April 12, 1946.

L. VON KLEINWAECHTER

740.00119 Control (Austria)/4-1246: Telegram

*The United States Political Adviser for Austria (Erhardt) to the
Secretary of State*

SECRET

VIENNA, April 12, 1946—7 p. m.

[Received April 12—2: 51 p. m.]

523. A remarkable change of Soviet attitude has occurred with return of Marshal Konev and General Zheltov to Vienna from Moscow where they have been for last few weeks for Soviet elections.

But it also appears likely though not yet certain that it reflects a definite change of policy in Moscow. Evidences of it have appeared in all divisions of AC. First indication of it even preceded return of Marshal, when to our surprise his substitute⁸⁶ in AC unexpectedly declared Soviet willingness to discuss British draft of new control machinery agreement⁸⁷ here.

It is also associated with impending anniversary of liberation of Vienna by Red Army. Soviet Comdr has for weeks shown great eagerness to make big celebration of this anniversary on April 13. He will have to handle it carefully to avoid reminding Austrians of harrowing features of that event and to avoid unfavorable Austrian reactions to present Russian military grip on country and attitude towards its economic rehabilitation one year after "liberation".

Whatever the cause, the Soviet attitude towards Austrians themselves appears definitely to have changed at least for the present. For example after months of urging that Austrian Govt be sharply rebuked for inadequacy of its program when drafting committee finally laid letter to this effect on last exec committee table for signature by chairman Gen Zheltov, he suggested it be dropped. (Otherwise it would have gone to Austrian Govt over his signature on eve of celebration of Vienna's liberation by Red Army.)

This new Soviet attitude towards the Austrians and western elements of AC will probably last throughout April chairmanship. We cannot foresee how much longer it will last or how fundamental it will be.

Sent Dept as 523; restd Moscow as 28; London as 51 and Paris as 64.

ERHARDT

⁸⁶ Colonel General Kurasov.

⁸⁷ Text is filed under Alco/P (46) 49.

863.52/4-946 : Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, April 15, 1946—2 p. m.

U.S. URGENT

377. Urtel 500 Apr 9.^{87a} Dept takes grave view Soviet demands for extra-territorial rights and for acquisition of land under terms Potsdam Agreement. Brit Govt has requested US and France to concert policy in opposing Soviet move as prejudicing Austrian independence.

Dept notes that information has come only from Gruber on Soviet interpretation of extra-territorial rights. Before taking definite action Dept considers that direct statement by Soviet representatives concerning nature of their demands would be desirable if this is possible to obtain. You may wish to recommend to Gen Clark that he ask Konev personally what Soviets envisage in terms of extra-territorial demands.

BYRNES

865.014/4-1746 : Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

TOP SECRET

VIENNA, April 17, 1946—11 a. m.

[Received April 17—9 a. m.]

550. British political representative Mack gave me last evening draft compromise proposal on South Tyrol question which he is forwarding London with recommendation acceptance. Compromise suggestion actually inspired by Foreign Minister Gruber but this circumstance must be treated utmost confidence since profound Austrian political repercussions might be caused by knowledge Gruber's readiness compromise in any way this vital and passionately felt national claim.

Proposal gives Austria Bolzano but draws frontier immediately south that town rather than at Salurno gap thereby leaving Italy important Bolzano industrial complex, largely built with Italian capital, and rich Etsch valley. West of Bolzano line follows Eisach southward to point opposite Branzowl, then swings west to provincial boundary. Eastward boundary might either run Bolzano to Catenar or in relatively straight line directly Bolzano to Eisenreich at juncture Italy, South and East Tyrol. This leaves Italy nearly all Italians and greater portion Ladin speaking region and not only salves Italian prestige but permits her to retain a valuable part of disputed area. For this reason proponents believe scheme is equitable one which

^{87a} Not printed.

might gain approval as satisfactory permanent solution from Italy as well as Austrian Government and Tyrolese, if coupled with economic and minority guarantees, and possibly voluntary population exchange, as previously agreed by Austrians.

Primary objection is artificial nature of the proposed line which deviates from historical and economic frontiers. These fundamental considerations, if we ignore question Italian prestige, underline greater desirability placing frontier at Salurno in accordance Austrian claim. If the question of the award of South Tyrol to Italy is to be reopened at all, as every Austrian hopes, it is preferable that it be settled this time on a just and complete basis.

Despatch follows.

Repeated to Paris for Delsec as 75, 25th.

ERHARDT

740.00119 Control (Austria)/4-1546: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, April 18, 1946—8 p. m.

385. Urtel 523 Apr 12. Report on change Soviet attitude welcomed as first indication of possibility of reaching four-power agreement to complete reestablishment of Austrian independence as well as solving immediate problems of Austrian rehabilitation. Change of attitude all the more impressive in view of impasse in four-power relations created by Soviet refusal to discuss any constructive proposal in AC as reported in urtels 296 Feb 26, 423 Mar 23, and Gen Clark's P-3605.

Dept hopes that new Soviet approach can be utilized to push forward proposals stated in section 6 Deptel 277 Mar 21 which US views as minimum program necessary to carry out agreed commitments to Austrian people.

Dept considers that real test of new Soviet attitude will lie in obtaining discussion and possible agreement on such basic questions as military occupation, creation of independent economic life, and establishment of complete sovereignty of Austrian state. Although change in attitude may possibly be explained by new instructions to Konev, it is not clear what specific long-range results may be obtained in Austria. Dept would appreciate your evaluation of following points in light of general conclusions in urtel 523:

1. Does Soviet willingness to discuss Brit draft proposal new control machinery agreement indicate desire to proceed to final settlement of Austrian question, or do Soviets envisage that criticism of their

policy may be met by accepting an agreement which changes existing control machinery but which will also retain measure of Allied control over Austrian Govt?

2. Does dropping of rebuke to Austrian Govt on inadequacy of program indicate Soviets will agree to draft interim constitution? Do Soviets continue to denounce 1929 constitution as undesirable in spite of its acceptance by Nationalrat (urtel 538 Apr 15⁸⁸)?

3. Did change in Soviet attitude come in sufficient time to have noticeable effect on enthusiasm of Apr 13 celebration of anniversary Vienna's liberation? US press reports that parade of Vienna workers was listless and colorless due to extensive malnutrition among Austrian population.

4. If Soviets have replied to Gen Clark's inquiry concerning extra-territoriality (War Dept CM-Out 84376 Apr 12⁸⁹ and Deptel 377 Apr 15), can reply be reconciled with four-power objective of creating independent Austria? Similarly, will Soviet policy with regard to German assets result in creation of completely independent national economy, and leave Austrian Govt in full control of economic resources?⁹⁰

Dept urges that full advantage be taken of change in attitude to obtain maximum results in four-power agreement, even if results have only short-term significance, but hopes that stage has now been reached making possible complete restoration of Austrian sovereignty and termination of Allied controls.

Sent to Vienna as 385; repeated to Moscow as 730; to London as 3340, and to Paris as 1745.

BYRNES

⁸⁸ In this telegram Erhardt reported that "Vice Chancellor Schaeff in name of Socialist Party at April 12 meeting Nationalrat presented resolution whereby this body reiterated its December 19, 1945 approval 1929 constitution as provisional law of the land and requested Federal Govt to communicate this view to Allied Commission. Resolution enthusiastically adopted by vote of all present excepting four Communist Deputies." (740.00119 Control (Austria)/4-1546)

⁸⁹ In this telegram General Clark was informed that the State Department took a "grave view of Soviet demand for extra-territorial rights and of claim of right to acquire land under terms of Potsdam agreement." He was asked to "inquire of Soviet representative what the Soviets envisage by the term 'Extra Territorial Rights' in Austria".

⁹⁰ In telegram 610, April 25 from Vienna, Mr. Erhardt commented in detail on the points raised by the Department. According to his observations, "Russians are willing to pass a little more authority to Austrian Govt but still wish to retain basic Allied control with supreme authority vested in AC. . . . Soviets are not especially interested in substance of constitution but merely desire to postpone turning over authority to present govt. . . . More favorable Soviet attitude has had little direct effect on Austrians. . . . In short Soviets plainly hold that time has not yet come for complete restoration of Austrian sovereignty." (740.00119 Control (Austria)/4-2546)

863.00/4-1946

*Memorandum of Conversation, by the Assistant Chief of the Division
of Central European Affairs (Williamson)*

[WASHINGTON,] April 19, 1946.

Participants: U—Mr. Acheson
Dr. Ludwig Kleinwaechter, Austrian Political Representative to the United States
CE—Mr. Riddleberger
CE—Mr. Williamson

Dr. Kleinwaechter called to present to the Under Secretary a detailed description of the critical situation existing in Austria. He pointed out that the Austrian Government was at present in a precarious situation and that, unless something was done to relieve the burden of military occupation or to give Austria some form of tangible economic assistance, he feared that the present government might fall. The Social Democratic Party and the Communist Party alike have criticized the government on the grounds that the rehabilitation of Austria and the fulfilment of the Moscow Declaration have not been immediately achieved.

Dr. Kleinwaechter suggested that some assistance to Austria in the form of a loan or in the form of the transfer or sale of surplus goods would give the government an opportunity to show the Austrian people that it could obtain results under the four-powers occupation. He further pointed out that some dynamic political or economic move was necessary to sustain the national feeling of the Austrian people and to make them cognizant of the responsibilities of national independence. Dr. Kleinwaechter stated that the most important thing which could be done was a clarification of the South Tyrol question. He pointed out that, according to press accounts, the only country which opposed the transfer of the South Tyrol to Austria was the United States. He also urged that immediate steps be taken to open parcels post service to Austria in order that food packages might be sent directly from this country.

The Under Secretary stated that he was fully aware of the critical situation existing in Austria and that steps were now being taken to relieve the serious food situation, as well as to achieve formal recognition of Austrian independence. He requested that Dr. Kleinwaechter leave a memorandum which he had prepared,⁹¹ in order that the various problems might receive appropriate consideration.

FRANCIS T. WILLIAMSON

⁹¹ Not printed.

740.00119 Council/4-2046 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan)

SECRET

WASHINGTON, April 20, 1946—3 p. m.

US URGENT

743. Please inform Foreign Minister that US desires to discuss treaty concerning Austria at forthcoming meeting of Foreign Ministers and hopes that Soviet member will likewise be prepared to discuss this question.

Sent to Moscow as 743; *mutatis mutandis* to London as 3397, *mutatis mutandis* to Paris as 1793, and repeated to Vienna as 387.

BYRNES

863.00/4-1646 : Telegram

The Acting Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, April 24, 1946—4 p. m.

406. Under circumstances reported urtels 522 Apr 12,⁹² 548 Apr 16,⁹³ and 554 Apr 17,⁹⁴ Dept concurs that US element should not press for immediate local elections but does not necessarily agree that elections should be indefinitely postponed or tied to long-range objectives such as withdrawal occupation forces.

Following considerations are proposed for your comment as principles which might guide US policy with regard to local elections:

1. US should consistently support Austrian constitutional provisions concerning time and method of local elections.

2. Elections should be held uniformly and simultaneously in all four zones. No elections should be held exclusively in any one zone.

3. Elections should be held as soon as four powers and Austrian Govt are satisfied that fair elections can be held on uniform basis throughout Austria as a whole.

4. An effort should be made to break down zonal compartments and to establish uniformity of economic and social conditions throughout Austria prior to elections. At present this can only be achieved after UNRRA inaugurates operations in Austria as a whole.

5. If any conditions are attached, elections should be postponed until complete repatriation of Austrian POWs except those held for

⁹² Not printed, but see footnote 81, p. 327.

⁹³ In telegram 548 Mr. Erhardt reported that Mr. Figl had expressed the view that "there could be no more elections in Austria until after all occupation forces have been withdrawn on ground that fair elections could not be held in Soviet zone". Mr. Renner, on the other hand, stated that an election should be held only after the return of the Austrian prisoners of war from abroad. (863.00/4-1646)

⁹⁴ In telegram 554 Mr. Erhardt reported signs of possible severe industrial unrest owing to food shortage, plant shut downs due to lack of raw materials, and current protest meetings by workers (863.5018/4-1746).

security reasons in order to give entire Austrian population opportunity to participate.

6. Machinery for quadripartite supervision from Vienna should be established to assure fair elections in Austria and to receive any post-election comments. Actual supervision in localities should be entrusted to normal constitutional provisions and to any three-party boards which the Austrians may establish.

US position, therefore, should be based throughout on necessity of creating situation enabling democratic procedures to be established in localities consistent with national elections of 1945. Pending holding of local elections US group should urge extension of practice of installing local governments composed of three-party representatives conforming to results of national elections, if this practice is not followed in other zones.

New national election is not desirable nor warranted at this time in view of fair election in November and recognition of Austrian Govt. If local elections are held and Socialists demand new national election on basis of results, information available here indicates that results would be proportionately same as November. If Socialists won national election, however, there is no assurance that change in Govt would affect Soviet policy or assist four-power agreement unless merger carried out by Socialists and Communists as in Germany. Such merger obviously impossible in Austria at this time, but press accounts and intelligence summary detail efforts by Communists in Soviet zone to merge with Socialists. Have you any information on "patriotic unions" and "Free Austrian Democratic Associations" in Soviet zone, as well as report that Soviets have established differential rations for specific industrial establishments?

Dept would appreciate your comments on foregoing in order that definite instructions may be worked out with War Dept.

ACHESON

740.00119 Control (Austria)/4-2546: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

RESTRICTED

Moscow [undated.]

URGENT

[Received April 25, 1946—9:55 a. m.]

1340. Molotov in letter dated April 22 has replied to our suggestion to discuss treaty concerning Austria at next meeting. Text in translation follows:

"In connection with your letter of April 21 in which you inform me that the US desires at the forthcoming meeting of the MinFonAff in Paris [apparent omission] the treaty re Austria I communicate that the Soviet Govt sees no possibility of discussing this question at this

meeting of the Ministers in view of the overburdened agenda. Moreover the Soviet Govt to date has not received the draft of the treaty with Austria mentioned by you which in itself excluded the possibility of discussing it at the forthcoming meeting of the FonMins in Paris.”

Sent Dept 1340, Paris for Secretary 109, London 216, Vienna 30.

SMITH

[For text of Memorandum on Principles and Procedures Regarding Policy-Making and Administration of Occupied Areas, of April 25, 1946, by the Secretaries of State, War, and Navy, see page 674.]

740.00119 Council/4-2346 : Telegram

*The Acting Secretary of State to the Ambassador in France
(Caffery)*

SECRET

WASHINGTON, April 29, 1946—8 p. m.

1969. Urgency of issue of German assets in Aus is again underlined by Vienna's 588 to Dept of Apr 23⁹⁵ repeated to you as 1963 from Dept.

Dept regards it as highly desirable that a settlement be reached in Paris on this issue, regardless of progress made on Austrian treaty as a whole.

Background of recent exchanges between Dept, London and Vienna is included in Delsec File.

For quick settlement Dept proposed the following:

A Maximum Position, based on frank recognition that Potsdam provisions on reparations from Ger foreign assets, as applied to Aus, must be ameliorated in order to achieve purpose of Moscow Agreement guaranteeing Aus economic independence. Main provisions of this pos are as follows:

1. Four Power agreement that all removals of equipment from Aus under reparations provisions of Potsdam shall cease immediately.

2. Four Power agreement to renounce all claims on account of reparations to Ger assets in Aus, except the following:

- a) an element of German ownership in the oil industry;
- b) an element of German ownership in the Danube Shipping companies.

3. Establishment of a 4-power commission to determine the extent of Ger ownership in the categories specified in 2 a) and b), above, in accordance with the provisions of the United Nations Declaration on

⁹⁵ In telegram 588, Mr. Erhardt reported in detail the take-over of some 10 important factories in lower Austria and Soviet districts of Vienna by Soviet military authorities (740.00119 E W/4-2346).

Forced Transfers,⁹⁶ and to agree by unanimous vote to the disposition of these assets, in accordance with the zonal principle established at Potsdam.

4. Four Power agreement that all foreign ownership rights within Aus arising from this settlement shall be in all respects subject to Aus law.

5. Specific renunciation by the Four Powers of all claims on account of reparations to non-industrial and non-commercial land in Aus and to ownership rights or shares of participation in banking, insurance and other financial institutions.

6. Four Power agreement that removals of equipment up to the present, plus ownership rights which arise from negotiations under 3, above, shall constitute full satisfaction of claims to Ger assets in Aus under the reparations clauses of the Potsdam Agreement.

A Minimum Position, based upon the letter of Potsdam interpreted in strict conformity to the United Nations Declaration on Forced Transfer. Main provisions of this position follow:

1. The provisions of paras. 1, 4, and 6 above, shall be maintained.

2. Para. 2, above, may be modified to include other categories of assets, by the addition of subpara *c*), as follows: "*c*) other assets to which claims on account of reparations have been formally presented to ACA on or before the date of the signing of this agreement, (or some other early cut-off date)." All claims thus presented will come under review by the Four Power commission established under 3, above.

3. Para. 3, above, may be modified to provide decision by majority vote within proposed commission.

Dept appreciates reasons for Brit and Erhardt support (Vienna's 553 to Dept of Apr 17⁹⁷) for proposal less strict than Maximum Position above. Dept nevertheless feels that Moscow Declaration, quadripartite occupation of Aus, and distinction at Potsdam of German assets in Aus, East and West, all implied agreed neutrality of Aus with respect to USSR and Western influence. Western Powers will, presumably, be prepared to forego ownership rights to Ger assets in Aus. It is, therefore, just in our view that USSR limit severely ownership rights in Aus that it assumes under Potsdam. Partial ownership of Austrian oil and shipping on Danube represent both significant material interests in Austria and powerful potential levers of economic control. Concession of this measure of permanent influence in Austrian economy to USSR represents in itself substantial departure from Moscow Declaration.

⁹⁶ For text of the "Declaration of Certain of the United Nations Regarding Forced Transfer of Property in Enemy-Controlled Territory, January 5, 1943", see L. M. Goodrich and M. J. Carroll, *Documents on American Foreign Relations*, vol. v. July 1942-June 1943 (World Peace Foundation, Boston, 1944), p. 208.

⁹⁷ Not printed.

Sent to Paris as Dept's 1969, repeated for info to London as 3615 and Moscow as 798 and Vienna as 424. Repeat with following additional para. to Vienna :

Above constitutes answer to your 579 of Apr 20,⁹⁸ with respect to position of land under Potsdam. We can find no grounds for exclusion of land on basis of Potsdam. Major possibility of exclusion appears to lie in reciprocal renunciation of legal rights under Potsdam as is involved in maximum position stated above. Should that position fail, application of Forced Transfer Declaration appears main instrument for effecting limitation.

ACHESON

740.00119 Control (Austria)/4-1046

The Department of State to the British Embassy

MEMORANDUM

The Department of State is in accord with the view of the British Government, as set forth in the *Aide-Mémoire* of April 10,⁹⁸ concerning the desirability of resisting Soviet demands for the ownership of non-industrial and non-commercial land in Austria, under the terms of the Berlin Agreement.

2. It is agreed that no explicit basis can be found in existing Allied agreements to distinguish non-industrial and non-commercial land from other German assets. It is believed, however, that an effort should be made to eliminate land from German assets taken, by seeking a solution to the German assets question, in which the powers signatory to the Berlin Agreement strictly limit their claims in the light of the Moscow Declaration of November 1943, and other Allied agreements relating to Austria.

3. It is believed that, should the U.S.S.R. insist on the inclusion of non-industrial and non-commercial land, very great emphasis should be placed in negotiation upon the Forced Transfer Declaration, and that rights to ownership under the Berlin Agreement should be subjected, on a case by case analysis of title, to that Declaration. This should result in both a limitation of the total amount of land taken, and its dispersal in a manner such as to avoid a possible strategic pattern of location.

4. Finally, it is believed that the other powers concerned should insist that any ownership rights to land arising out of the Berlin Agreement, as in the case of other types of German assets in Austria, should be subjected in all respects to Austrian law.

⁹⁸ Not printed.

5. These views, as well as the *Aide-Mémoire* of the British Government of April 10, on this subject, will be forwarded to General Clark for appropriate action.

WASHINGTON, May 8, 1946.

863.014/5-746: Telegram

The Acting Secretary of State to the United States Political Adviser for Austria (Erhardt)

RESTRICTED

WASHINGTON, May 9, 1946—5 p. m.

467. Following letter dated May 7 from President Truman to President Renner has been delivered to Kleinwaechter for transmission to Vienna:

"I have read with interest your kind letter to me of February 6, 1946¹ enclosing your memorandum on Austria, Europe and German-speaking South Tyrol.¹

As you know, this question is now being discussed by the Council of Foreign Ministers in connection with the negotiation of the proposed treaty with Italy. It also will be considered in the writing of the treaty with the Federal Austrian Republic which the United States has proposed to the other Allied states.

I am sure you realize that many factors are involved in the South Tyrol question, and that a solution which is satisfactory to all concerned should be reached in order that this area may not in the future disturb the peace of Europe.

In view of the historical background of the South Tyrol question and the criticism which has been made of the Treaty of Saint Germain, I hope that the Federal Austrian Republic may present its case to the Council of Foreign Ministers,² and that representatives of your government will be able to discuss this and other questions with the representatives of the Allied states responsible for the drafting of the post-war treaties.

I wish to take this opportunity to express to you my congratulations on the success you have already achieved in the liberation and reconstruction of your country, and to assure you that the Government of the United States will continue to seek the restoration of complete and sovereign independence to the Federal Austrian Republic."

Kleinwaechter requests that foregoing text be communicated to President Renner. Original follows by air mail.

Sent to Vienna as 467; repeated to Paris as 2210, to Secdel as 218.

ACHESON

¹ Not found in Department files.

² The South Tyrol issue was discussed by the Council of Foreign Ministers at their 5th, 6th, 17th, and 24th meetings on April 30, May 1, May 14, and June 24. See volume II.

863.014/5-1646: Telegram

*The Acting Secretary of State to the United States Political Adviser
for Austria (Erhardt)*

SECRET

WASHINGTON, May 16, 1946—7 p. m.

488. Series of telegrams concerning South Tyrol, including urtels 121 Jan 25; 550 Apr 17; 584 Apr 21; 618 Apr 26; 650 May 2, and 662 May 4,³ noted with interest by Dept. In view CFM decision Sep 1945 regarding Austro-Italian frontier⁴ and difficulties of reaching four-power agreement, President's letter to Renner concerning presentation of Austrian case to CFM is considered an appropriate answer to various appeals addressed to Dept by Austrian Govt. Dept assumes that action in inviting Austrian representatives to present South Tyrol case and other problems involving national reconstruction will come directly from CFM after four-power agreement is reached on this subject. It is assumed also that Austria will present claim to Kanalthal (urtel 376 Mar 15; 486 Apr 8, 529 Apr 14⁵) at this time as any consideration of this case would have to be discussed by CFM in connection with drafting of Italian treaty.

In event consideration by CFM unfavorable to immediate Austrian claims for minor rectifications in frontier, Dept hopes that action will not be interpreted as irrevocable and that Austrian Govt will be able to raise question in future in appropriate international agencies to permit a determination by plebiscite of the wishes of local population.

Intense campaign for acquisition of South Tyrol has apparently weakened Figl's⁶ personal position and endangered coalition by providing opportunities for attacks on failure of South Tyrol policy. Adoption of active policy for territorial acquisition is understandable as effort to unite four zones on nationalist aim and to take advantage of popular local issue. However, intense campaign at expense of other issues is regrettable, particularly when specific internal problems are used in AC as excuses to block four-power agreement. Consensus here holds that Austrian Govt should more properly direct activity to formulation of realistic plans for national reconstruction, particularly in the economic field, and to affirmative action within limits necessarily imposed by present situation. If Austrian Govt could produce a plan for national reconstruction, taking into account present military occupation or situation which may exist in event of acceptance

³ None printed except telegram 550, p. 331.

⁴ At their 3rd meeting, September 14, 1945, the Council of Foreign Ministers decided that the frontier of Austria would not be changed, subject to the decision to be reached by the Council on any case which Austria might present for minor rectifications in her favor. For the record of the 3rd meeting of the Council, see *Foreign Relations*, 1945, vol. II, p. 158.

⁵ None printed.

⁶ Leopold Figl, Austrian Chancellor.

of Brit draft proposal, US would be inclined to give strong support in AC. Numerous constructive proposals have already been made by occupying powers, but examination of record does not indicate that Austrian Govt has produced any far-reaching plan for national reconstruction which is couched in realistic terms.

You may in your discretion discuss this problem informally with Austrian officials and urge them to plan for their future in terms of internal changes in some comprehensive way in which various occupying powers now proceed in AC. Dept considers that action in this regard would facilitate four powers discussions and would hasten agreement on Austria's future status.

Sent to Vienna as 488; repeated to Paris as 2382, Secdel 238.

ACHESON

740.00119 Control (Austria)/4-2546: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, May 24, 1946—7 p. m.

514. Failure of Soviets to agree to discussion of treaty for Austria has raised question of US policy in immediate future. No positive action with regard to treaty can be expected prior to forthcoming meeting on June 15. In meantime, complete draft treaty will be circulated to London, Paris, Moscow, and will be presented to deputies for consideration. After circulation, US will again propose in CFM that four powers negotiate treaty.

In view of importance of Austria in solution of all Central European problems and making possible fulfilment of four power objectives as stated in international agreements Dept considers that immediate steps are necessary in AC prior to June 15 CFM meeting and recommends following for immediate consideration in AC and in quadripartite negotiations in Vienna:

1. US element should press for replies to and consideration of statement made by Gen Clark on Apr 25 with reference to US policy and program for immediate relief in Austria (P-7123 Apr 24; ⁷ urtel 610 Apr 25⁸).

2. US element should support Brit draft for new control machinery agreement as desirable transitional measure increasing authority of Austrian Govt and relinquishing Allied controls on independent political action (P-8508 May 19; urtel 734 May 20⁹).

⁷ Not printed.

⁸ In telegram 610, Mr. Erhardt commented on Soviet attitude toward proposed new control machinery agreement and foreign properties in Austria, and concluded that "Soviets plainly hold that time has not yet come for complete restoration of Austrian sovereignty". (740.00119 Control (Austria)/4-2546)

⁹ Neither printed.

3. US element should stress need for immediate agreement on specific cases involving German assets under Potsdam, including land (urtel 720 May 16¹⁰).

In considering Brit proposals Dept recommends that no agreement be reached which sacrifices principle of quadripartite action in Austria pending negotiation of final treaty. Maintenance of quadripartite supervision of Austrian international acts is necessary in order to prevent negotiation of any unilateral agreement which may prejudice Austrian independence prior to its final establishment. At the same time US element should press for freedom of Austrian Govt to consider economic agreements which will contribute to national reconstruction without endangering independent status.

Within Austria Dept recommends that everything possible be done to break down zonal barriers and to permit economic revival of Austria as a whole. This would include free movement for UNRRA mission in Soviet zone which Dept understands is now curtailed by provision requiring UNRRA personnel to leave Soviet zone each day. Treatment of Austria as a whole is of fundamental importance in preventing divergent reconstruction policies and ultimate split of Austria into eastern and western zones.

Dept would welcome any suggestions you can make and any information you can furnish to Austrian Govt concerning possibilities of economic assistance by US.¹¹ Full advantage has not been taken of these possibilities and reconstruction can be aided by such measures as cotton credit and possible loans. Such a program should start from basis of industrial reconstruction as provided in UNRRA program to permit Austria to develop peacetime economy producing for export market as well as for internal consumption. Obviously any steps taken for economic reconstruction should be taken now rather than after settlement of Austrian international status.

In view of reported changes in Soviet policy Dept considers that interim program for reconstruction may have a chance of success and should be energetically pushed simultaneously with policy in CFM. Reynolds News, London, reports Soviets willing to discuss new interpretation of Potsdam with Austrian Govt on basis that Austrian property prior to Nazi occupation will remain untouched. Soviets may possibly be preparing way for change in Austrian policy by re-

¹⁰ In this telegram, Mr. Erhardt reported that "Soviet claims now appear to be limited to those based on Potsdam agreement, and Austrians are making gradual though slow progress towards getting Russians to recognize principles of London declaration on forced transfers and applicability of Austrian laws to immovable property transferred by Potsdam." (840.50 UNRRA/5-1646)

¹¹ Mr. Erhardt replied in telegram 872 of June 20 that it was "clear most important aid US acting alone could properly furnish would be credits for immediate purchase of raw materials and urgently needed equipment in US, pending Austrian membership in International Bank and Fund." (863.50/6-2046)

duction of troops (urtel 636 Apr 29¹²) and reported gestures to Austrian Govt, but are obviously seeking face-saving devices, as well as arrangements which will permit complete Soviet control of Austrian economic resources. Dept assumes that when such arrangements are completed Soviets might discuss treaty concerning establishment of Austrian independence and complete withdrawal of occupation forces. US, on contrary, is determined that solution of Austrian problem will be made on basis of international agreements and existing international economic machinery which is designed to maintain independence of small states.

BYRNES

740.00119 EW/5-2946 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Smith)*

RESTRICTED

WASHINGTON, May 29, 1946—8 p. m.

993. The following message from the Secretary to Molotov should accompany the draft treaty for Austria :

“In Paris you pointed out that American memorandum on the Austrian treaty was not in form of a draft treaty.¹³ I have accordingly put our suggestions in form of a draft treaty for your consideration. You will note that the draft is complete except for certain clauses which will be virtually identical with whatever provisions on the same subject matter we agreed to insert in the Italian¹⁴ and Balkan treaties.¹⁵ The draft is neither long nor complicated. I hope very much that you will take the opportunity to examine the draft before our meeting in Paris on June 15 and that you will agree to a discussion of the Austrian treaty at that time. I am sending copies of the draft to Mr. Bevin¹⁶ and Mr. Bidault¹⁷ and also asking their agreement to a discussion of the Austrian treaty at our meeting.”

BYRNES

740.00119 EW/5-3146 : Telegram

*The Secretary of State to the United States Political Adviser for
Austria (Erhardt)*

SECRET

WASHINGTON, May 31, 1946—7 p. m.

528. Discussion of Austrian question in forthcoming CFM meeting and agreement on treaty regarded by US as fundamentally important

¹² Not printed.

¹³ See volume II.

¹⁴ For text of Italian treaty, see Department of State, Treaties and Other International Acts Series No. 1643, or 61 Stat. (pt. 2) 1245.

¹⁵ For texts of these treaties, see TIAS Nos. 1649, 1650, and 1651, or 61 Stat. (pt. 2) 1757, 1915, and 2065.

¹⁶ Ernest Bevin, British Secretary of State for Foreign Affairs.

¹⁷ Georges Bidault, French Minister for Foreign Affairs.

in negotiating whole range of treaties. Austrian settlement also desirable in terms of previous international commitments regarding Austrian independence and burden which presence of occupation forces is placing on future reconstruction.

In view of failure to obtain inclusion Austria on agenda recent CFM meeting, US hopes no factor exists in Austria which may delay Four Power agreement. Insistence by Soviet elements AC Vienna on failure of de-Nazification program may indicate possible future basis for refusal to discuss Austrian treaty and for demand that occupation forces and Allied controls be maintained.

You may wish together with General Clark to transmit full information concerning status and effectiveness of de-Nazification program of Austrian Govt and results of de-Nazification in US zone to Dept and to Paris before meeting June 15. Attention of Austrian Govt should be called to importance of complete information and its full cooperation enlisted. You may also wish to transmit any available information on progress of Austrian Govt's program of de-Nazification in other zones.

Sent to Vienna as 528; repeated to Paris for Dunn as 2645.

BYRNES

863.014/6-346

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

No. 1270

VIENNA, June 3, 1946.

[Received June 12.]

SIR: I have the honor to refer to the Department's telegram No. 488 of May 16, 1946, commenting on the prominence given by the Austrian Government to the South Tirol issue and expressing the view that the Austrian Government should more properly direct its efforts toward the development of realistic plans for national reconstruction and toward such action as is possible within the limitations of Austria's present situation. The substance of the Department's telegram has been brought to the attention of Dr. Gruber.^{17a}

I share the Department's view that the return of the South Tirol is not in itself essential to Austrian national reconstruction. The Austrian Government's vigorous campaign for it is doubtless intended, as the Department points out, to foster national patriotism and to strengthen the Government's own position by means of a popular local issue. It is believed that another motive may be to increase the relative importance of the conservative western portion

^{17a} Austrian Minister for Foreign Affairs.

of the country. The economic gains hoped for from a return of the South Tirol are minor though by no means negligible.

The real importance of the South Tirol issue is to be found in its emotional or symbolic aspects. The recovery of the South Tirol, in addition to being a goal desired by all political groups in Austria (including now the Communist Party), appeared originally to be one which the country could reasonably hope to attain, at a time when most others looked impossible. Especially it was felt that a settlement of this frontier question by means of a plebiscite would serve as a tangible demonstration to the Austrian people of the great powers' sense of justice, good will, and desire to help Austria in the attainment of its legitimate aims.

It is quite true, as pointed out in the Department's telegram under reference, that the Austrian Government has not so far produced comprehensive plans for economic reconstruction, couched in realistic terms. However, it would seem that this fact can hardly be attributed to the preoccupation of certain officials of the Government with the South Tirol issue; indeed I know of no way in which the Government's sponsorship of that issue has interfered significantly with progress on other matters. Furthermore, it would seem that the Government's failure to produce plans should be appraised in the light of several extenuating considerations. The latter will be reviewed briefly in the ensuing paragraphs.

There are several factors which have made long-range economic planning difficult or impossible up to the present. In the first place, most raw materials, fuel, and other factors of production have been obtainable only on a hand-to-mouth basis, with no scheduling possible even for period of a few months in advance. A second factor has of course been the division of Austria into zones of occupation. It is hoped that improvement in this regard may be attained in coming months, as a result of UNRRA's assuming supply responsibility and as a result of the new control machinery agreement now awaiting approval at the governmental level, but up to the present it has not been possible to give the Austrian Government any assurances that the demarcation lines would be eliminated so far as the movement of goods in Austria is concerned. Another important factor has been the insecurity of property and the uncertainty of ownership of property. In the Soviet zone there have been massive removals of machinery and equipment as war booty, and some twenty or thirty key industrial plants have recently been taken over on the basis of the Potsdam Agreement; at the same time the presence of considerable numbers of troops, not always adequately disciplined, has interfered with normal economic activity and created an atmosphere of insecurity. In all zones an important portion of all industrial property is subject

to claims on account of reparations and restitution, and the resulting uncertainties preclude both definite planning and financing in a normal manner.

An important reason why the quality of realism has been wanting in the Austrian Government's official approach to the problem of national reconstruction is the simple one that Austrian officials are not permitted to express themselves in realistic terms on what is perhaps the largest problem confronting the country, namely, the question whether Austria should resign itself to the fact of expanding Russian power in the East and submit to the economic domination which the Soviet Union plainly seeks to establish, or whether, for the sake of safeguarding its political freedom, it should attempt the almost impossible task of developing its economy in such a way that no foreign power could dominate it. This choice, difficult and painful to make, and fundamental to all long-range plans, cannot be debated by the Austrian Parliament or Government, or by editorialists, without bringing down upon themselves accusations of attempting to spread anti-Allied propaganda or to incite enmity among the Allied powers.

When conditions are favorable to the development of comprehensive economic plans, it should be possible for the Government to develop such plans within a fairly short period, since Austria is a small country with a relatively simple economy; and the value of comprehensive economic planning will increase considerably as production rises above the present very low levels. Meanwhile, much preparatory work is being done. Notably, surveys of industrial facilities in all four zones have been in progress for several months and are approaching completion. The survey for the United States zone may be available within a few days. These surveys, or summaries of them, will be forwarded to the Department promptly upon receipt.

Up to the present the Austrian Government has been burdened and bedeviled by demands from the occupying authorities, for innumerable reports, questionnaires, and forms, and for appearances at meetings. This is a natural and inevitable result of any military occupation and of any establishment of a governing authority superior to a country's own government, though the difficulties have naturally been increased in this case by the fact that the occupying authority is a cumbersome quadripartite body operating in three foreign languages. Although there have been instances of a desire on the part of one or more of the occupying powers to embarrass the Austrian Government, the burdens placed upon it have for the most part not been due to any ill will.

The Government offices are short of experienced and capable personnel, largely as a necessary result of de-Nazification measures.

They are also grievously lacking in transportation facilities, office equipment, and supplies.

The vigor of efforts by the Government and the population as a whole to plan and carry out national reconstruction is undoubtedly sapped somewhat by the consciousness that, for a country as small as Austria and in Austria's geographic and political position, developments in the future will be conditioned less by their own efforts than by actions of the great powers and relationships among the great powers.

That portion of the Austrian population, probably a good majority, which is genuinely inclined toward democracy and libertarian principles is disillusioned and disheartened by the fact that after liberation from eight to twelve years of dictatorship, Austria is subject now to extensive Allied controls and faces in the future the prospect of probable domination by an authoritarian foreign government.

Finally, the Department will not overlook the profound effect of hunger, which has become critical in Austria in recent months, upon the vitality of government officials and employees as well as the population in general.

In view of the foregoing, it is not surprising to an observer stationed here that the present Austrian Government and the population as a whole have both reacted to the present situation with some degree of passivity and skepticism, and that they tend to look backward toward their past (the South Tirol issue itself contains a trace of nostalgia) rather than forward. It may be that a government and a people more energetic and dynamic than those of Austria might react to their difficulties not with comprehensive plans for economic reconstruction but with violence.

Respectfully yours,

JOHN G. ERHARDT

863.01/6-846: Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET

WASHINGTON, June 11, 1946—7 p. m.

U.S. URGENT

543. Urtel 815 June 8.¹⁸ Instructions have been sent Gen Clark that US approval on new control machinery agreement be withheld pending decision by CFM on discussion of Austrian draft treaty.

¹⁸ Mr. Erhardt inquired in this telegram as to when Departmental approval for the new control machinery agreement might be forthcoming. He reported that his colleagues on the Allied Council expected authorization to sign the agreement by their respective governments and he expressed the opinion that the agreement would greatly improve the position of the Austrian Government. (863.01/6-846)

Gen Clark authorized in his discretion to make such a statement in AC June 14.

Reasons for Brit proposal to sign new agreement on June 14 are fully appreciated in Dept. Agreement regarded here as desirable step in increasing authority of Austrian Govt and ending present veto difficulties despite serious misgivings concerning Article 6-A and Soviet refusal to discuss reduction of occupation forces. US position, however, fully set forth in draft treaty already circulated with personal letter to Foreign Ministers. Dept considers it not desirable to sign agreement in Vienna on day preceding CFM meeting when Austrian draft treaty will be proposed for agenda. If no agreement is reached on draft treaty or if negotiations are delayed US in all probability will concur in new control machinery agreement as a transitional measure.

Discussions now under way in Dept to facilitate positive action in Austrian reconstruction in event either of successful negotiation of draft treaty or adoption of new control machinery agreement.

BYRNES

740.00119 Council/6-546 : Telegram

*The Acting Secretary of State to the Ambassador in the
United Kingdom (Harriman)*

SECRET

WASHINGTON, June 18, 1946—7 p. m.

4807. Urtels 5725 June 5 and 5736 June 5.¹⁹ Brit support of draft Austrian treaty appreciated by Dept. *Aide-mémoire* presented June 3²⁰ by Brit Embassy requested inclusion German assets and withdrawal occupation forces on agenda of CFM. Dept has replied that all efforts should be made to push draft treaty which contains general provisions concerning these items. If no agreement on draft treaty, US will support Brit proposal to include items on agenda.

US approval for new control machinery agreement in Austria withheld pending decision to include treaty on agenda of CFM. Gen Clark authorized to state in AC, Vienna, that US has circulated draft treaty and is anxious to reach final settlement making new control machinery agreement unnecessary. If no immediate prospect of successful negotiation draft treaty, US will in all probability approve new control machinery agreement.

Dept concurs in FonOff's conclusion that something should be done to bolster Austrian morale and strengthen ties with Western states. Position Austrian Govt at present apparently not secure and whole orientation Austrian Govt policy may be changed to accord with

¹⁹ Neither printed.

²⁰ Not printed.

physical presence of Soviet troops and Soviet objectives in Danubian area. You may wish to discuss following program with FonOff and inform Dept of Brit reaction:

1. Settlement of South Tyrol question with regard to Austrian claims is essential to future of Allied policy in Austria. Austrian claim for Pusterthal and Brixen should be seriously considered by deputies, both within framework of formula of minor rectification and in light of Allied objectives to create a viable state in Austria. Dept concurs that direct conversation between Gruber and de Gasperi²¹ on frontier rectification and on mutual economic concessions and guarantees of minority rights would be desirable in aiding solution of difficult situation. Such negotiation should be carried out in light of findings of Committee of Hydro-Electric experts proposed in Paris' 2782 June 8 Delsec 561.²²

2. A program for immediate economic assistance to solve problem of employment and to initiate production for foreign trade should be formulated and carried out as soon as possible. Such assistance might possibly take the form of a loan for reconstruction.

3. All possible efforts should be made to reach four-power agreement on draft treaty which includes Articles on such problems as German assets and occupation forces. If no agreement on draft treaty, control machinery agreement should be adopted immediately following CFM meeting.

Austrian position is now precarious in view of rapidly deteriorating economic situation and political situation arising from Communist victory in Zecho elections. It is obvious that Austrian economic future will have to be based either on close economic relations with neighboring states or continuous economic assistance from Western states. Most desirable solution would be integration of Austrian economy with Danubian area, but political developments in surrounding areas may not make such solution possible unless fundamental changes are made in Austrian Govt and social structure. Inclusion of Austria, moreover, in closed economic bloc of Danubian states is not necessarily consistent with Allied objectives concerning independence.

Dept would appreciate any suggestions which FonOff may care to make regarding immediate program for Austrian reconstruction.

Sent to London as 4807; repeated to Paris as 2931 Secdel 294; to Vienna as 570.

ACHESON

²¹ Alcide de Gasperi, Italian Prime Minister.

²² Not printed.

740.00119 Council/6-2446: Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*²³

SECRET

WASHINGTON, June 28, 1946—8 p. m.

3165. Secdel 375. For the Secretary from the Acting Secretary. Urtel 2988 Delsec 597 June 20.²⁴ We have noted your comments on Gruber's proposals. It seems to us here that Gruber's proposals (Vienna's 856 June 15 repeated to Paris as 119²⁵) may offer a basis for a settlement by direct negotiations between Italy and Austria. Naturally many points in his outline would have to be clarified but he may well have the germ of a lasting solution.

Decision on Austro-Italian frontier (urtel 3093 June 24 Delsec 622²⁶) clearly brings out necessity for urging a direct Austro-Italian settlement. Reestablishment of previous Austro-Italian frontier does not solve ethnic problems involved in this region although it answers basic Italian objections to frontier change involving power and strategic boundaries. It is obvious that Austrian Govt will require face-saving device on whole South Tirol question in view of four-power decision, and failure to encourage Austrians and Italians to seek satisfactory solution thereof may endanger position of Govt and jeopardize future Allied policy in Austria.

It is believed that solution along lines of Gruber's proposals would provide a unique settlement of a disputed frontier issue which has existed since last war. It bridges gap between ethnic principles and more practical consideration of electric power and military security. If South Tirol were denationalized on this basis it would preserve autonomous status without prejudicing Italian economic or security interests. Such practical matters as police control could be solved on local basis and provided for in proposed South Tirol statute. Disputes arising from interpretation of statute could be settled by providing for compulsory jurisdiction by international court of justice. It is anticipated that Italy and Austria will in time become members of the United Nations and will have recourse to procedures of peaceful settlements of disputes established for Security Council and Assembly. It would not be desirable to provide for United Nations guarantee but to rely on compulsory jurisdiction of international court. If satisfactory arrangement can be completed, principles might be applicable to other disputed frontier areas and would

²³ The Secretary of State was in Paris for the Second Session of the Council of Foreign Ministers.

²⁴ Not printed; it indicated the Delegation's belief that Gruber's proposal for solution of South Tyrol question by bilateral negotiations between Austria and Italy was not practical or desirable (740.00119 Council/6-2046).

²⁵ Not printed.

²⁶ For documentation on the Council of Foreign Ministers meeting of June 24, 1946, see volume II.

provide a novel approach to many complicated European problems. A satisfactory settlement also would provide US with basis to propose close economic relations between Italy and Austria thus giving Austrian economy a greater chance of survival. Austro-Italian economic cooperation on a successful basis would open wide-spread possibilities for further economic arrangements in Central Europe.

Italian Govt should be impressed with necessity of arriving at amicable solution in view of CFM decision to retain previous frontier. South Tirol in past has created antagonism between Austria and Italy, and large section of world opinion holds that original decision in Treaty of St. Germain in 1919 was a mistake. Italy should be impressed with need for arriving at democratic solution of minority problems which can best be assured by creating an autonomous South Tirol such as proposed by Gruber.

We therefore hope that you will reconsider this matter and send us your instructions. We shall not send any instructions to Vienna or Rome until we have your further instructions.

ACHESON

740.00119 Council/7-246 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

SECRET

WASHINGTON, July 2, 1946—3 p. m.

3209. Secdel 390. For the Secretary from the Acting Secretary. On the basis of your recommendation, Gen Clark signed June 28 new control machinery agreement for Austria.²⁷ US adherence to this agreement opens new questions with regard to our policy in Austria and the organization of US representation.

We regard new agreement as definite step forward in extending the authority and responsibility of Austrian Govt and establishing Austrian economic unity in so far as possible under continued military occupation. Zones are retained, however, as boundaries of spheres of authority of Four Powers and location of occupation troops. Article 6 gives Austrian Govt a large measure of legislative freedom and provides that agreements may be made with any one of the Four Powers without Allied Council approval, thus ending difficulties formerly inherent in unilateral exercise of veto power.

A departmental group is now engaged in studying possibility of concrete economic assistance to Austria under terms of this new agree-

²⁷ In Department's telegram 607, June 27, to Vienna, Erhardt was advised that "Gen Clark has been instructed (War Dept 92657, June 26) to sign for US new control machinery agreement, including authority to accept French amendments." (740.00119 Control (Austria)/6-2746) For text of the agreement, signed June 28, 1946, see *A Decade of American Foreign Policy, Basic Documents, 1941-1949* (Washington, Government Printing Office, 1950), p. 614.

ment and will shortly make proposals designed to assist Austrian economic rehabilitation. Any proposal will be submitted to Paris for your consideration if agreement is reached in Dept prior to your return.

Allied Council, consisting of Four High Commissioners, will continue to exercise supervisory power on all matters except demilitarization and disarmament, military security of occupation forces, restitution of United Nations property, disposal of German property, authority over prisoners of war and displaced prisoners and war criminals. Control of travel by Austrian Govt and establishment of Austrian customs and frontier controls will be progressively established.

Allied High Commissioners may be either civilian or military and each of Four Powers is given specific right to appoint its Commander-in-Chief of occupation forces, diplomatic or political representative or any other official whom it may care to designate. Agreement also provides for Executive Committee composed of Deputies of High Commissioners. By terms of Article 7, Austrian Govt is free to establish normal diplomatic and consular relations with Govts of United Nations.

These provisions open question of US representation in quadripartite structure and seem to us to required decision in immediate future in order that continuity of Allied policy may not be disrupted. Gen Clark and his Deputy, Gen Tate, have done excellent work in representing US position in difficult task of carrying out Allied objectives in Austria. Since occupation forces will still be required, it seems to us that Gen Clark should continue in his present work with designation of US High Commissioner and Gen Tate be designated as his Deputy on the Executive Committee. You may wish us to approach the War Dept directly to ascertain its views.

It also seems desirable to us to take advantage of Article 7 and reestablish as early as possible complete diplomatic and consular relations with the Austrian Republic. Such action would distinctly contribute to recognition of Austrian independence and would facilitate negotiations on any possible economic assistance which may be extended by this Govt. Establishment of full diplomatic relations by Austria with other United Nations would also clarify Austria's legal status and facilitate its possible entry into the United Nations, through which the Austrian state could participate in various international economic activities designed to promote European reconstruction.

The task of any US Minister in Austria is exceedingly complicated in view of military occupation and supervisory functions of Four Powers. The desirability of maintaining a continuity in these quadripartite functions indicates to us that if the US enters into full

diplomatic relations with Austria, Erhardt should be designated as US Minister. A corresponding change would have to be made in the status of the Austrian representative in Washington.

We have no information on plans of other occupying powers on designation of High Commissioner or decision to establish full diplomatic relations. We are submitting these ideas for your consideration now, since both of these matters will have to be taken up with the War Dept and the President. In view of the record of US initiative in accomplishing the objectives of the Moscow Declaration, we consider it desirable for this Govt to take the lead in securing maximum advantages for the Austrian state under this new agreement.

ACHESON

740.00119 Control (Austria)/7-1246

*The United States Military Commissioner in Austria (Clark) to the Commander-in-Chief of the Soviet Central Group Troops (Kurasov)*²⁸

VIENNA, 6 July 1946.

MY DEAR GENERAL: My attention has been called to an order of the Supreme Commander of the Soviet Occupation Troops in Austria as published under a Tass dispatch dated 27 June 1946 concerning the immediate transfer of German property in Eastern Austria to the ownership of the USSR. In this order, which claims to be justified on the basis of an agreement made by my Government, notice is given that all German-owned property in Eastern Austria has passed into the possession of the USSR as reparations, and all Austrian authorities and officials and all private business officials concerned are directed to take necessary steps to effectuate and record the possession of such property by the USSR.

I note that in your order no definition of German property is given. I feel this is unfortunate, since it leaves unsettled the important question of whether Austrian property seized by Germany in Eastern Austria after the *Anschluss* is to revert to Austrian control. You will recall that this has been the subject of much discussion in the Allied Commission since September 1945, with no results to date due solely to the reluctance of the Soviet element to consider the question.

I assure you that my Government adheres fully to the decisions of the Potsdam conference providing that no reparations should be exacted from Austria; that Allied claims to German reparations should be satisfied in part from appropriate German external assets;

²⁸ Copy transmitted to the Department in despatch 1457, July 12, 1946, from Vienna; received July 25.

and that the various signatories renounced all claims to German property located in specified areas of Austria. Accordingly, my Government has never questioned the right of the USSR to take over possession and ownership of bona fide German assets located in Eastern Austria. However, cases have arisen in which the Soviet authorities have cited the Potsdam Agreement as authority for the seizure of property which had been taken from former Austrian owners by the German Government or German Nationals by forced transfer during the period of German control of Austria. In the view of my Government, no assets in Austria may be claimed as German external assets on the authority of the Potsdam Agreement if those assets were acquired by the Government or Nationals of Germany through looting or forced transfer in the sense of the London Declaration of January 1943.

I trust that the views of my Government will be respected by the Soviet Element in executing your recent order referred to above.

Sincerely,

MARK W. CLARK

740.00119 Control (Austria)/7-1146

Memorandum by the Acting Secretary of State to President Truman

TOP SECRET

WASHINGTON, July 8, 1946.

With respect to the attached recommendation from General Clark in Vienna²⁹ that the United States Government renounce its claim to German assets in Austria, the Department of State was at first inclined to follow General Clark's recommendation entirely. On second thought, however, there would seem to be some advantage in not giving up all control over German assets in the Western zones of Austria and thereby leave the Austrian Government in the position of having to negotiate bilaterally with the Soviet Government on the question of German assets without further reference to the views of the United States authorities.

We therefore recommend that General Clark be instructed to state the willingness of the United States Government to enter into immediate negotiations with the Austrian Government looking toward the renunciation of the United States claims as part of a general settlement of German assets in Austria. The American position in such negotiation would necessarily take into account the Moscow Declaration on the restoration of Austrian independence and the United Nations Declaration of January, 1943 on Forced Transfers. We believe that this approach would strengthen the hand of the Austrian Government in its eventual negotiations with the Soviet Government on German assets in Eastern Austria.

²⁹ Text quoted in telegram 3334, July 9, to the Secretary at Paris, p. 357.

There are attached hereto for your consideration draft instructions to General Clark in accordance with the foregoing explanation. If you approve, General Clark would be also instructed to make the American position known to the Austrian Government before the special meeting of the Austrian Parliament on July 10, and would be authorized to give appropriate publicity to our action in Vienna.

The United States Government has been attempting since October, 1945 to negotiate an agreement defining "German assets" in Austria. These attempts have to date been entirely fruitless for the reason that the Soviet Government has never been willing to discuss this question either in Vienna or elsewhere. You may, therefore, wish to consider the desirability of a message from you to Mr. Stalin, stating that you, as a signer of the Potsdam Agreement, will not recognize the transfer of German assets in Austria to the Soviet Government where such transfer is effected in violation of the Moscow Declaration of 1943 or the United Nations Declaration of January, 1943 on Forced Transfers. If you consider this action to be desirable, the Department of State will draft a message for your consideration.³⁰

DEAN ACHESON

[Enclosure]

DRAFT MESSAGE TO GENERAL CLARK ³¹

Reurad July P-8076, P-8077. You are requested to make following statement to Austrian Government prior to convening of Austrian Parliament on July 10:

"The President of the United States, as one of the signers of the Potsdam Agreement, has directed me to inform the Austrian Government that the United States Government is now prepared to enter into negotiations with the Austrian Government looking towards the renunciation of the United States claim to German assets in Austria as part of a general settlement of German assets in Austria.

"To this end, the United States Government agrees to turn over to the Austrian Government as trustee all German assets in the United States zone pending the conclusion of an agreement. It assures the Austrian Government that all such assets may immediately be used for purposes of reconstruction in Austria without fear of future removals of plant and equipment from the United States zone in Austria under the terms of the Potsdam Agreement.

³⁰ A marginal note reads: "Approved, Harry S. Truman."

³¹ This draft was returned to the Department by President Truman with his handwritten note in the margin suggesting that the message be forwarded to the Secretary of State at Paris, who, if he approved after talking with Bevin and Bidault, should forward message to General Clark.

When Secretary Byrnes received the message he suggested certain modifications to the President. For text as sent to General Clark, see Department of State *Bulletin*, July 21, 1946, p. 123.

"The United States Government also wishes to make clear that it will recognize no transfer of property as conforming to the terms of the Potsdam Agreement which does not also conform to the terms of the United Nations Declaration on Forced Transfers of January 1943 and which does not leave to Austria the sovereign control of an independent country over the resources within its borders, which was envisaged in the Moscow Declaration of 1943."

Following transmission to Austrian Government, you are authorized to give appropriate publicity to the statement.

740.00119 Council/7-946 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

CONFIDENTIAL

WASHINGTON, July 9, 1946—6 p. m.

3334. Secdel 434. For Byrnes. Following is text of USFA cable to War Dept No. P-0877 of July 6, 1946 repeated for your information:

"Austrians first reaction to Soviet Commanders order quoted my unclassified message P-0876,³² declaring all German assets in Eastern Austria had become Soviet state property under Potsdam, was that it gave bulk of all property in Eastern Austria to USSR and stripped entire Austrian economy to point where country's independence impossible. Immediately upon reading it, the Chancellor got in touch with us about our position. I reiterated to him by letter³³ the United States position as is already defined in earlier directives. I also suggested to him that the Austrian Government issue a clear-cut definition of his own conception of the meaning of German assets (which corresponds with ours) for the guidance of Austrians complying with Kurasov's order. I also sent a letter³³ to the Chancellor urging him to block efforts of Soviets to withdraw funds from Vienna banks standing to credit of owners of such seized property. I have also addressed a strong letter to Kurasov pointing out that his order contains no definition of German assets, and that he has persistently refused to discuss such definition with me in spite of the fact that USSR tries to justify its claims on the basis of a United States Government agreement. British informed of my steps.

Peoples Party press did not publish text of order, but merely a statement about it promising Austrian Government would ascertain official status of order. All other Saturday morning papers published text.

Although published 5th July order was dated 27th June, one day before signature of new control agreement.

³² Not printed. For text of order of Soviet Commander in Chief in Austria, Colonel General Kurasov, as quoted by Tass despatch published July 6, 1946 in Red Army newspaper, see Department of State *Bulletin*, July 21, 1946, p. 123.

³³ Not printed.

Special session of cabinet called for this afternoon to consider question of German property. Extraordinary session of Austrian Parliament scheduled for 10th July to bend public expression to Austrian views.

In response to War 92600, I am recommending under Paragraph 9, my message P-0870 dispatched today early public renunciation by the United States of all claims to German assets in Austria, including German interest in enterprises in Austria, under reparations. I feel strongly that such renunciation should be made and indications are that United States Government has this in mind. In view of today's announcement by Soviets that all German assets in their zones will be absorbed by them and the extremely adverse effect of this announcement, I believe that constructive prestige of United States and western policies would be greatly forwarded by our immediate renunciation of claims to German assets in Austria.

I realize that as custodians of such assets for UN nations, the policy could not be implemented without consent of other United Nations countries (besides Soviets). If British and French could be persuaded to make similar pronouncement it would increase pressure in balance to concur. But even without British or French concurrence, and to take full advantage of timing, I ask authority to make the announcement now in name of United States.

If German assets here were turned over to Austria, they could be offset against Austrian claims to property in Germany and reparations nations claims could then all be directed towards Germany.

The effect of this immediate announcement of United States renunciation of German assets would be specially forceful in view of today's Soviet declaration which has caused real consternation here. Controls would still be maintained until agreement other UN Nations to go along and would do more to stimulate business confidence and to restore faith in western orientation lost through Potsdam agreement and failure of UNRRA and South Tyrol than anything else.

Erhardt concurs."

ACHESON

800.4016 DP/7-2546 : Telegram

The Secretary of State to the United States Political Adviser for Austria (Erhardt)

SECRET
US URGENT
NIACT

WASHINGTON, July 25, 1946—6 p. m.

691. I should appreciate it if following personal message from me is transmitted to Gen Clark prior to AC meeting July 26:

My discussion of Austrian treaty with Molotov³⁴ in CFM July 12³⁵ and receipt of your report P-1164 July 13³⁶ and AusPolAd's 948

³⁴ Vyacheslav Mikhailovich Molotov, Minister for Foreign Affairs of the Soviet Union.

³⁵ See volume II.

³⁶ In this telegram, not printed, General Clark reported on the Allied Council meeting of July 12.

July 11³⁷ have impressed me with necessity of proposing in AC a constructive move designed to solve the two questions of denazification and displaced persons. Soviet attitude expressed in AC meeting July 12³⁸ fully corresponds with Molotov's statement in CFM in refusing to submit draft treaty to deputies. He charged that 437,000 "Fascist alien displaced persons" now in Western zone made consideration of treaty impossible and presented security threat to neighboring states. He also charged Nazi laws are still in force in Austria.

I made clear in CFM and reiterated in speech July 15³⁹ US position on DPs, stating that we cannot agree to any action concerning repatriation which conflicts in any way with agreed Allied policy and which fails to distinguish among DPs those categories which supported Allied objectives or were victims of Nazi persecution. Likewise, I consider that we should not agree to forceful repatriation of any Germans resident in Austria prior to *Anschluss*, as stated in your directive. I approve, therefore, your action in AC July 12 in withdrawing resolution on DPs and proposing alternative resolution on denazification. Any solution reached for these two problems should not reflect on work of AC or be used as political weapon by any occupying power against Austrian Govt.

I am informed that Brit member will introduce resolution July 26 calling for AC report on denazification to CFM. Brit FonOff, however, is not convinced that AC can issue an agreed report. In that event, Brit member will propose that majority and minority reports be submitted to CFM. In my estimation, failure of AC to agree to unified report would only serve to delay consideration of Austrian Treaty and would be most undesirable.

In view of difficulties encountered in submitting Austrian treaty, and of objective of completing the liberation of Austria at earliest possible time, I recommend that you introduce into the AC resolutions on the following two items:

1. That a committee be appointed to investigate the progress already made in the denazification of Austria and to recommend what further steps may be required or may be desirable in order to fulfill Allied objectives and to meet the current criticism by the Soviet member of AC and the Soviet Foreign Minister. Such a committee should examine the laws passed by the Austrian Govt as well as analyze the difficulties encountered by the Austrian Govt in carrying out the denazification program. I agree with your statement of policy in the

³⁷ This telegram was undated and was received in Washington on July 6. It contained Gruber's report to the Austrian Parliament regarding the South Tyrol issue and press comments on internal Austrian problems. (863.9111 RR/7-646)

³⁸ The minutes of the meeting of the Allied Council are filed under ALCO/M (46)26.

³⁹ For text of Secretary Byrnes' speech, see *New York Times*, July 16, 1946.

AC July 12 that categories in which alleged Nazis have important positions should be listed and instructions issued to the Austrian Govt to remove them progressively from their positions. Such action would not provide any occupying power with political capital and would be of material assistance to the Austrian Govt. If Brit resolution is consistent with foregoing, you may in your discretion support that rather than introduce a separate US proposal.

2. A committee should also be appointed to investigate the displaced persons problem and to report on the number and general categories of displaced persons in each zone. This committee should likewise recommend realistic steps which can be taken towards repatriation.

After completion of their work, these two committees could submit reports to the AC which in turn would be forwarded to the CFM in order that the Austrian treaty may be discussed at our forthcoming meeting following the peace conference.

In view of the difficulties already encountered in the quadripartite machinery dealing with denazification and displaced persons, I suggest that these two committees be appointed to operate outside the existing quadripartite machinery, although no objection is seen to using AC personnel. The committees should consist of one representative from each of the occupying powers. Furthermore, in order to assist the Austrian Govt in every way, I recommend that the Austrian Govt be associated in both inquiries, leaving to your discretion whether or not you propose that an Austrian member be added to the four-power committee or other provisions made for the cooperation of the Austrian Govt. You should base your proposal for the association of the Austrian Govt on the aims of Article 3 of the new Control Machinery Agreement.

In addition to the measures proposed in the foregoing recommendations, I wish to call to your attention the fact that the full expression of US policy with regard to all categories of refugees and DPs was presented at the London meeting of the executive committee of IGC. A resolution to expand IGC activity to cover emigration and resettlement was adopted July 16. The details of this plan have already been transmitted to you. I realize magnitude of displaced persons question in Austria and fear that any measures which may be taken by AC can not solve this complex problem to the satisfaction of all occupying powers. Therefore, I am considering possibility of requesting IGC to send a commission to Austria to supplement measures taken by AC by formulating exact resettlement scheme. Likewise, I shall recommend to other powers that arrangements be made to give priority to removal of displaced persons from Austria over removal from

Germany (AusPolAd's 1018 July 22).⁴⁰ I shall also call to the attention of the ACC, Berlin, the large numbers of Sudeten Germans and other Volksdeutsche who are now present in Austria, and recommend that steps be taken to absorb Sudeten population under terms of ACC decision of Nov 20, 1945.⁴¹

I wish to express to you my complete approval for your work in the AC not only on these two troublesome questions but in our whole policy for the attainment of Austrian independence.

BYRNES

740.00119 Control (Austria)/8-846 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union
(Smith)*

SECRET

WASHINGTON, August 8, 1946—8 p. m.

U.S. URGENT

1453. Brit *aide-mémoire*⁴² requests that US join Brit Ambassador⁴³ in requesting Soviet FonOff to issue appropriate instructions to High Commissioner Austria to consider proposal for AC report on denazification. Brit proposal originally made July 26 meeting AC⁴⁴ but no action taken in light of failure of Soviet High Commissioner to receive appropriate instructions.

Sec State in personal message to Gen Clark July 25⁴⁵ recommended appointment of four power committee with assistance of Austrian Govt to investigate progress of denazification and report to CFM. Clark authorized at that time to accept Brit proposal if he considered it desirable. Brit envisages issuance majority and minority reports in event failure AC to agree on report on progress of denazification. Dept considers that such action is most undesirable and would perpetuate difficulties now encountered in discussion of Austrian question on four power basis.

Further instructions have been sent Gen Clark to support Brit proposal in AC meeting Aug 9. Dept considers that all possible support should be given to Brit proposal but that formal association in joint *démarche* to Soviet FonOff is not desirable at this time.

Sent to Moscow as 1453; repeated to Vienna as 740.

ACHESON

⁴⁰ Not printed; in this telegram, Mr. Erhardt gave some estimates of the number of unrepatriable DP's in Austria and recommended "that arrangements with other powers be initiated to give priority to removal of displaced persons from Aus over removal from Germany where occupation will continue in any case". (800.4016 DP/7-2246)

⁴¹ See telegram 1066, November 21, 1945, from Berlin, *Foreign Relations*, 1945, vol. III, p. 852.

⁴² Dated August 6, not printed.

⁴³ Frank K. Roberts.

⁴⁴ The minutes of this meeting are filed under ALCO/M(46)27.

⁴⁵ See telegram 691, July 25, *supra*.

740.00119 Council/8-1146: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, August 16, 1946—8 p. m.

4173. Secdel 691. Clark's P-2461 of Aug 10, repeated to Paris, and Erhardt's 1101 of Aug 11,⁴⁶ repeated to Paris as Delsec 171 emphasize gravity present situation Austria, and urgency resolution impasse on German assets and nationalization.

US position is that while Potsdam provided possibility Soviet reparations from German assets Eastern Austria, Austrian decision to nationalize properties in Austria, which might convert reparations payments from ownership interests to (say) current output in goods, is consistent with Potsdam. Potsdam did not, in US view, provide that the Soviets should necessarily get long-run ownership interests, and Austrian sovereignty carries with it normal rights to nationalize on non-discriminatory basis, if compensation is paid. In view Dept, present impasse should be broken at high level as soon as feasible. First step might be early follow-up Paris by Brit on recent note to Moscow re quadripartite definition German assets, with consideration alternatives discussed Erhardt's 1101 Aug 11, should Brit approach fail at this time. You may wish enquire Brit intentions in Paris.

Sent to Paris as 4173 Secdel 691; repeated to Vienna as 769.

ACHESON

840.50 UNRRA/8-2746: Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, August 27, 1946—9 a. m.

[Received August 27—6: 11 a. m.]

1170. There have been discussions among US, civilian and military personnel, with UNRRA and with British in connection with Dort's⁴⁷ visit here. As a result following preliminary conclusions and recommendations have been reached re post UNRRA economic problem. These conclusions shared by General Clark and myself.

Extremely important from standpoint of political and economic stability in Austria that assistance be provided in calendar year 1947 in addition to amount needed to prevent disease and unrest in US zone. Present estimate would indicate minimum need between 125 and 150,000,000 dollars on basis 1550 food ration for normal consumer and

⁴⁶ Neither printed.

⁴⁷ Dallas W. Dort, US delegate to the 4th and 5th sessions of UNRRA Council at Atlantic City and Geneva, 1946; chief relief and rehabilitation policy officer in the Office of the Assistant Secretary of State for Economic Affairs.

reactivation of essential industries. This based on estimated import needs of about 26,000,000 dollars and estimated exports of about 155,000,000. British here appear to be in general agreement on size of deficit and to assume British Government will probably make a contribution if we do.

Any assistance given by US should be on basis direct unilateral arrangement between US and Austrian Government which should include understanding that assistance is intended to be used generally for good of Austria as a whole. US assistance should not be given irrevocably to Austrians but US High Commissioner in Austria should have right to withhold funds at any time if Austrians thru internal political pressure or that of other occupying powers give indication of utilizing assistance or equivalent local resources in an inequitable or improper manner. Believed important that at least part of assistance be available for Austrians to spend in making trade arrangements with their normal sources of supply outside US.

In view of improbability of obtaining funds for such a program if approved prior to early months of next year it is important that arrangements be made, at least for US zone, to maintain shipment of most essential supplies particularly foodstuffs between termination of UNRRA pipeline and shipments under any broader program. Clark has already requested War Dept to make arrangements for such shipments thru military channels.

Clark is obtaining latest information concerning gasoline deliveries by Soviets and has also suggested to Figl that Austrians formally request Russians to turn over for civilian distribution (?) seized estates which are now being held on the land subject to control Red Army. Unless results are satisfactory finding by UNRRA Central Committee of violation of resolution No. 91 should be pressed. Exact type of sanction to be applied probably should be considered later and in meantime maximum publicity given to Central Committee action. Dort will bring with him more detailed information on requirements and recommendations, returning Washington about September 10.

ERHARDT

740.00119 Control (Austria)/8-2946: Telegram

The United States Political Adviser for Austria (Erhardt) to the Secretary of State

SECRET

VIENNA, August 29, 1946—1 p. m.
[Received August 29—7: 55 a. m.]

1184. Russians now beginning to feel new control agreement of 28 June is tending to let power in Austria slip from their hands.

Effect of new control agreement, providing for automatic tacit approval of laws unless unanimously vetoed by Council, has in practice had effect of transferring veto power from Soviet element to US. In AC meeting August 23,⁴⁸ reported in P-3096 through AGWar,⁴⁹ Soviet member introduced six various resolutions all tending to nullify new control agreement by instructing Austrian Govt not to implement it until instructed to do so by (unanimous) instructions from AC. All six were vetoed by western elements.

When such efforts to withhold power from Austrians and regain Soviet veto power in Council fail, Soviets turn to only resort of unilateral action by their forces in own zone under article 2 (d).

New control machinery thus strengthens Austrian Govt as well as western influence in AC. However an unfortunate corollary will be increased reluctance of Soviets to withdraw forces from Austria as long as Potsdam questions are unsettled and they must rely upon occupation forces to enforce their claims to disputed German assets.

Repeated Paris as 189 and Moscow as 54.

ERHARDT

CFM Files

Memorandum of Conversation, by the Assistant Economic Adviser to the United States Delegation at the Paris Peace Conference (Boardman)

SECRET

PARIS, September 4, 1946.

Participants: Mr. Gruber, Prime Minister of Austria⁵⁰
 Mr. Bischoff, Austrian Minister to Paris
 Mr. Thorp⁵¹
 Mr. Boardman

Mr. Gruber called particularly in connection with the transfer of German assets in Austria and Austria's requirements after the termination of UNRRA, but also spoke of other matters, including the U.S. trade proposals.

German Assets

Mr. Gruber said he thought it would ease a difficult situation if the U.K. and U.S. would make a statement clarifying their position on the transfer of German assets in Austria to the U.S.S.R. He said he had made this suggestion to Mr. Turner of the British Control Office and that he (Mr. Gruber) thought it important for the U.S. and

⁴⁸ The minutes of this meeting are filed under ALCO/M (46)30.

⁴⁹ Not printed.

⁵⁰ Mr. Gruber was Minister for Foreign Affairs.

⁵¹ Willard L. Thorp, Deputy to the Under Secretary of State for Economic Affairs.

the U.K. to follow a common policy. He indicated that there was no real question about the facts of what constituted German assets before 1938 and asserted that the Potsdam Agreement referred only to assets which were German before 1938. It was because the Soviets have been taking as German all assets which the Germans seized after the *Anschluss*, legally or illegally, that Mr. Gruber hoped that a statement would be made to the effect that holdings obtained after 1938 should in principle be considered Austrian unless the claimant could prove otherwise. Mr. Thorp said that a similar burden of proof question might come up at the conference, but that the U.S. position in general was to assume that if property had been moved to an enemy country from another, it had been done by force. He said that the last he knew, we were going to treat transfers in Austria on a case by case basis. Mr. Gruber considered this policy satisfactory, but pointed out that the U.S.S.R. has stated that this is not a problem for the four powers. In answer to Mr. Thorp's questions as to the British and French positions, Mr. Gruber said that the British favored a quadripartite determination as to what German assets are (this being opposed by the Soviets), but that the French usually end by siding with Soviet views on property questions. He agreed with Mr. Thorp that it might be difficult for the French to do otherwise in view of their interests in other areas.

In answer to a question as to the extent of direct investments of capital and machinery made by the Germans in Austria after 1938, Mr. Gruber said there had been quite a few and cited the cases of an aircraft factory and of a chemical works. In answer to another question, he replied that he knew of no case in which the Soviets had returned property which had had German owners only for a short period, and agreed with Mr. Thorp that the Soviets seemed to be taking every opportunity to seize or hold shares in which there had been any German flavor. He said the U.S.S.R. had taken over the Danubian Shipping Company by force and without just compensation, although it had been an Austrian company for 150 years. This had been made a 50-50 company with a Soviet Director General and was being run as a monopoly which would be tied in with other such companies in other Danubian states. Mr. Gruber noted that the Austrians were opposing the formation of these 50-50 companies. He thought that one advantage of a declaration would be to give the public a chance to know that the Austrians were not willfully entering into this type of exclusive trade, but were doing it only under Soviet pressure.

Post-UNRRA Problems

Mr. Gruber indicated that Austria's problems would be serious after the cutting off of UNRRA shipments and that this was the

main reason for his visit. He said that Austria needed purchasing power. It wanted to build up its tourist trade which used to make up one-fourth of its budget, but it needed materials and food first. There was a vicious circle. Mr. Thorp described the background of the decision to discontinue UNRRA. Nevertheless, Mr. Thorp said, it was recognized that Austria, Italy and perhaps Greece would have to have some kind of assistance. He added that we had a great desire to help Austria, although the circumstances have been against it. The problem of providing assistance would be difficult because, unless help could be obtained from the army, there might have to be a new appropriation of funds. In sum, Mr. Thorp said that we were aware of the problem and had developed some estimates of requirements but that the last he knew we did not have any specific program to succeed that of UNRRA. He said he would gladly cable to Washington on the matter. Later, he noted that we might have difficulties in sending in food on a basis comparable to UNRRA. He inquired what the Austrian view, in case there were no other facilities, would be towards some kind of a long range credit arrangement. Mr. Thorp made it clear that he was not suggesting this officially. Mr. Gruber indicated that he did not mind how the machinery was worked out; the important thing was to get food.

Mr. Gruber said it was hard for him to say what estimates of requirements were available. UNRRA help for the present year was \$117 million. He said he would take this up in Vienna, though he was not sure how to communicate information that might be available. He said that the greatest need was for foodstuffs, particularly grains and fats. UNRRA shipments might continue until March or April. The great need would probably be between February and July of next year at which time the harvest would start coming in. Whether or not Austria could then take care of its agricultural requirements would depend on how much had to go to neighbors and how free the market was. Coal was also needed; some was being obtained from the Ruhr in exchange for electric power from Western Austria. Raw materials were another need. Mr. Gruber mentioned Austria's arrangement for importing cotton from the U.S., paid for with the proceeds of textiles into which it was manufactured, and said that a similar arrangement was being made with Great Britain on wool. Some machinery was needed. A lot of rolling stock had been taken away, but Austria had a number of repair shops with which it could restore what remained. The country was short of gasoline, for which it had to apply to the U.S.S.R. authorities. The Soviets were ship-

ping 30,000 tons of Austrian crude oil a month to Germany and Czechoslovakia. In reply to Mr. Thorp's question, Mr. Gruber said that the number of occupying troops had been reduced from 200,000 to 100,000 and that he thought it was now stabilized at the latter figure. He added that a third of the Austrian budget went to the provisioning of troops.

As to health, Mr. Gruber said that on the whole the condition of the Austrians had not been too bad during most of the war and that it must be admitted the Germans had treated Austria better than other countries under German domination. Conditions had been bad, however, when the Germans left, destroying or taking food and equipment with them. After the liberation it had been hard to organize the food supply. There had been some epidemics from the East, and one month last winter, one-third of the children born did not live.

Trade

Mr. Gruber said that Austria had started to export again. He mentioned magnesite, timber, electric power, special steel for tools, and some finished goods. He said that Austria had many skilled workers and that rather than try to develop mass production it wanted to build up its production and exports of specialized goods. He felt that Austria could do considerable trade with the United States, and Mr. Thorp agreed that the United States should be a good market for Austrian goods, pointing out that American middle class purchasing power had grown considerably. Mr. Gruber also felt that Austria's tourist trade was important to rebuild.

In a discussion of the extent of Austria's inability to be self-supporting, Mr. Thorp remarked that purely from an economic point of view it probably would have been better not to break up the Austro-Hungarian Empire. Mr. Gruber expressed agreement and said he did not think Hitler could have accomplished what he did if the Empire had not been broken up. Mr. Gruber then said he thought Mr. Clayton's trade proposals were the only hope. Mr. Thorp commented briefly on the problem raised by the U.S.S.R., which by itself has never been important in world trade, and by India, Australia and some of the Latin American countries which wish to industrialize and protect their infant industries. Mr. Gruber seemed appreciative of the problems but nevertheless anxious to see the establishment of conditions which would permit more or less free trade.

740.00119 Council/9-646: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, September 6, 1946—8 p. m.

U.S. URGENT NIACT

4662. Secdel 842. For Oliver.⁵² Subject is Gruber's desire to postpone implementation of Austrian Nationalization Law, to exempt United Nations property and pre-*Anschluss* German assets from law and to have promulgation of French, British, US definition of German assets for use in influencing Soviet position (teletype conference with Oliver).

Dept fails to see how proposal reduces Austrian difficulties in eastern zone since German assets there on which dispute exists are post-*Anschluss*. Dept also does not desire to admit any necessity for change of legal position taken by Gen Clark in AC,⁵³ with respect to legality of Austrian law nationalizing German assets title to which had passed to United Nations, or nationalizing United Nations property without consultation with USACA. Finally, Dept is supporting Brit approach to Paris, Washington and Moscow for settlement of definition German assets at Paris, chances for success of which are enhanced by taking effect of Austrian law which is embarrassing to Soviet Union as well as to Austria. Latter also applies to Gruber's proposal of tripartite definition German assets which Dept wishes to consider only after it is evident that quadripartite solution is impossible.

For these reasons, Dept disinclined to encourage Gruber in his proposals, although should Austrian Govt desire to withdraw from present position, Dept does not consider it can actively oppose. If Austrian Govt does introduce matter in Parliament, it should not give away primary bargaining point by loosely defining United Nations property. "United Nations Property" should exclude property claimed as German assets under Potsdam. Dept would be prepared to support an Austrian proposal to exempt from nationalization law at this time all United Nations property and all properties determined by AC to be German assets. In view of Soviet insistence to Austrians on bilateral negotiations, however, doubt whether Gruber would be interested.

⁵² Covey T. Oliver, Associate Chief of the Division of German and Austrian Economic Affairs; Economic Adviser to the Council of Foreign Ministers in Paris.

⁵³ General Clark's comments and discussions in the Allied Council regarding the Austrian law nationalizing German assets, which, in his opinion, did not violate the Allied Control Agreement, are in the minutes of the meeting of the Allied Council of August 9, ALCO/M(46)29, and of August 23, ALCO/M(46)30.

Urgently advise your direct communication Erhardt to obtain his and Clark's comments on Dept's views sent concurrently.⁵⁴
Sent to Paris as 4662; repeated to Vienna as 822.

CLAYTON

863.51/9-1746

Memorandum of Conversation, by the Acting Director of the Office of Economic Security Policy (Kindleberger)

WASHINGTON, September 17, 1946.

Participants: Acting Secretary Clayton
Assistant Secretary, General Hilldring
US High Commissioner to Austria, General Mark W. Clark
Minister to Austria, Mr. Erhardt
EUR—Mr. Culbertson⁵⁵
ESP—Mr. Kindleberger
A-C—Mr. McGhee
A-C—Mr. Howe

The discussion turned almost entirely on two subjects:

- (a) US financial aid to Austria in 1947.
- (b) Negotiation with the USSR on the question of German assets in Austria.

On the first of these topics, General Clark stated that his estimates showed that Austria needed approximately \$150,000,000 in 1947. He was aware of the War Department proposals for an appropriation meeting the requirements of the US zone for "disease and unrest". In his view, however, a larger amount was required which should be spent for Austria as a whole. The US, UK and if other countries such as Canada were willing to contribute, should be prepared to make up the entire amount. If this were the case, he thought he could elicit

⁵⁴ In telegram 4718, Delsec 967, September 20, from Paris, Ambassador Caffery reported that the Soviets in their reply of August 15 had rejected the British proposals of July 24 on a quadripartite definition of German assets in Austria. "Refusal of Soviets to admit application of UN declaration on forced transfers . . . is clear indication that Soviets will insist on bilateral negotiations with Austrians and will seek permanent controls over Austria." Mr. Caffery further reported that the British had advanced a new proposal for discussion, i.e., to list Austrian enterprises in all zones according to the degree of their German ownership. This proposal departed from the US and UK position to attain quadripartite definition of German assets. Inasmuch as there was very little chance for a Soviet agreement, Caffery suggested a tripartite definition of assets as an alternative policy. "This definition," he asserted, "could be used as basis of policy for economic reconstruction in western zones and would immeasurably strengthen hand of Austrian Govt in possible bilateral negotiations with Soviets." (740.00119 Council/9-2046)

⁵⁵ Paul T. Culbertson, Chief of the Division of Western European Affairs.

contributions from the USSR and France. The funds should be made available to the High Commissioner, who could cut off their expenditure in any one zone where domestic resources were drawn off by an occupying power. He agreed with the view that it might be desirable to handle procurement from the United States and the US zone of Germany through the War Department; some free funds should be made available as such to the Austria government for expenditure in Eastern Europe to enable Austria to obtain better bargains there.

The Acting Secretary agreed that the Department would make an effort to obtain a deficiency appropriation from Congress for the purposes indicated. This effort would commence when Congress met at the end of November, and might even be preceded by individual discussions with members of important congressional committees. General Hilldring agreed to raise the matter with Representative Cannon of the House Appropriations Subcommittee during the course of his rail trip to San Francisco at the end of the month.⁵⁶

General Clark asked whether the Department had a view as to new steps which might be taken by USACA or the Department regarding the problem of German assets in Austria. He confessed that he had exhausted every avenue for negotiation on this topic which he thought was open without success. General Hilldring suggested that a further announcement might be made to the effect that the US, UK and France renounced their claims to German assets in Austria, possibly excepting such assets as those of DDSG in western Austria and the prewar US oil interests in eastern Austria. Mr. Kindleberger suggested that in addition to this suggestion three possible courses lay open: to withdraw our earlier objections to bilateral negotiations between the Austrian government and the USSR; to postpone the whole issue until the treaty with Austria; to propose a new *ad hoc* solution to the USSR, based on equities, rather than on past interpretations of the Potsdam Agreement. It was agreed that Mr. Erhardt and Mr. Kindleberger, together with other interested divisions in the Department, would explore these various possibilities. General Clark made the point that provision of a loan or grant-in-aid to cover the 1947 deficit in Austria would strengthen his hand in dealing with the USSR element of ACA on German assets.

The point was made that the US aim of creating an economically and politically independent Austria could probably not be achieved by itself and irrespective of other outstanding European problems, due to the fact that Austria lies partly in eastern and partly in western Europe. The US therefore had a choice between backing out of

⁵⁶ Assistant Secretary of State John H. Hilldring went to San Francisco to address the American Legion Convention on September 30, 1946.

Austria now, or attempting to keep the position in Austria open for a few years in the hope of reaching a more satisfactory solution later as part of a general settlement.

General Clark mentioned that he was preparing to negotiate in ACA a further reduction in the USSR share in Austrian occupation costs—reducing the proportion of total occupation costs from 25% to 20% of the government budget, and putting the USSR on the basis of equality with the other forces, as contrasted with 3:1:1:1. He had tried and failed to use occupation costs as a lever to bargain with the USSR on German assets in Austria in July, where the Soviet answer to his initiative was to refuse US forces the opportunity to repair their communications into Vienna from the US zone, and to give an indication of their readiness to shut off supply lines of food.

840.50 UNRRA/9-2046

Memorandum of Conversation, by Mr. Coburn B. Kidd of the Division of Central European Affairs

[WASHINGTON,] September 20, 1946.

Subject: Austrian Economic and Political Situation

Participants: U-E—Mr. Clayton ⁵⁷

Dr. Ludwig Kleinwaechter, Austrian Political Representative to the United States

CE—Coburn Kidd

Dr. Kleinwaechter opened the conversation by expressing his Government's concern about the Austrian situation upon termination of the UNRRA program. It was felt that the months January to March would be especially critical, owing to the draining of the UNRRA pipe line sooner than had been counted upon.

Mr. Clayton stated that the Department had the problem under consideration and was actively studying ways and means of alleviating the situation when UNRRA ceased. The Department intended to make an approach to Congress for financial assistance for Austria. If Congress convened in November, the matter would be taken up at that time. It was thought that the Eximbank loan and the FLC credit might be of help to Austria before the larger relief program could be acted upon.

Dr. Kleinwaechter mentioned his understanding that the proceeds of an Eximbank loan would not be available for relief needs in the critical period, since such a loan is provided for reconstruction purposes mainly. In connection with the Eximbank loan, Dr. Klein-

⁵⁷ William L. Clayton, Under Secretary of State for Economic Affairs.

waechter stated that strictly industrial needs, for raw materials and capital equipment, were estimated in the neighborhood of 80 to 100 million dollars. The application for an Eximbank loan to the amount of 50 million dollars had been made on the assumption that this, coupled with an FLC credit of perhaps 25 million dollars, would substantially cover the amount required for reconstruction purposes. He understood, however, that even the initial 10 million dollar FLC credit had not been fully utilized owing to the inability of the Austrian Government to provide dollar funds for the transportation costs of moving the equipment to Austria.

Mr. Kidd stated that inquiries and suggested alternatives had been addressed to the field, and the Department was at present awaiting replies, on the basis of which some solution might be devised for the transportation cost problem.

Dr. Kleinwaechter mentioned that he had seen a number of figures referred to in connection with the Eximbank loan, 25 million and 35 million dollars, as well as the 50 million dollars for which the Austrian Government was applying.

Mr. Clayton stated that the precise figure was still under consideration, and had not been decided upon since the Austrian application had been received only within the past few days. With the establishment of the International Bank, it was thought that countries would not have to rely upon the Eximbank, since one of the purposes of the International Bank was to provide loans for reconstruction.

Dr. Kleinwaechter was not sure whether his Government could apply to the International Bank since Austria was not a member, nor a member of the United Nations. A similar difficulty had already arisen in connection with ILO, where the Soviet representative on the AC had prevented Austria's acceptance of an invitation to become a member of the ILO, on the grounds that Austria was not yet a member of the UN.

Mr. Clayton stated that he understood that Italy was applying for membership in the International Bank, and that if Italy could, though not a member of the UN, he saw no reason why Austria also should not apply for an International Bank loan. Mr. Clayton expressed a desire for Mr. Ness to prepare a memorandum on this point for his information. He would also like Mr. Ness to review the situation with reference to the Eximbank loan in the light of possible Austrian membership in or exclusion from the International Bank. With reference to the application for a Congressional grant for Austria, Mr. Ness might desire to get in touch with Colonel Tyler Wood, and might also advise whether it would be possible to increase the Austrian allocation of UNRRA funds. Mr. Clayton referred to the difficulties of

obtaining a Congressional grant, but expressed the Department's understanding of Austria's position and intention to help where possible.

Dr. Kleinwaechter wished to inquire about the possible change in this Government's policy in the light of Mr. Wallace's statements.⁵⁸ His Government felt apprehensive lest a new policy would occasion further delay in the Austrian treaty and would encourage the Soviet opposition to an early conclusion of the treaty.

Mr. Clayton stated that this matter had been entirely cleared up as of this morning. Mr. Wallace submitted his resignation, and the President had issued a statement in which there was no doubt of the continuance of this Government's past policy and of the President's support of Mr. Byrnes.⁵⁹ Dr. Kleinwaechter expressed his great satisfaction that the matter was now entirely clear.

740.00119 Council/9-2046 : Telegram

The Acting Secretary of State to the Chargé in Austria (Denby)

SECRET

WASHINGTON, October 10, 1946—7 p. m.

917. Paristel 4175, Delsec 966, reptd Vienna as 141; 4718, Delsec 967, reptd Vienna as 142, Sep 20; and urtel 1294, reptd Paris as 217 Sep 30.⁶⁰ Dept has had several conferences with Erhardt on Ger assets problem. Dept approves Gruber's submission third restitution law to Parliament and if law discussed in AC US representative should uphold right Aus to enact law without endorsement Aus definition Ger assets therein before US definition formulated and perhaps tripartite definition agreed upon. In event that Soviet declines implement law in Sov zone, you may at your discretion permit implementation law in your zone provided you consider it favors Am objectives.

Proposal urtel 1294 about simple formula defining assets acceptable in principle. Suggest you and Brit and France prepare joint draft for submission to your Govts. Dept meanwhile also formulating provisional definition which will be forwarded Vienna for your assistance.

Re Brit proposal Dept has little confidence that under present conditions Sovs disposed accept any suggestion contrary to their claim to determine themselves what constitutes Ger asset. In view Gruber

⁵⁸ This is a reference to a speech by Secretary of Commerce Henry A. Wallace at Madison Square Garden in New York City on September 12, 1946; for text, see *New York Times*, September 13, 1946.

⁵⁹ See *Public Papers of the Presidents of the United States: Harry S. Truman, 1946* (Washington, Government Printing Office, 1962), p. 431.

⁶⁰ None printed.

preference to try Restitution Law now Dept suggests that Brit be approached to withhold their proposal at this time.

Advisability possible use Brit proposal later should be considered in tripartite discussions concerning definition. Believe that tripartite definition would in certain respects modify Brit scheme. Please consider advisability trying Brit proposal thus modified before actual implementation tripartite definition in Am Zone or green light on bilateral Sov-Aus arrangement. Employment tripartite definition in connection with possible bilateral Austro-Sov negotiations and its future implementation in Western zones is under urgent study by Dept, which feels final decisions will be affected by outcome conversations with UK and France.

In connection with Brit proposal, important include provision specifically stating that any property acquired by foreign power should be subject Aus law.

Sent to Vienna as 917; repton Paris as 5451 Secdel 1096.

ACHESON

740.00119 Council/10-2146

The Department of State to the British Embassy

AIDE-MÉMOIRE

In response to the British Embassy's *aide-mémoire* of October 21, 1946⁶¹ relative to a discussion on Austria in the forthcoming Council of Foreign Ministers in November, the Department of State agrees with the United Kingdom Government that an attempt should be made to effect a discussion of Austrian questions, and in particular the draft treaty, as soon as possible.

Proposal (a) on page 1 of the *aide-mémoire* under reference seems to the Department of State to be the best initial approach.⁶² The Department of State likewise agrees that it will be desirable for the Council of Foreign Ministers to concentrate upon the wider aspects of reestablishing a free and independent Austria rather than debating secondary objections which may be advanced. However, the Department of State also agrees that the questions of displaced persons and denazification are likely to be raised by the Soviet representative and concurs in the general approach to these problems as suggested in the

⁶¹ Not printed.

⁶² This passage reads as follows: "To propose at the previous meeting of the Council of Foreign Ministers, at which the peace treaties with the former German satellite states are to be discussed, that Austrian questions, including that of a treaty, should be placed on the agenda of the meeting to discuss Germany." (740.00119 Council/10-2146)

aide-mémoire.⁶³ It is inevitable that the solution to the problem of displaced persons will take a considerable time. The American Government is making all possible efforts to solve this urgent problem and furthermore hopes that the International Refugee Organization, when it comes into operation, will likewise assist.

With respect to the denazification problem in Austria, the Department of State has not been informed of any recent action on the part of the Allied Council in Vienna, where it is understood that the British, American, and French representatives, after expressions of general approval of the new law, agreed with the Soviet representatives' proposal to refer the text to the Executive Committee for further study, in view of the Soviet element's dissatisfaction with the progress of the denazification program. If upon the report of the Executive Committee Soviet approval is still withheld it might be advisable to attempt to ascertain in the forthcoming meeting of the Council of Foreign Ministers what the Soviet objections are to the proposed Austrian legislation and to see if any specific objections cannot be met.

In addition to the displaced persons and denazification problems, which the Soviet representatives may well be prepared to discuss, the Department of State considers it not unlikely that the Soviet Government views the German assets question as a specific point on which they would wish to be satisfied before public consideration of an Austrian treaty. In this connection, it is recalled that this Government has indicated the lines along which it would desire the German assets question to be settled in Part XIV of the proposed draft treaty for Reinstatement of an Independent and Democratic Austria.

The Department of State is in general agreement with paragraph 3 and 4 of the Embassy's *aide-mémoire* of October 21, 1946.⁶⁴

WASHINGTON, October 31, 1946.

⁶³ Regarding displaced persons the British *aide-mémoire* suggested that the problem should be explained to the Soviet representative, "informing him of what has been and is being done, and representing to him that the problem still remaining is one that must be dealt with by the International Refugees Organization." On the denazification problem, the *aide-mémoire* recalled that "endeavours have been made to have an agreed report on denazification prepared by the Allied Council in Vienna for transmission to the Council of Foreign Ministers." In both instances, the delay encountered by these problems should not prevent the conclusion of a treaty. (740.00119 Council/10-2146)

⁶⁴ The key sections of these paragraphs are as follows:

"3. The fundamental view of His Majesty's Government is, however, that the case for the early conclusion of a treaty should be based on the ground that this is in the interest of Austria herself, of the occupying powers (which naturally wish to reduce their commitments), and of Central and Danubian Europe as a whole, which depends to so great an extent on Austria's recovery. . . ."

"4. As the United States Government will be aware, Soviet pressure on Austria has increased over the past three months and, with the threatened food crisis and the approach of winter, conditions may become so difficult as to weaken the will of the Austrians to maintain their independence. His Majesty's Government has no doubt that the United States Government shares its keen desire to produce a relaxation of pressure by means of the early conclusion of a treaty. . . ."

863.00/11-2746

*The Minister in Austria (Erhardt) to the Secretary of State*SECRET
No. 2079VIENNA, November 27, 1946.
[Received December 20.]

SIR: I have the honor to refer to a report on general conditions in Austria forwarded to the Department at the end of July 1946,⁶⁵ at which time the Austrian people had experienced 15 months of liberation from Nazi domination. To a considerable extent, they had placed the experience of that great release behind them. They were prepared for the next step, namely to be "liberated from their liberators".

There has been little change in public opinion since then. The Austrians are as tired and apprehensive as ever, and as anxiously desirous of achieving freedom at an early date. If there is any change it is in the direction of a further loss of confidence and an increase in skepticism.

It is a year ago now since President Renner, in a public speech at Salzburg, said that he thought of Austria as a rowboat in a stormy sea, and the occupation powers as a crew of four elephants, each pulling in a different direction. His description was considered very daring then, but it would currently be accepted, by Allies and Austrians alike, merely as a rather fanciful statement of the obvious.

Austria, as the first free country to fall a victim to Nazi aggression, should, in the Austrian view, have been the one most deserving of consideration, and yet the fact is that the country has stagnated since the end of the war. There has been no substantial revival of trade. The standard of nourishment is below that of any other European country. In contrast to conditions reported to exist in Prague or Budapest, the capital city of Vienna is still half dead.

The Austrians are not unaware of their own faults and of the past ideological mistakes for which retribution must be made, but they are also increasingly outspoken in their blame of the Allies for dilatoriness in implementing the Moscow Declaration of 1943. They blame all the Allies, but think primarily of the Russians as the chief culprits. In 1925, the League of Nations sent an economic mission to Austria, headed by the British economist Sir Walter Layton and the French economist Professor Charles Rist, to answer the question: "Is Austria viable?" It replied, rather hesitatingly, in the affirmative.

Today the question is not whether Austria is capable of living. Today the question is whether the country will be allowed to live, that is to say, whether Austria will be allowed by the Russians to

⁶⁵ Not printed.

live, in the way in which the Austrians desire to do so, namely as a politically and economically independent people. The Austrians hope, of course, they can survive, but feel that it will be a stiff fight for every regained position. In the view of Dr. Karl Gruber, the Foreign Minister, it will be a ten years' struggle to loosen the Soviet grip on the economy of the country.

By contrast with Soviet Russia, relations with the other three powers, but especially with the United States, are about as good as one could expect the necessarily somewhat strained relations to be between the local population and the foreign forces in occupation of the country. The attitude of the United States was restated by General Clark in an Armistice Day announcement made on November 11, 1946. He said that the American people had accepted the mission of helping the Austrian people as a trust, and his sincere words were accepted by the great majority of Austrians as a statement of fact.

On October 24, 1946, a Soviet diplomatic spokesman in Vienna charged the Western Allies with failure to have a full or sympathetic understanding of Russia's position in Austria. He especially charged the United States with carrying on a propaganda campaign to present the United States as a "ready-to-help Angel" and the Soviet as a "devil stripping the land". The Russian spokesman could hardly have expressed more succinctly a widely held Austrian viewpoint in regard to the policies being pursued by these two of the four occupying powers.

The British and the French have made places for themselves between these two extremes. Both these powers periodically express sympathy for Austria and state that they recognize the need for the conclusion of a treaty, accompanied by a drastic reduction in the size of the occupation forces, "as soon as possible". The British for almost all practical purposes are very close to us. As a matter of legal theory they do not consider Austria to be a liberated area, as the United States does, and a British Foreign Office spokesman stated on October 31, 1946, that it was not yet clear whether, under the proposed treaty, Austria would be considered an ex-belligerent. It cannot be said that either the British or the French have to the same degree the conception of trusteeship which animates the United States. For the most part, the French join with the British and the Americans against the Russian Element in the Allied Commission, but quite frequently also they join the Russians in a repressive or checking attitude. The French have quite a realistic approach to the Austrian problem, and are not guiltless of the removal of foodstuffs and other goods from Vorarlberg into France, in amounts which seem small only by comparison with the Russian removals

The chief cause of Austrian complaint against the outside world continues to be the unwillingness of the Soviet authorities to discuss a settlement of the reparations issue in their zone, and to accept a reasonable definition of German assets under the Potsdam Declaration. In the absence of this information, Austria does not yet know what assets she herself controls and so no real start can be made toward Austrian recovery. The Russians remain unwilling to countenance quadripartite jurisdiction when their own interests are affected. When they wish to do so, they ignore the spirit and at times also the letter of the Control Agreement of June 28, 1946, and by stubbornly independent action in this respect, they have made it clear that a major point of Soviet policy is to retain economic control of Eastern Austria. The task of ousting them has not yet been entered upon.

The reverse process, on the contrary, is still in operation. The Soviet occupation forces are digging themselves in more firmly than ever. Since July last, Soviet authorities have continued to take possession of factories in the Russian zone, again including some whose German ownership is highly questionable. The total, to date, is in the neighborhood of 200. It is true that the Soviets recently announced the intention of handing back to the Austrians three or four factories but they were relatively unimportant ones, and it is believed that Soviet motives were (*a*) to escape some of the unfavorable publicity which their actions have provoked and (*b*) to hold out an inducement to the Austrian Government for giving them clear legal title to the bulk of the property they have taken.

The possession of clear legal title, unnecessary during the occupation period, would be of importance if the troops were withdrawn, and obtaining legal title to the German assets claimed, may be one of the conditions which the USSR will wish to have met before the Soviet Government signs a treaty with Austria, and withdraws its troops.

The Austrian Government has prepared three Restitution Laws providing for the restitution of property to persons wrongfully deprived of it by the Germans. The first of these laws became effective automatically in September 1946. The Soviet authorities opposed it as contrary to the Potsdam Declaration and to the Control Agreement of June 28, 1946, and stated that it would not be recognized in the Russian zone. They will probably take the same position regarding the Second and Third Laws. This state of affairs may increase the danger of an ultimate partition of Austria, but it may also increase slightly the pressure on the Soviets to come to a settlement on German assets.

In July 1946, Bevin proposed to Molotov that German assets be defined as (a) pre-*Anschluss* German shares in enterprises in Austria and (b) German shares in industrial and commercial enterprises established in Austria since 1938 by the Germans. The definition expressly excluded private property and financial institutions. Molotov in August emphatically rejected the definition.

In October, this Mission was authorized to endeavor to work out with the British and French representatives here a new proposal for a definition of German assets in Austria and for procedures for disposing of them. The essential idea is to secure prompt agreed action at least by the United States, the United Kingdom, and France, and, assuming that the Soviet authorities will refuse to join in a quadripartite settlement, to put as much pressure as possible on the Soviet authorities to keep them in line with the settlement agreed upon by all the others. Tripartite discussions are now under way. The project illustrates the frequent current alignment of three powers on the one side and the fourth power on the other.

A year ago, it was thought that the four powers together gradually would reach agreement in the Allied Council on the progressive relinquishment of their supervisory and operational control. However, as the months have worn on, little common ground for such action has been found. In issue after issue involving the principle of an advance toward Austrian independence, the Russians have shown themselves to be opposed to the other powers, and many Austrians have come to believe that the Russians intend either to disrupt Austrian industry in such a way as to foster a swing toward Communism, or else, before evacuating their military forces, to gain so secure a place in the local industry that Austria will eventually have to submit to Russian political domination.

The following cases illustrate the Russian method of operation. One concerns navigation on the Danube and the Danube Shipping Company. The Russian representative in Vienna concerned with Danube matters stated, after protracted quadripartite discussion, that all questions involving the river were decided in Moscow, and that in the absence of instructions he himself could not discuss any phase of the matter. He also said that, contrary to the U.S. understanding, the Russian control of this section of the river was not centered in Budapest. Initiative by the American element in the Allied Commission, to revive discussion of traffic *within* Austria was defeated by the Soviets on the ground that this subject formed part of an international question with which the Allied Commission was incompetent to deal. It thus appears at this time to be unlikely that the Russians will enter in Vienna into any discussion of free navigation, either on a bilateral or quadrilateral basis.

The second illustration concerns developments connected with American oil interests. Despite the efforts of the American and British oil companies, strongly supported by the American military element, to obtain payment of some 15 to 20 million schillings due the American companies for deliveries of refined products, no payments have yet been made by the Soviets. The American companies have also been placed in a difficult position by a raise ordered by the Soviets of 10% in the price of crude ordered, as well as by the introduction of a Soviet jobbing organization which takes a substantial unearned profit. The American plants are now living on their cash deposits in Austria, which are not expected to last, under present conditions, more than a few months. No results, furthermore, have been achieved in efforts to recover from the Russians valuable American exploration rights.

The scope for effective activity by the Austrian authorities in establishing their independence is limited by vulnerability in several important directions. Denazification can be said by the Russians not yet to have been completed, and this reason is among the most plausible of those advanced for delaying any relaxation in Allied Control. After prolonged efforts, agreement was reached by the three Austrian political parties on the text of a denazification law, which was submitted to the Allied Council on August 6, 1946.⁶⁶ It is now bogged down in quadripartite working committees, in spite of the efforts of the U.S. Element to hasten deliberations on it. The Displaced Persons problem can likewise be said to continue to constitute a threat of disorder, requiring Allied attention.

A heavy burden on Austrian official shoulders is the fact that Austria is dependent on material assistance from the outside, and if assistance should not be given from the West (which would be the preferred solution) it will have to be sought in the East, even at a high cost in terms of economic freedom. After the war was over, the Austrian people were able to set economic rehabilitation in motion but only with the help of the Allies, and later of UNRRA, and no lasting reconstruction will be possible without help from abroad.

Chancellor Figl, who has a stout heart and a sanguine temperament, in spite of or perhaps because of his endurance of nearly seven years in concentration camps, is among those Austrian leaders who are confident that the country can, in the long run and in spite of current difficulties, arrive at a sound equilibrium in its economy. There is no doubt that the indigenous products of the country are of first-rate

⁶⁶ The Austrian Parliament passed the Denazification Law on July 24, 1946. It was discussed in the Allied Council meetings of October 11, October 25, November 15, November 29, and December 13, 1946.

quality, and that thanks to the normally high capacity of Austrian labor, they can compete on the world market. Promising developments in this respect in September and October, included the conclusion of agreements with Poland, Great Britain, and France, for exchanges of Austrian lumber and metallurgic, steel and electrical products, etc. for needed articles from abroad. Austrian agricultural production should be able to reach the pre-war level within a few years. An artificial insemination project, suggested by U.S. authorities, is to go into operation before the end of 1946, to assist in the rapid rebuilding of the depleted livestock industry. The hoped-for development of Austria's trade relations with its eastern neighbors, under safeguards from the political angle; increased production of domestic electric power; and, if ownership difficulties can be overcome, the development of the oil industry; together with the hoped-for revival of the tourist trade, are among the other factors which should assist in consolidating the country's position more firmly than before 1938.

The above is the long view, optimistically expressed. Meanwhile, the [*and?*] coinciding with the first cold spell of the present season, the Austrian Government announced, at the end of October, that the country was approaching one of the grimmest winters in its modern history. Austrian officials warned that epidemics were to be anticipated among the underweight populace. The statement was added that Austrian clinics and hospitals had available the inadequate total of only 5,500 beds for all of Austria.

The unfavorable situation in which Austria finds herself at present was seen, in October 1946, to continue to arise from the following causes: There is a shortage of professionally trained labor, due to the fact that only part of the Austrian prisoners of war have returned so far. (Most POWs have already returned from the West, but very few as yet from Russia and Yugoslavia). An efficient use of the available labor furthermore is impeded by insufficient nutrition, even at the higher ration scale of 1550 calories (raised from 1200) which went into effect in October as a temporary measure, under pressure of public unrest. The transportation and distribution of local products is very much retarded and hampered by the continuing division of Austria into the four occupation zones. It is true that the Allied Council unanimously agreed in October to recognize the right of the Austrian Government to control all indigenous resources in Austria and to utilize them fully in the Austrian economy, but the promise has as yet by no means been fully implemented, owing to Russian actions. The occupation costs, amounting to 30% of the budget, represent a serious obstacle to the stabilization of the currency. There is also great uncertainty regarding the ownership rights of property, as already mentioned.

The above subjects were among the eleven points listed as matters requiring urgent attention, in a Resolution unanimously adopted at a secret session of the Austrian Parliament on October 30, 1946. In a public session which followed immediately thereafter, Chancellor Figl characterized the present situation as the most critical in Austria's history. Thus the end of October was also a very critical period in the history of the Figl Government, but fortunately the successful outcome of the secret session amounted to a vote of confidence. The strong Austrian Socialist Party, whose membership has increased by over 100,000 since the beginning of the year, decided to continue to give its support to the present coalition. The Socialists feel that it would be as well for the Peoples' Party, rather than themselves, to bear the brunt of the coming winter's difficulties.

UNRRA relief is to cease on December 31, 1946 or soon thereafter. In a letter of October 31, 1946, to the Allied Council, Chancellor Figl submitted estimates showing the dangerous character of the situation which will then arise, unless provisions are made for the granting of sufficient loans. Necessary imports for 1947 are currently estimated at \$293,000,000. Nearly half of this total, namely \$121,000,000, is for foodstuffs on the basis of a 1550 calorie rate. Exports, mainly of metals, ores, machinery, and textiles, are estimated at \$115,000,000. This calculation results in a Balance of Trade deficit of \$178,000,000, which the Austrian Government has, at present, no funds to cover, and which, large as it is, probably is by now an underestimate by \$30,000,000 or more, in view of the rise in the price of the desired imports since the estimates were made.

Meanwhile the Austrians have tried to augment their external resources in various ways. They have made a claim for their share of the gold pot.⁶⁷ Barter Agreements have been concluded but imports have been small. Clearings agreements are almost negligible in value. The recent loan extended by the British for 1.5 million pounds sterling is supplemented by credit for surplus goods worth about half as much again. Negotiations over the \$50 million Export Import credit are regarded as of critical importance as are the current discussions of possible aid totalling \$150 million.

A further program for relief in the first months of 1947 has been laid before the War Department. At an Allied Council meeting held on November 15, 1946, General Clark stated, in this relation, that on his recent visit to the United States he took steps to fill up his military pipe-lines so that he would be in a position to assist by January 1, 1947. He also countered recent Soviet propaganda which

⁶⁷ For explanation of the "gold pot" principle, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 938, footnote 4.

has been to the effect that through rendering aid, the United States was endeavoring to partition Austria into an eastern and a western section. General Clark made it clear that he was anxious to see that Austria was fed as a unit. He said he was willing to pool his food imports with those of the other Commanders and that he, on his part, was placing no restrictions of any kind on the movement out of the US zone of indigenous resources. He also indicated readiness to agree with the other Commanders on the ration scale for Austria after UNRRA ceases operations here.

Thus at this writing the intention of the United States to help Austria is clear. It is equally clear that United States desires to help Austria as a whole. At the November 15th Allied Council meeting, the British Commander, Lt. General Sir James S. Steele, expressed agreement with General Clark, and assured the Council that the British Government "right now is examining the question" of relief.

The French Commander, Lt. General M. E. Bethouart, took an ambiguous position. He stated that he had asked his Government "under what conditions France could take its share of the help".

The Soviet Commander, Colonel General A. S. Zheltov, took what amounted to uncooperative action by stating that until the question of Austrian internal resources was reported on by the Austrian Government, the Soviet authorities "cannot propose anything concrete".

The conclusion to be drawn from the above survey is felt to be that the Austrian people, in a spirit of hope for aid from the West and forbearance from the East, look forward to the conclusion of a treaty and the withdrawal of the occupying forces, not as a full solution of the country's difficulties, but nevertheless as an immensely important practicable means of checking the current drift toward economic chaos and national instability.

Respectfully yours,

JOHN G. ERHARDT

740.00119 Control (Austria)/12-1446: Telegram

*The United States High Commissioner in Austria (Clark) to the Joint Chiefs of Staff*⁶⁸

SECRET PRIORITY
P-6415

VIENNA, December 14, 1946.
[Received December 15—5:34 a. m.]

Regular session of Allied Council on 13 December was characterized by an unusual spirit of cooperation and desire to reach unanimous agreement on the three major items which comprised the agenda and by complete reversal by the Soviet member of the positions previously taken by his element on these highly controversial matters. It was

⁶⁸ A copy of this telegram was sent to the Department of State.

the most successful meeting of the Council in many months, as is evidenced by the fact that a communiqué was issued for the first time since 28 June 1946.

On the question of denazification of Austrian higher institutions of learning, the Council agreed on resolution taking cognizance of the action already taken by the Federal government and declaring that denazification of such institutions was a matter to be carried out by the Federal government under supervision of the Allied Commission. The Council instructed the Internal Affairs and Education Directorates of the Allied Commission to hasten the denazification of faculty members and asked the Federal government to submit a report by 15 February on the results achieved in the denazification of students under the provisions of a decree promulgated by the Federal Minister of Education on 6 December.

That part of the original Soviet proposal which called for the closing of the institutions until denazification could be completed was not raised again by the Soviet member and was not adopted. The Council's action this question followed a recent disturbance at the University of Vienna in connection with student elections.

Final agreement was reached on the new denazification law passed by the Austrian Parliament on 24 July and which, for many months, has been the subject of much discussion and controversy in the lower echelons of the Allied Commission. A considerable number of amendments, many of which tend to make the law more strict, had already been agreed by the Executive Committee. These were accepted by the Council. Complete agreement was accomplished when all elements adopted a United States-proposed provision requiring that implicated Nazis considered dangerous to the security of Austria and who might be arrested and confined in detention camps have the right to habeas corpus proceedings, hearing before a proper tribunal and other rights guaranteed under existing Austrian law. The United States High Commissioner had held out alone against a Soviet proposal which was supported by the British and French, that would have deprived individuals thrown into detention camps of their personal liberty without the right of trial or judicial hearing.

The denazification law now goes back to the Austrian Government for implementation of the Allied Council decisions. Its promulgation will constitute a major step toward the completion of denazification in Austria, and, since there was unanimity on the question, should remove one of the Soviet objections to the consideration of an Austrian peace treaty.

With respect to the question of food supply in Austria, the long standing deadlock caused by the uncompromising attitude of the

Soviets was finally broken when the Soviet member joined with the other three elements in agreeing to a resolution which included substantially all the points which the United States High Commissioner has been insisting upon for many months. The resolution provides for a complete pooling of Austrian indigenous food resources with unhampered access to such resources guaranteed to the Federal government by all the occupying powers.

The resolution provides also that food imported from any source will be pooled and placed at the disposal of the Austrian Government for distribution throughout all of Austria in accordance with monthly food plans formulated by the Federal government and approved by the Allied Council. It was further stipulated that the food ration scale would be uniform throughout Austria so long as the scale remains above 1200 calories daily and that if the scale drops below that figure the food situation will be reconsidered by the Allied Council. This provision was proposed by the United States High Commissioner but had been heretofore strongly opposed by the Soviets, British and French.

As a result of these agreements it is hoped that the Austrian food problem can now be solved so as to assure a fair and equitable distribution of food throughout all the occupation zones and the city of Vienna. The maintenance of a ration scale not only up to the existing 1550 calorie level but also higher than a 1200 calorie level is still, however, absolutely dependent on my having control of the 60,000 tons of wheat, as previously pointed out in my cables November P-6174 and P-6311 and December P-6380.⁶⁹

[CLARK]

740.00119 Control (Austria)/12-1646 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Smith)*

SECRET

WASHINGTON, December 16, 1946—7 p. m.

2147. You requested, after consultation ur Brit colleague, who instructed take parallel action, deliver note following lines to Sov Fon Off and press for early reply: ⁷⁰

“Reference is made to the Resolution on Post-UNRRA Relief adopted by the General Assembly of the United Nations on Dec 11 which recognizes that some countries will continue to need assistance after the cessation of UNRRA operations and calls upon members of

⁶⁹ None printed.

⁷⁰ In telegram 4427, December 20, from Moscow, Ambassador Smith informed the Department that he had delivered the note to the Soviet Foreign Office on December 19 (740.00119 Control (Austria)/12-1946).

the United Nations to assist in furnishing relief when and where needed and to coordinate their respective relief programs and activities as far as possible.

The Allied Commission for Austria has in effect recognized that Austria will continue to need a considerable measure of relief. It is evident that there is special need to coordinate relief for Austria in view of fact that this country is still under quadripartite occupation. US Govt therefore approaching all occupying powers in order to ascertain whether they are prepared to contribute to post-UNRRA relief of Austria.

UK Govt has already indicated willingness to make £10,000,000 available for such relief. For its part US Govt prepared to make substantial contribution.

US Govt desires to see adoption of relief program for Austria as a whole. It believes that such a program can be adopted and carried out if all occupying powers agree to make appropriate contributions, to permit the free flow of indigenous and imported supplies throughout Austria, to abstain from consuming foodstuffs needed by the Austrian people and to create conditions enabling Austria to pay, by maximizing the export of Austrian products, for as large a portion as possible of its import requirements. The US Govt is convinced that such a program will greatly assist in achieving a "free and independent Austria" and attaining the "economic security" for the Austrian people to which the occupying powers pledged themselves in the Moscow Declaration of November 1, 1943.

In this connection US Govt notes with satisfaction Allied Commission for Austria agreed on Dec 13 on food distribution plan for Austria as a whole, but acknowledged at same time that indigenous food supplies together with assured imports would be insufficient to maintain the present ration in Austria until the 1947 harvest.

The US Govt is therefore confident that the foundation has now been laid for the adoption of a relief import program for Austria as a whole and that the Sov Govt, as well as the govts of other occupying powers, will now agree to instruct its authorities in Austria to participate in the formulation and implementation of such a program under the conditions noted above. Since the present UNRRA supply arrangements will be terminated in the near future, the US Govt trusts that this matter will receive the urgent attention of the Sov Govt."

If Fon Off objects that UN Resolution mentioned above established Special Technical Committee to study relief import requirements, you should stress need to have requirements assessed first by AC on spot which could then inform Technical Committee.

Sent to Moscow, repeated to Paris as Dept's 6486; to Vienna as Dept's [1070] for info only.

BYRNES

[The termination of UNRRA's operation in Austria had been planned for December 31, 1946. Long before this date, officers in the

Department of State and in the War Department considered ways and means of continuing aid to Austria beyond this date.

In September 1946, Ludwig Kleinwaechter, the Austrian Political Representative in the United States, in a conversation with Mr. Clayton, expressed his Government's concern about the Austrian situation upon termination of the UNRRA program. Whereupon Mr. Clayton assured him that the Department had the problem under consideration and was actively studying ways and means of alleviating the situation when UNRRA ceased.

The main problem was how to obtain financial assistance for Austria for 1947. There were several possibilities: a loan by the Export-Import Bank, the unfreezing of Austrian assets in the United States, the return of the pre-1938 gold holdings to Vienna. The Department of State explored and supported all these possibilities. In addition, it entered into discussions with other governments to secure contributions from them for a rehabilitation program for Austria. It also sponsored a request to Congress for a financial grant to help meet the balance of payment deficit that was likely to occur in Austria in 1947.

By December it had been established that the total import requirements of Austria for the calendar year 1947 would come to about \$323.3 million. By that time, too, Great Britain had decided to extend up to £10 million in credits to Austria. France, the Soviet Union, Sweden, and Switzerland had likewise been approached to contribute to Austrian relief. Plans were also made for enabling legislation for global relief appropriations to be presented to Congress in January 1947.

Parallel to these plans were those of the War Department. As early as July 23, 1946, the Commanding General of the United States Forces in Austria inquired of Washington about supply plans for Austria after the termination of UNRRA. After much correspondence and serious consideration by the State-War-Navy Coordinating Committee, the War Department agreed to assume responsibility for the civilian supply program for Austria for the first four months of 1947. Thus the immediate danger of a collapse of relief for Austria had been averted.]

BELGIUM

AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RELATING TO AIR SERVICES BETWEEN THEIR RESPECTIVE TERRITORIES, SIGNED AT BRUSSELS APRIL 5, 1946

[For texts of the Agreement of April 5, and of the Provisional Agreement, effected by an exchange of notes signed February 1, 1946, see Department of State, Treaties and Other International Acts Series No. 1515, or 60 Stat. (pt. 2) 1585.]

AGREEMENTS BETWEEN THE UNITED STATES AND BELGIUM RELATING TO MUTUAL AID SETTLEMENT

[For texts of exchanges of memorandums and letters signed at Washington July 23 and September 24, 1946, concerning reciprocal aid, lend-lease, surplus property, claims, and related matters, see Department of State, Treaties and Other International Acts Series No. 2064, or 62 Stat. (pt. 3) 3984.]

DENMARK

INTEREST OF THE UNITED STATES IN THE EVACUATION OF BORNHOLM BY RUSSIAN TROOPS AND THE NEUTRALIZATION OF ENTRANCES TO THE BALTIC SEA

740.00119 EW/2-646

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*¹

AIDE-MÉMOIRE

You will remember that at the recent Moscow Conference M. Molotov² raised the question of the control of the Great Belt. I told M. Molotov that no British control was at present being exercised in those waters either directly or through the Danish naval authorities, although the Royal Navy were at present engaged there in mine-sweeping operations in accordance with an international scheme in which the Soviet Union were participants. I continued that the control of the entrances to the Baltic was at present, as it had been for many years before the war without any complaints from anybody, in the hands of the riparian States. This meant that, in practice, both merchant ships and warships of all States had been able to pass freely in and out both in peace and war whether neutral or belligerent.

It seems to me very desirable that the principle of free passage through the entrances to the Baltic should be maintained and confirmed. With the defeat of Germany it should be possible to establish this principle generally for the ships of all nations.

I should like, therefore, to consider with you how best our two Governments could pursue a common line in any future discussion on this subject, and whether it would be desirable to place our views on record in any agreed communication to the Soviet Government. In that case, it would be for consideration whether France and the two limitrophe States, Sweden and Denmark, should not be associated with any such communication.

[LONDON,] 14 January 1946.

¹ The Secretary of State was in London as United States Representative, First Session of the General Assembly of the United Nations, First Part.

² Vyacheslav Mikhailovich Molotov, People's Commissar for Foreign Affairs of the Soviet Union. For documentation on the Moscow Meeting of Foreign Ministers, December 16-26, 1945, see *Foreign Relations*, 1945, vol. II, p. 560 ff.

740.00119 EW/2-646

The British Ambassador (Halifax) to the Secretary of State

TOP SECRET

WASHINGTON, February 6, 1946.

MY DEAR SECRETARY OF STATE: Mr. Bevin has asked me to remind you of the *aide-mémoire* which he handed to you on January 14th about the control of the Great Belt. I enclose a copy³ for ease of reference.

The Swedish Minister in London⁴ has informed Mr. Bevin confidentially that M. Lie⁵ recently expressed to him the opinion that the Russians would leave Bornholm when the question of the Kiel Canal and the entrances to the Baltic had been settled. H.M.G. are anxious to reach an early agreement with the United States Government on a common line of action on this question. Mr. Bevin hopes therefore you may soon be able to give him your views.

Yours sincerely,

HALIFAX

740.00119 EW/2-646

The Secretary of State to the British Ambassador (Halifax)

TOP SECRET

WASHINGTON, February 28, 1946.

MY DEAR LORD HALIFAX: With reference to your letter of February 6, I would appreciate your transmitting to Mr. Bevin the enclosed reply to the *aide-mémoire* of January 14 regarding the control of the Great Belt which he handed to me when I was last in London.

Sincerely yours,

JAMES F. BYRNES

[Enclosure]

The Secretary of State to the British Secretary of State for Foreign Affairs (Bevin)

I have given much thought to your *aide-mémoire* of January 14 suggesting that our two Governments examine the question of the entrances to the Baltic with a view to reaching a policy which might be communicated to the Soviet Government possibly in association with France and the two limitrophe states, Sweden and Denmark.

As I see it, all trading and maritime nations have a general interest in insuring free passage into and out of the Baltic for their merchant

³ *Supra.*⁴ Bjorn Gustaf Prytz.⁵ Trygve Halvdan Lie, Chairman of the Norwegian Delegation to the General Assembly, United Nations; appointed Secretary General of the United Nations February 1, 1946.

ships and war vessels, both in peace and war, and whether neutral or belligerent. To my mind, however, there are really two problems involved which would have to be considered separately: First, that of the Sound and the Belts and, secondly, that of the Kiel Canal.

The multi-lateral and bi-lateral arrangements concluded with Denmark in 1857 establishing the Sound and the Belts as international waterways would seem to cover, from the legal standpoint, the question of free passage through those entrances to the Baltic. In reality, however, as the experience of the last war has shown, freedom of passage through these waterways depends largely on the use of sea and air power by interested belligerent states. You will recall, of course, that as part of her neutrality-defensive measures Sweden mined a part of her territorial waters lying along the Sound. Denmark, under German pressure, did the same in World War I. Nevertheless, I agree with you that at the appropriate time some advantages, both political and otherwise, might be derived from a revision of the 1857 arrangements which would neutralize the Sound and the Belts and would maintain and confirm the right of merchant ships and war vessels of all states, whether neutral or belligerent, to pass freely through them both in peace and war. Appropriate provision would, of course, have to be made for contrary action when directed by the Security Council.

The Kiel Canal, however, raises problems which to my mind are not as readily susceptible of solution in the near future as are the questions of the Sound and the Belts. For one thing, the status to be given to the Kiel Canal is closely related to the regime to be established for all of the European inland waterways.⁶ But even if consideration of the status of the Kiel Canal should be detached from consideration of the problem of the European inland waterways, it is still, as a waterway lying entirely within Germany, an integral part of the whole problem of Germany's future status.

We have studied possible solutions of the Kiel Canal problem but have not yet reached a conclusion. We have given a considerable amount of thought to the internationalization of the Kiel Canal by placing it under an international administration, but leaving the sovereignty of the Canal German. The Canal would be opened to navigation by vessels of all states, in time of war as in time of peace, upon the payment of tolls sufficient to cover the administrative costs and upkeep. The affairs of the Canal would be managed by a special international body, on which would be represented all nations chiefly

⁶ For documentation regarding United States interest in control of the Danube River and other questions involving other European inland waterways, see pp. 223 ff.

interested in transportation through the Canal. This body, in turn, would be responsible to the Security Council of the United Nations. Certain restricted areas adjacent to the Canal might be usefully internationalized to facilitate the operation of the international administration of the Canal, but no "corridor" would be created. I repeat that we have not reached any final conclusion in our own minds. I should be glad to receive your views on a proposal along the above lines.

I am not so optimistic as is Mr. Lie that the Russians will leave Bornholm when the question of the Kiel Canal and the other entrances to the Baltic has been settled and would prefer, therefore, to put off a definitive solution of both problems involved until the final peace settlements.

740.00119 EW/3-1246: Telegram

The Chargé in Denmark (Ackerson) to the Secretary of State

SECRET

COPENHAGEN, March 12, 1946—9 a. m.

[Received 2:10 p. m.]

190. Foreign Minister ⁷ informs me that considerable progress made in negotiations with Russian Govt regarding Bornholm and he is optimistic that definitive solution will be reached in near future. No details of probable basis of settlement yet available here.

This question continues occupy prominent place Danish press which points out that while Bornholm is perhaps only minor issue to great powers and even to Moscow, it is of primary importance to Denmark and to other countries in Baltic area. Press expresses fervent hope that early solution will be forthcoming. Communist paper *Land og Folk* resents "one-sidedness" of emphasis on Russian troops in Bornholm and wishes to widen question by asking when British troops will leave Denmark.

Chief of British Military Mission has issued restrained press statement that British troops came here originally as members SHAEF Denmark, that number now only 350 and being rapidly reduced and that many of these are here at request of Danish Govt to train and equip Danish troops destined to participate in occupation of Germany. Please pass to MIS and DNI.

Sent Department as 190, repeated Moscow as 11.

ACKERSON

⁷ Gustav Rasmussen.

740.00119 EW/3-2046 : Airgram

The Chargé in Denmark (Ackerson) to the Secretary of State

RESTRICTED

COPENHAGEN, March 20, 1946.

[Received April 11—9:41 a. m.]

A-133. Reference Legation's telegram 219 March 17^s regarding withdrawal of Russian troops from Bornholm. At a meeting in the Foreign Ministry on the evening of March 16, Foreign Minister Gustav Rasmussen gave a statement of the development of Danish-Russian relations since the occupation of Bornholm, which was reported in *Politiken* on March 17 as follows:

“Immediately after the occupation, the Russian Government made a declaration that the occupation was temporary. The occupation took place in connection with the termination of hostilities and the Russian commander-in-chief declared that it was necessary in order to neutralize the German troops in the island and that it would be continued only until the problems in connection with the fighting in Germany had been solved.

“However, the time was approaching when this phase of the war also could be wound up and during my stay in London at the UNO Conference I discussed with the chief of the Soviet delegation, Mr. Vishinsky, the question of withdrawal of the Russian forces, stating the Danish point of view and Danish wishes. The Danish Legation in Moscow has constantly been kept advised of the developments in this case and at the beginning of March, in accordance with instructions from Copenhagen, approached the Russian government in order to call attention to the Danish wishes. On March 7, the Russian Minister in Copenhagen, Mr. Plakhin, called upon me to state that if the Danish government was able to send Danish troops to Bornholm immediately to take over its administration without any foreign participation, the Soviet government would immediately withdraw its troops from Bornholm and leave the island to the Danish government. The Danish Legation in Moscow simultaneously sent us a note to the same effect and on the same day we informed Mr. Plakhin and the Legation in Moscow that we were prepared to send Danish troops to Bornholm. The result was that the evacuation has now begun.’

“In response to various questions the Foreign Minister stated that the Russian authorities had not at any time interfered with the Danish administration and that in withdrawing the Russians have stipulated no conditions except that they desire a Danish administration without any foreign participation. The Russian troops have to some extent lived on their own supplies but they have also received Danish foodstuffs in the same way as have other Allied troops. No

^s Not printed; it reported that the Russian General in charge of Russian troops in Bornholm announced on March 16, 1946, that withdrawal of troops would begin immediately (740.00119 EW/3-1746). The evacuation was completed by April 5, 1946.

application has been made for Danish vessels to assist in the evacuation and the number of Danish troops to be sent to the island is not settled.

“The question of the evacuation of the Russian troops has not been raised previously since it was stated by the Russians that the island was occupied only for the purpose of driving out the Germans and that the occupation was temporary. Consequently, there was no reason or grounds for approaches to the Russians by the former Danish government. The Foreign Minister concluded his statements by saying that it was intended to invite the Russian major general and other representatives of the occupation forces for a farewell party in Copenhagen but the program has not yet been arranged.”

Copies for Stockholm, Moscow.

ACKERSON

740.00119 EW/6-1246

The British Minister (Balfour) to the Acting Secretary of State

SECRET

WASHINGTON, June 12, 1946.

MY DEAR DEAN: I enclose a Memorandum on the subject of freedom of passage through the entrances to the Baltic, together with a draft protocol.

The Foreign Office originally intended to discuss the draft protocol with the United States Delegation at Paris last month, but they now think it unlikely that the question of the entrances to the Baltic will be raised during the present series of meetings in Paris and have therefore instructed us to pursue the matter in Washington.

Although the Foreign Office have thought it desirable to formulate their views on the subject now in case it is raised by the Soviet Government, they believe, nevertheless, that it is advisable to wait for the Soviet Government to take the initiative since it is they who appear to be dissatisfied with the present position. The Foreign Office do not therefore propose to put forward the draft protocol now, but to keep it in reserve until the question of the entrances to the Baltic is brought up by the Soviet Government.

Should the Soviet Government agree to the protocol when it is presented to them, France and the two riparian States, Denmark and Sweden, might then be consulted and invited to sign it also.

I should be grateful to learn the views of the State Department on this matter, and in particular whether they agree in principle with the draft protocol.

Yours sincerely,

JOHN BALFOUR

[Enclosure 1]

MEMORANDUM

His Majesty's Embassy has the honour to refer to the exchange of views which took place in January and February of this year between Mr. Byrnes and Mr. Bevin on the question of free passage through the entrances to the Baltic. As the Department of State will recall, Mr. Bevin explained in the *Aide-Mémoire* which he left with Mr. Byrnes on January 14th that he would like to consider with Mr. Byrnes how best the United States Government and His Majesty's Government could pursue a common line in any future discussions on this subject, and whether it would be desirable to place the views of the two Governments on record in any agreed communication to the Soviet Government. In that case, Mr. Bevin pointed out, it would be for consideration whether France and the two limitrophe States, Sweden and Denmark, should be associated with such a communication.

2. In his reply of February 28th, Mr. Byrnes agreed that at the appropriate time some advantages, both political and otherwise, might be derived from a revision of the arrangements made in 1857 which would neutralise the Sound and the Belts and would maintain and confirm the right of merchant ships and war vessels of all States, whether neutral or belligerent, to pass freely through the Straits, both in peace and war, subject to such stipulations as might have to be made to provide for restriction of the right of free passage under the direction of the United Nations Security Council.

3. Since the above-mentioned exchange of views took place, a draft protocol affirming His Majesty's Government's policy has been prepared and has been approved by the British Chiefs of Staff. A copy of this draft protocol was communicated last month to the United States Delegation at Paris by the United Kingdom Delegation, but for convenience of reference a further copy is enclosed herein. His Majesty's Embassy would be glad to receive the comments of the Department of State on this draft.

4. It will be observed that the protocol makes no reference to the Treaties of 1857, to which Mr. Byrnes drew attention in his reply to Mr. Bevin. The reason for the omission is that freedom of passage through the entrances to the Baltic does not, in the view of His Majesty's Government, depend on these Treaties, which were solely concerned to abolish the practice whereby the Danish Government levied dues on the passage of ships through the Sound. The principle of free passage through the Great and Little Belts and the Sound is, in the opinion of His Majesty's Government, a recognised principle of international law and does not depend on any Treaty.

It would, therefore, appear to be preferable not to refer in the protocol to the Treaties of 1857 or any other previous arrangements, but simply to reaffirm the principle of free passage.

5. Mr. Byrnes also referred, in his reply to Mr. Bevin, to the possibility of neutralising the Sound and the Belts. In this connection Mr. Byrnes may have had in mind that it should be laid down that no act of hostility should be permitted in the Straits. In the view of His Majesty's Government, however, such a stipulation would be unnecessary since it is impossible for ships to pass through either the Sound or the Great or Little Belts without passing through Danish or Swedish territorial waters, and the principle that no act of hostility should be committed in territorial waters is already sufficiently established in international law.

6. Mr. Byrnes may also have intended that it should be laid down that the entrances to the Baltic should not be fortified. As regards this possibility, His Majesty's Government are of the opinion that it is very doubtful whether it would be possible to persuade the riparian states to agree to such a provision. Furthermore, the British Chiefs of Staff, who have been consulted, would be opposed to it on military grounds, since they see no objection to the riparian states maintaining such fortifications as they consider necessary.

7. As regards the possibility of the establishment of some form of international control of the Straits, which Mr. Byrnes may also have had in mind, His Majesty's Government feel that such an arrangement would not be desirable.

8. For all the above reasons, it would, in His Majesty's Government's view be preferable not to include any reference to neutralisation in the protocol, and all mention of it has, therefore, been omitted from the proposed draft protocol.

WASHINGTON, June 12, 1946.

[Enclosure 2]

PROTOCOL

Whereas it is a recognised principle of international law that merchant ships and vessels of war of all countries have freedom of passage both in time of peace and in time of war through straits forming part of the highways of international traffic, notwithstanding that the said straits may consist in whole or in part of territorial waters;

And whereas this principle has for long been recognised as applicable and has been applied to the straits giving entrance to the Baltic Sea namely the Sound and the Great and Little Belts;

And whereas the event of war of 1914–18 and of the recent hostilities make it desirable to reaffirm this principle in respect of the said entrances to the Baltic Sea;

The undersigned duly authorised to that effect by their respective governments hereby declare as follows

In accordance with the principles stated in the first paragraph of the preamble to the present protocol merchant ships and vessels of war of all countries have at all times freedom of passage through the entrances to the Baltic Sea, namely, the Sound, the Great Belt and the Little Belt, subject always to the rights and obligations of any country under the Charter of the United Nations.

740.00119 EW/6-1246

The Acting Secretary of State to the British Minister (Balfour)

TOP SECRET

WASHINGTON, July 11, 1946.

MY DEAR JOCK: We have given much thought to the proposed protocol on the entrances to the Baltic which was enclosed with your note of June 12, but before giving you our views on the subject, I should like to discuss the matter with the Secretary.⁹ As it appears likely that the question will not be raised at the present meeting of the Ministers of Foreign Affairs, I therefore propose to bring it to his attention upon his return to Washington.

With kindest regards,

Sincerely yours,

DEAN ACHESON

740.00119 EW/6-1246

The Department of State to the British Embassy

MEMORANDUM

TOP SECRET

The Department of State refers to the British Embassy's memorandum dated June 12, 1946 with respect to the freedom of passage through the entrances to the Baltic and to the exchange of views on this subject between Mr. Bevin and Mr. Byrnes which occurred in the months of January and February of the present year.

The United States Government is in general agreement with the provisions of the proposed protocol on the right of free passage through the Sound and the Big and Little Belts which was enclosed with the memorandum, and, insofar as practicable, is desirous of pursuing a common line with the British Government in any future

⁹ Secretary Byrnes was attending the Council of Foreign Ministers meetings at Paris.

discussion of this subject. This Government considers, however, that it may be desirable to review its position on the matter in order to take into account the factors existing at the time when the question on the entrances to the Baltic may be raised.^{9a}

WASHINGTON, July 19, 1946.

**ARRANGEMENT BETWEEN THE UNITED STATES AND DENMARK
REGARDING AIR SERVICE FACILITIES AT KASTRUP AIRPORT IN
DENMARK**

[For text of Arrangement effected by exchange of notes signed at Copenhagen September 26 and October 1, 1946, see Department of State, Treaties and Other International Acts Series No. 1734.]

**AGREEMENT BETWEEN THE UNITED STATES AND DENMARK AMEND-
ING THE AGREEMENT OF DECEMBER 16, 1944, RELATING TO AIR
TRANSPORT SERVICES**

[For text of Agreement effected by exchange of notes signed at Washington October 23 and December 5, 1945, and March 21, 1946, see Department of State, Treaties and Other International Acts Series No. 1519, or 60 Stat. (pt. 2) 1646.]

**NEGOTIATION OF AN AGREEMENT ON WEATHER STATIONS IN
GREENLAND; DISCUSSIONS CONCERNING THE ROLE OF GREEN-
LAND IN THE DEFENSE OF THE WESTERN HEMISPHERE**

[Documentation on this subject is in Department of State files Nos. 881.24559B, 859B.20 and 859B.9243.]

^{9a} Apparently no further action was taken regarding Bornholm during 1946.

FRANCE

CONCERN OF THE UNITED STATES WITH POLITICAL AND ECONOMIC DEVELOPMENTS RELATING TO FRANCE; ECONOMIC AND FINANCIAL AGREEMENTS WITH THE PROVISIONAL GOVERNMENT OF THE FRENCH REPUBLIC¹

611.5131/1-646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, January 6, 1946—2 p. m.

[Received 6:45 p. m.]

84. Alphan² confirmed yesterday to member of my staff that Monnet³ is leaving shortly to inaugurate negotiations on commercial policy, etc., in Washington, but that his stay will be brief. It is uncertain whether Monnet, Alphan or some other official will be named to carry through the series of negotiations they envisage.

CAFFERY

851.51/1-1546 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 15, 1946—6 p. m.

[Received 9:03 p. m.]

227. Monnet and his principal staff assistants had a talk yesterday with Merchant⁴ and White⁵ in which the French placed emphasis on the following 4 [3] considerations vis-à-vis Franco-American credit discussions:

1. French adoption of American commercial policy is contingent on large scale US credits. (France will modernize production in the absence of such credits, but more slowly and necessarily within the framework of a closed economy.)

2. Lump sum credit should be granted at one time to cover modernization period of 3 years. Piecemeal credits would handicap French

¹ For previous documentation concerning trade relations between the United States and France, see *Foreign Relations*, 1945, vol. iv, pp. 757 ff.

² Hervé Alphan, French Director of Economic Services; representative at the United Nations General Assembly, November-December, 1946.

³ Jean Monnet, French Commissioner General of the Reequipment and Modernization Plan and a member of Léon Blum's special mission to the United States.

⁴ Livingston T. Merchant, Economic Counselor of the Embassy in France.

⁵ Ivan B. White, Second Secretary of Embassy in France.

planning procedures and would prevent proper synchronization of France's modernization program with production trends in the US. Monnet said, however, that he recognized that State Dept had to consider political factors in its treatment of this question.

3. Although large scale credit to UK was prerequisite to trade liberalization, such a loan will not insure this objective. Western Europe is also important and credit decision vis-à-vis France will be of key importance in determining commercial policy trends in this area.

Embassy representatives suggested that Washington in its consideration of France's reconstruction needs would be interested in any studies prepared by France on:

(a) Current and prospective balance on international payments (on world wide as well as dollar area basis) and

(b) Analysis of France's national income at different levels of production, with special reference to amounts available for consumption and capital investment respectively.

Embassy is also of the opinion that Dept may want to explore with French the following problems before arriving at any decision on credits: (1) plans regarding any changes in international fiscal and monetary policies which might arrest current inflationary trends and result in re-establishment of international price equilibrium, (2) French economic policies, such as nationalization, taxation and exchange controls, which unduly retard inflow of investment funds and normal commercial credits, thus increasing volume of public credits needed from abroad, (3) concrete plans, if any, under which France might maximize potential "invisible" export receipts from tourist and "protracted sojourner" trade, and (4) plans for revival of export trade in key items which could assist in sustaining international financial position during modernization period.

CAFFERY

851.001/1-1846 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, January 18, 1946—6 p. m.

[Received 7:24 p. m.]

289. Palewski⁶ told me last night that it is possible that General de Gaulle⁷ may give up his office in view of the maneuvers of Communists and others in and out of the Assembly to eliminate him.

"However," said Palewski, "if he does resign, it will be to take the fight to the country. He is not willing to turn over France to the Communists without making a desperate effort to prevent it."

⁶ Gaston Palewski, Directeur de Cabinet to General de Gaulle.

⁷ Gen. Charles de Gaulle, since November 13, 1945, the President of the Provisional Government of the French Republic.

Palewski added, however, "Of course, this may never happen. I hope it does not, but I thought you should know what is in the General's mind."

CAFFERY

851.00/1-2046 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 20, 1946—midnight.

US URGENT NIACT

[Received January 20—8 p. m.]

309. My 308, January 20^s and previous telegrams. A friendly official told me this evening that De Gaulle had deliberately provoked the present crisis because he had decided that the time had come for him to leave the Government. My informant said that in the Cabinet meeting this morning De Gaulle told his Ministers that it was impossible for him to govern when the different political parties in the Government were all playing party politics looking to the next elections rather than trying to solve France's present pressing problems; therefore he had decided to return to the Assembly the powers it had granted him to form a Government. He then walked out of the meeting. The Cabinet remained in session for some time thereafter but decided nothing.

This afternoon Socialist, Communist and MRP leaders held separate meetings to decide on what to do.

This evening De Gaulle sent a letter to Gouin (President of the Assembly) returning to him the mandate he had been given in November to form a Government. According to sources close to De Gaulle the latter has decided that his decision is "irrevocable" and that he will not "at this time" accept the responsibility of trying to form a new Government "even if asked to".

There is much speculation as to what will happen next. De Gaulle was scheduled to make a radio address to the country tomorrow evening but Bourdet, Director of the French Radio, tells me that he has received word from De Gaulle's office that the broadcast may not take place. Despite this Bourdet believes De Gaulle will take to the air to explain his position to the country and then will "temporarily retire from the political scene".

While no one is sure what will eventuate a number of political observers believe that a Communist—Socialist or a Communist—Socialist—Radical Socialist Government (without De Gaulle of course) may be formed. While the MRP might be included in some coalition this is considered possible but unlikely in view of Communist hostility.

^s Not printed.

There is little doubt that the suddenness with which this major political crisis has come will be a shock to the majority of the population who, while greatly dissatisfied with the Government at this juncture, had little if any inkling that it might be dissolved at this time.

Repeated to London for the Secretary and repeated to Moscow as 24.

CAFFERY

851.00/1-2146 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 21, 1946—5 p. m.

US URGENT NIACT

[Received 7:42 p. m.]

316. My 289, Jan 28[18]. When Palewski told me last Thursday evening what De Gaulle had in mind it was not then De Gaulle's intention to give up his office within the next few days. He felt that it would be a mistake for him to remain in office until the Assembly had finished its work on the constitution, because the extreme left has been successful in committee meetings in having provisions inserted in the draft upon which they are working making the Office of the President of the Republic a protocol office and practically nothing else. De Gaulle interpreted this to mean that they were endeavoring to eliminate him in due course as they are aware that he would not accept the Presidency under those conditions. Furthermore, as the new constitution is shaping up in committee, the Office of President of the Council of Ministers is devoid of strong executive powers which remain vested in a unicameral Assembly to which the President of the Council of Ministers is responsible. De Gaulle would not, of course, accept this post either. The Communists did not desire De Gaulle to leave office at this time in view of the unsatisfactory economic conditions now prevailing and likely to prevail for some time; rapidly rising prices, reduced bread rations, no meat on the Paris market, very little coal for industry and practically none at all for domestic heating, etc. In other words: De Gaulle saw himself being maneuvered into a position where he would be blamed for the economic troubles of the next few months on the one hand with consequent loss of prestige; and on the other hand, he would eventually be eliminated; and he decided to act in order to extricate himself from that position.

On Saturday, he decided to act at once; several minor moves of the extreme left on Friday and Saturday caused him to decide that it was better not to wait any longer but to leave his office without further delay; he apprehended that more moves of the same kind were impending, and he is especially sensitive in regard to what he interprets as attacks on the army.

He changed his mind also as to tactics; instead of taking the fight to the country, as Palewski said, he decided to write a conciliatory letter (my 315, Jan 21⁹) which is calculated to make it difficult for the new govt, if economic conditions grow worse rather than better during the next few months. In other words: the French public might eventually conclude that if De Gaulle had remained in office things would have been much better.

Although De Gaulle does not think things through very far, he probably has in the back of his head that at some future date he might be recalled to office by popular acclaim.

Sent Dept 316, repeated London for the Secretary 49.

CAFFERY

851.00/1-2246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 22, 1946—11 a. m.

NIACT

[Received January 22—9:40 a. m.]

332. My 319, January 21.¹⁰ The meetings of the different political parties continued until late last night with no agreement being reached on the formation of a new Government. Following is a summary of the chronological development:

The Socialists suggested to the Communists that as the largest party they take the initiative in forming a new Government. The Communists replied by stating that they were prepared to form a tripartite Government with Thorez as President. A meeting between Communist and MRP leaders followed to discuss this proposal and the MRP leaders, while not formally refusing, let the Communists know that a majority of the MRP would probably oppose Thorez' candidacy. In the evening the MRP confirmed this position and the Communists then countered by proposing to the Socialists that a Communist-Socialist coalition government be formed with a Communist President. The Socialists who continue to support the tripartite formula met at 9:30 last night to consider this proposal but reached no decision. They replied to the Communists that a number of Socialist Deputies were en route to Paris from the provinces and that there were not sufficient members in the meeting to reach a decision. Under these circumstances they informed the Communists that no reply would be forthcoming until this morning.

⁹ Not printed (851.001/1-2146); it gave a translation of General de Gaulle's letter to M. Gounin, another translation of which is printed in De Gaulle's *War Memoirs: Salvation, 1944-1946, Documents*, translated by Joyce Murchie and Hamish Erskine (London, Widenfeld and Nicolson, 1960), p. 382.

¹⁰ Not printed.

As a result of the foregoing not even members of the different political parties are willing to go out on any limbs as to what solution will finally be reached. Despite continued Communist support of Thorez' candidacy many observers still believe that the Communists will not insist on him in view of the heavy responsibility which would fall on the Communist Party should he become President at this particular time. (By proposing Thorez and later agreeing to support another candidate the Communists would be in a position later to criticize the Government or even to withdraw from it stating that their candidate Thorez was the only man who could have done the job and that they had simply agreed to support another candidate as a gesture of national unity.) Such observers believe that the Communists will agree to compromise on either a Socialist or on Herriot should the Socialists also endeavor to sidestep the responsibility of having a member of their party become President. While both the Socialists and the MRP take a dim view of Herriot they may agree on him if no other solution is forthcoming. The position of the MRP still remains obscure, however, and there are numerous indications of serious differences of opinion within the party.

Therefore, this morning the situation still remains as confused as last evening and no final decisions have been made. There is talk that if no agreement can be reached efforts may be made to set up an "interim directorate of technicians under the auspices of the three big parties" to carry on until the Constitution is drafted and until new elections can be held. People who suggest this possibility, however, are extremely fuzzy on how it could be carried out.

Dept please repeat to London as our No. 51.

CAFFERY

851.00/1-2246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 22, 1946—6 p. m.

US URGENT NIACT

[Received January 22—2:37 p. m.]

345. My 332, January 22. I have just been told by a member of the executive committee of the Socialist Party that at the meeting of Socialist-Communist leaders this morning the Socialists refused the Communist proposal to form a Communist-Socialist government stating that they "remained faithful to the tripartite formula".

The Communists then proposed that since the MRP would not accept a Communist President in a tripartite government and since the Socialists refused a Communist-Socialist coalition, the Socialists should put forward a Presidential candidate under the tripartite for-

mula. The Socialists proposed Auriol but the Communists said he was unsatisfactory and they countered by proposing that the Socialists name Gouin. The Socialists accepted this and at a Communist-Socialist meeting they are so informing the Communists.

While the MRP position is still not clear (there is strong opposition in the ranks of the MRP to the tripartite formula with either a Socialist or a Communist President and a significant number of delegates would like to enter the opposition) my informant believes that regardless of this tendency the MRP will go along.

My informant was not too happy about the situation and observed that the Socialist Party was making a very considerable "sacrifice" in permitting a Socialist to be elected President: "If the new government fails, it is obvious that both the Communists and MRP, as a pre-election move, will endeavor to shift a large part of the blame onto our shoulders. Despite this risk the Socialists are obliged to assume this responsibility since neither a Communist nor a MRP President would be acceptable to the three parties and the present impasse cannot go on indefinitely."

My informant was not only severely critical of De Gaulle for creating the present crisis but described the Communist proposal of Thorez as Chief of Government as "pure comedy—a proposal they knew would not be accepted but which was designed for consumption of the Communist rank and file and to be used in future manoeuvres". While complications may arise (either as a result of the present Communist-Socialist meeting but more possibly as a result of the MRP deliberations and decision) which could further complicate the situation, the Socialists believe that Gouin may be elected tomorrow.

Despite this optimism and even should the MRP accept the tripartite formula with Gouin, serious complications or delay may arise when discussions over Cabinet posts begin. Furthermore, the Communists are expected to insist on a Communist successor to Gouin for the important post of President of the Assembly and this could also cause difficulties.

Dept please urgently repeat this message to London for the Secretary as our 56.

CAFFERY

851.00/1-2646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

US URGENT NIACT

PARIS, January 26, 1946—11 a. m.

[Received January 26—9:57 a. m.]

420. When the three major parties reached the agreement (it is described by some cynics as a "non-aggression pact" rather than an

agreement) described in my 403, January 25,¹¹ the general public believed that the way had been cleared for the formation of the new government. It soon became apparent that no agreement had been reached on the basic issue of French financial policy and that until this hurdle had been cleared the French Government could not be formed.

In the present critical state of French finances (rising prices and inflation) none of the three main parties was eager to accept the responsibility for the Ministry of Finance. In the belief that drastic measures were necessary to stabilize French finance (heavy reductions in governmental expenditures, capital levies and heavy taxes on illicit profits, freezing of wage increases, drastic price controls, etc.) Gouin offered the portfolio of Finance to Mendès-France, Radical-Socialist who a year ago had advocated stern financial measures. It soon became evident, however, that while the Socialists favored the adoption of Mendès-France's ideas both the Communists and the MRP had certain reservations. (The Communists apparently because they do not wish to oppose wage increases and the MRP because of the heavy reductions in army expenditures and personnel). However the Radical-Socialist Party reached a decision last evening not to participate in the new government, and Mendès-France therefore refused this post.

In the continued absence of agreement last night by the Communists and MRP to the financial program now advocated by the Socialists, the crisis was brought to a new peak last evening by a message from Gouin to the three parties that if they refused to agree to support loyally and without reservation the necessary financial measures along the lines of the general Mendès-France program it would be impossible for him to form a government. In the meantime the Socialists let it be known that André Philip (President of the Assembly Committee drafting the Constitution), reluctantly would be willing to accept the post of Minister of Finance if his program—said to be similar to but somewhat more moderate than that of Mendès-France—was accepted by the Communists and MRP.

This morning there is feverish political activity and everyone is awaiting anxiously the decision of the Communists and MRP. Despite pessimism it is generally believed that an agreement (probably somewhat watered-down) on financial policy will be reached during the day by the three parties and that Philip will probably be the new Finance Minister.

Sent to Department as 420 repeated London as 83 to Moscow as 37 and Rome as 12.

CAFFERY

¹¹ Not printed.

851.00/1-2746: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 27, 1946—2 p. m.

[Received 8:10 p. m.]

432. Qualified observers here state that the Communists regard the "new perspectives unfolded by the departure of De Gaulle and the formation of the Gouin Govt as a period of armed truce"; these informants stress the viewpoint that if De Gaulle had remained in power or had merely reshuffled his Cabinet the Communists probably would have become openly an opposition party but that the latter are now prisoners of a complicated economic and political situation wherein the advantages of intense opposition which would too greatly alarm the middle urban and rural classes on the eve of the elections are less attractive to the Communist leadership than the profit that may be derived from "persuading the masses and the lower middle classes that the real governing elite of the nation can be found only in the ranks of the Communist Party". Participation in the new govt is rendered all the more attractive to the Communists by the fact that non-Communists have assumed the responsibility of directing posts that will prove the most trying between the present time and the elections.

During the political manoeuvring of the past 2 days the Communists opposed the strict application of the Mendès-France program, especially with regard to the total blocking of working class wages; they wish to avoid having their hands tied on this question since one of their comrades remains as Minister of Labor and since they attach paramount importance to manifesting their domination over the CGT at the latter's Congress in April. In this connection it is pertinent that the latest issue of *Humanité*, that of Jan 25, carries prominently an article by the Communist Secretary General of the Miner's Union Duguet stressing the point that because Marcel Paul Communist Minister of Industrial Production recently increased wages in certain coal mining basins, the miners "are redoubling their efforts to increase production".

In the letter dated Jan 26 which Duclos addressed to Gouin, the former made it clear that the Communist program does not "coincide with all the measures" outlined by the new President in the latter's letter of Jan 25 addressed to the Three Big Parties and consequently it is probable that the Communists as usual will endeavor to have their cake and eat it too by attempting to prove to the nation that while they are not shirking their patriotic duties as a "govt party" they have not been permitted to form a govt "in the image of the nation" which could alone save France from disaster.

CAFFERY

851.00/1-2746 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 27, 1946—2 p. m.

[Received 4:08 p. m.]

434. Léon Blum and Vincent Auriol wanted to know last night what I thought of Gouin's letter (mytel No. 430, January 26¹²). I replied, "The letter is excellent, but will you be able to change the words into acts". They both replied, "At least we will make a very serious effort to do so". I said, "What about the Communist[s] and the MRP". They replied, "In the end they both said they would go along with us".

It was obvious that Blum and Auriol both felt that the Socialists have come out of all this very well: Gouin in the Presidency, Socialist Ministers in various key posts and Auriol probably to be elected President of the Assembly. Also there was an intimation that they were glad De Gaulle is out of the government. However, this is coupled with the knowledge that they have taken on a very heavy responsibility and that if they fail it is "curtains" for them.

Repeated to London as 85.

CAFFERY

851.00/1-2846

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 28, 1946.

No. 4330

SIR: I have the honor to report that members of General de Gaulle's personal entourage seem to be making special occasion to impress confidentially upon members of the Embassy staff the fact that "although the General has temporarily withdrawn from political life he will be back in power and stronger than ever probably within six months". In discussing the General's letter of resignation (copies of original text and translation are enclosed)¹³ a member of his entourage said that while the optimistic picture he painted of France being back to normal again is obviously untrue, as present conditions all too plainly attest, "the General's letter was written not for this moment but for history". He went on to compare de Gaulle's letter of resignation with his historic speech of June 18, 1940 and said "when the General made that speech no one in France thought it made any sense but look how it has served him since then. In the same way this letter will serve its purpose at some time in the future".

¹² Not printed (851.00/1-2646); it summarized the letter of January 25 by M. Gouin referred to in the final paragraph of telegram 432 from Paris, January 27, *supra*.

¹³ Not printed here, but see footnote 9, p. 403.

It seems obvious that these intimate friends and collaborators of General de Gaulle are counting on the new government to fail, with the result that de Gaulle will be recalled by popular acclaim. Despite the optimistic views of the General's followers most qualified political observers are inclined to believe that, for the time being at least, his prestige has suffered as a result of his precipitate resignation.

Respectfully yours,

JEFFERSON CAFFERY

851.51/1-3046 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 30, 1946—6 p. m.

[Received 10:16 p. m.]

486. My 360, January 23.¹⁴ A Foreign Ministry official tells me informally that Léon Blum has now been designated Ambassador Extraordinary with the mission of negotiation economic and financial agreements with Allied countries and also to negotiate for urgently required imports which France will need in the coming months.

The Foreign Office believes that Blum's mission is primarily "a good will mission" and that negotiations will be left to technicians. My informant expects Blum to leave within the next week or two for brief visits to England and the US. Thus far, however, neither Blum nor the Foreign Ministry has approached the Embassy officially on his trip.

CAFFERY

851.51/2-446 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, February 4, 1946—7 p. m.

573. For the Ambassador. The Dept has followed with interest and has found of value your series of telegrams concerning the efforts of the new French Govt to cope with the serious financial and economic situation in France.

In view of the fact that your telegrams and subsequent press reports have indicated both a desire on the part of the French for a large scale Brit type loan from the US and a fear that, due to the change in the French Govt, the credit policy of the US Govt might be more restricted than otherwise, the following outline of Wash-

¹⁴ Not printed. In this telegram Ambassador Caffery reported that "Léon Blum has just sent me a confidential message stating that after the formation of the new government he intends to make a short trip to the United States. The purpose of his mission is to make a sort of good will tour and to see informally various United States officials and leaders with a view to explaining France's desperate needs for coal, wheat, etc." (851.00/1-2346)

ington thinking on this matter is given for your confidential background info and for your comment.

1. An approach to Congress for a credit to France along lines of Brit loan is not practicable.

2. The Depts views on French credit needs have not been adversely affected by the change in the French Govt. On the contrary, the Dept is hopeful that the new French financial and monetary policies will be implemented in such a manner as to strengthen materially France's financial position and to increase the prospects for the future servicing of credits from the US.

3. Principal reliance for future reconstruction credits is placed in the facilities of the International Bank for Reconstruction and Development.

4. Pending the organization of this institution, France will have available, in addition to its own resources in gold and foreign exchange, the recently granted Ex-Im Bank credit of 550 million dollars.

5. The US Govt will also explore the possibility of the need for another Ex-Im Bank credit for this interim period. Present indications are that an amount up to one half billion dollars might be available.

6. The Dept and Treasury will also want to discuss with the French representatives the settlement of amounts due for civilian relief supplies (Plan A)¹⁵ and for North African supplies. In as much as it was originally planned that these sums would be settled by cash payments, Dept would appreciate receipt your views question whether French Govt will request long term payment plan along lines 3-C credits.¹⁶

The Dept suggests that, in your discretion, you informally discuss with Gouin,¹⁷ Bidault¹⁸ and Philip¹⁹ the following:

1. The US Govt is prepared to discuss French reconstruction needs in accordance with the exchange of letters of Nov last.

¹⁵ Plan A related to the provision of civilian relief supplies for liberated areas by the combined Allied military authorities in Western Europe and the Mediterranean under financial arrangements agreed to by the United States, United Kingdom, and Canada. For documentation, see *Foreign Relations, 1945*, vol. II, pp. 1059 ff.

¹⁶ The 3(c) agreements (from section 3(c) of the Lend-Lease Act of 1941, 55 Stat. 32, as amended) provided for a continued flow of industrial equipment and supplies to certain European countries after the end of the war in Europe even though use of such materials was no longer related to the defense of the United States. For texts of agreements between the United States and France respecting mutual aid, signed at Washington on February 23, 1945, see 59 Stat. 1304.

¹⁷ Félix Gouin, President of the French Council of Ministers and Minister of Defense.

¹⁸ Georges Bidault, French Minister for Foreign Affairs.

¹⁹ André Philip, French Minister of National Economy and Minister of Finance.

2. The hope is expressed that discussions which began some months ago in regard to double taxation and equality of treatment for American property losses in France may be concluded at the earliest possible moment.

3. The following tentative agenda is suggested for the overall financial and economic discussions:

A. *US Companies in France*

B. *Commercial Policy*

1. "Proposals for Expansion of World Trade and Employment"
2. General return to Private Channels of France-US Trade
3. Quantitative or exchange restrictions on imports and exports

C. *Financial Arrangements*

1. French need for credits and proposed utilization

D. *Lend-Lease Surplus Property and Claims*

1. Settlement of Lend-Lease
2. Disposal of Surplus Property
3. Payment for Supplies
 - a. Civilian relief supplies (Plan A).
 - b. North African supplies
4. *Normandie*²⁰ and other claims

E. *Miscellaneous*

1. Motion Pictures

4. The US Govt is following sympathetically the efforts of France to solve its financial and economic problems and desires to give every appropriate assistance to the development of a sound reconstruction program.

5. The discussion of the financing of such a program should include a thorough exploration of (a) France's own exchange availabilities (b) measures which France might adopt unilaterally to obtain a reasonable amount of direct foreign investment and to aid in the rapid recovery of her important tourist trade and specialized export industries (c) utilization of credits already granted by US (d) possible recourse to International Bank for long term reconstruction needs (e) need for an additional Ex-Im Bank loan pending availability of (d) above.

6. In this connection it should be pointed out that principal reliance will necessarily be placed on the International Bank for large scale reconstruction loans. The US Govt has made the largest subscription to this organization and it is anticipated that the larger part of the securities issued by or guaranteed by the Bank will be floated in US.

The Dept would appreciate the receipt of a telegraphic report in regard to reaction of the French Govt to the foregoing as well as your own comments.

BYRNES

²⁰ For documentation on the requisitioning by the United States of the French vessel *Normandie* on December 16, 1941, see *Foreign Relations*, 1941, vol. II, pp. 533 ff.

851.51/2-846: Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, February 8, 1946—8 p. m.

US URGENT

665: For the Ambassador. Urtel 547, Feb 4, 5 p. m.²¹ You may, in your discretion, discuss with Léon Blum the six points outlined in Dept's 573 of Feb 4, 7 p. m. as basis for your conversation with Gouin, Bidault and Philip.

Please inform Blum that I have received his message and that I and Assistant Secretary Clayton and other officials will be happy to welcome him here and to discuss informally with him aspects of French political and economic policy of mutual interest to the two countries.

The suggested time period beginning Feb 22 is satisfactory to the Dept. Please keep the Dept informed of developments regarding the anticipated date and place of arrival in US of Mr. and Mrs. Blum. With reference to the arrival of French technical delegation, Dept is prepared to begin exploratory conversations on Mar 1 as indicated. You should point out to French Govt, however, that there will be a period, beginning Mar 8, when Vinson,²² Clayton, Collado²³ and White will be in Savannah for organization of Monetary Fund and International Bank. Conversations on trade and commercial policy matters may continue during the period, but financial conversations on other than technical level would be precluded until the termination of Savannah meeting.

BYRNES

851.51/2-946: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, February 9, 1946—3 p. m.

[Received 4: 25 p. m.]

647. Your 573 of February 4, 7 p. m. is most helpful and I concur entirely in the proposed broad approach to the impending negotiations with the French in Washington. I shall continue personally to discuss with French authorities concerned (including Blum) the various points suggested in your message.

I have no knowledge of any present French intention to request the transfer Plan A and North African civilian supplies from cash

²¹ Not printed.²² Fred M. Vinson, Secretary of the Treasury.²³ Emilio G. Collado, Deputy on Financial Affairs to the Assistant Secretary of State for Economic Affairs.

payment to 3-C basis. My personal view, however, is that such a request is quite likely in the light of their dollar shortage. I suggest that it is an accommodation which might well be extended to them if in the course of the negotiation they substantially meet our desires and satisfactorily document their need for further credits.

I am not clear as to what is comprehended by heading A of agenda in your telegram and would appreciate clarification.

As you are aware, I have always favored a realistic and comprehensive settlement of unfinished business with the French in return for any [apparent garble] dollar credits. If presented skillfully I do not believe there will be serious difficulty in securing satisfaction.

At this time, however, I desire to emphasize my belief that it is ~~in~~ our national interest to grant France a substantial dollar credit even though to a banker's eye France might not be considered an A-1 risk.

There is little doubt that the political situation in recent weeks has seriously deteriorated. The average man is still cold, hungry, unable to buy what he needs and frustrated by the feeling that not enough progress has been made.

Extremists today are not in control. It is in our interest that public discouragement should not reach the point where extremists appear to offer the only chance of improvement in leadership and in material things.

Today France looks primarily to us for help. If coal is not forthcoming from the Ruhr the US is the only producer that can squeeze out an export surplus. When the French wheat crop fails, it is to the US she turns. Also important, it is only from the US that the industrial machinery and equipment necessary to restore and modernize her plants can be secured.

Without desiring to prejudge a case on which the technical facts have not yet been assembled I am under the impression that the 1946 import program, together with other obligations and commitments, by this year's end will substantially strip France of her present holdings of gold and dollars. Exports to the US for some months are unlikely to increase sufficiently to earn substantial dollars.

Under these circumstances, I believe that the loan France will request of US should be weighed in terms of its political importance. To refuse it or to chop it down to an unimportant sum, in my considered opinion, will pull out one of the last props of substance and of hope from those in France who want to see France remain an independent and democratic country.

851.51/2-946 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, February 16, 1946—2 p. m.

777. 1. Dept has noted with great interest views expressed in your 647 Feb 9. They will be helpful in discussions with other interested agencies.

2. The nature of the matters which might be included under heading A of the agenda (Dept's 573 Feb. 4) fall within two general categories, namely: (1) a treaty of friendship, commerce and navigation and (2) special problems of U.S. companies in France.

3. As to the treaty of friendship, et cetera, it is believed that the existing treaties with France are inadequate to meet present-day economic and commercial problems and that a modern treaty should be negotiated. Such a treaty should stand on its own bottom and it should not be necessary to include it as part of the general negotiations. However, you may consider it desirable, as part of such negotiation, to obtain French agreement to negotiate a treaty of friendship. Dept will welcome your comments.

4. As to special problems of U.S. companies, it is believed these will be adequately covered in discussions already under way, namely those in regard to double taxation and equality of treatment for American property losses. If these separate discussions are not concluded satisfactorily prior to the completion of general negotiations, Dept feels they should be brought into those negotiations. If there are any other problems affecting U.S. business interests in France which Embassy feels should be discussed, they also can be included. Dept. will welcome Embassy's comments.

BYRNES

851.51/2-2046 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, February 20, 1946—2 p. m.

826. My 825, Feb 20.²⁴ FonOff unofficially informed Embassy today that subject to final decision of Cabinet, Blum, accompanied by Mrs. Blum, Monnet, Baraduc²⁵ of FonOff and possibly Monick²⁶ plan departure by air for Washington Feb 26 or 27. They will be prepared to open negotiations by March 1. Tentative agenda contained in your 573 of Feb 4 has been carefully studied by French officials concerned and it is believed they are well briefed and documented.

²⁴ Not printed.²⁵ Jacques Baraduc, Office of Economic Affairs, French Foreign Ministry.²⁶ Emmanuel Monick, Governor of the Bank of France.

As I have reported, Blum desires to discuss French political and economic position in broad outline through medium of personal talks with highest officials. He will not remain through entire negotiations, which French are aware must be confined to technical level insofar as credit and financial matters are concerned from March 8 until conclusion Savannah meeting.

Embassy was also informed that Blum's mission will probably be launched by important press conference by Gouin February 23 which is desired date of simultaneous publication in Washington and Paris of November 8 letter exchange²⁷ and French Yellow Book containing full text in translation of US Govt's proposals for expansion of world trade and employment.²⁸ At press conference Gouin presumably will elucidate for benefit French public the import to France of mission entrusted to Blum.

In connection with outstanding balance due on North African civilian supplies FonOff intimated that Valensi²⁹ might be instructed to defer further payments until conclusion of the negotiation. Embassy pointed out that such delay in payment of long overdue account might have unhappy effect. Latter comment evoked prompt back-track reaction.

CAFFERY

851.51/2-2146

Memorandum by the Assistant Secretary of State (Clayton) to the Secretary of State

[WASHINGTON,] February 22, 1946.

Ambassador Bonnet³⁰ called this morning and left with me the enclosed note,³¹ in French, addressed to you advising of the departure of Monsieur Léon Blum from Paris to the United States on February 26, and adding that the French delegation, to assist Monsieur Blum in his negotiations here, should arrive in Washington on March 2.

The Ambassador stated that the difference between French import requirements and French exports for the year 1946 is estimated at a deficit of two billions of dollars, a portion of which France would be able to meet out of her own resources. Monsieur Blum wishes to discuss with us a loan from the United States to meet the remainder.

²⁷ For texts of letters, see *Foreign Relations*, 1945, vol. iv, pp. 769-771.

²⁸ It was the intention of the French Government to print in the Yellow Book the whole series of financial negotiations between France and the United States before and since the Bretton Woods Monetary Conference.

²⁹ Christian Valensi, Financial Counselor of French Embassy in Washington.

³⁰ M. Henri Bonnet, French Ambassador.

³¹ Not printed.

The Ambassador stated that he had heard that the National Advisory Council will soon make a report to the President regarding loans already made by this Government to foreign governments and making recommendations as to future loans.³² He added that he hoped very much that no publication regarding this report would be made during Monsieur Blum's visit which would be embarrassing in his negotiations here. I stated to Monsieur Bonnet that I did not believe that any report or recommendations giving detailed figures regarding future loans would be published. Monsieur Bonnet said that any publication which said that the British loan is regarded by the Administration as being in a special class, and that other loans of that type would not be made, might be embarrassing. I pointed out to Monsieur Bonnet that the Administration had already stated that the British loan is unique, but called his attention to the fact that the Export-Import Bank is making loans and still has two billion dollars uncommitted, and that there is no reason why the Bank could not ask for additional lending power if it should be decided to do so. But, of course, as Monsieur Bonnet understood, the Bank had applications for loans from many countries. I had already made clear to Monsieur Bonnet on a previous visit about ten days ago, when he spoke of a loan of two billion dollars, that no such sum will be available to France; that we had already loaned one billion dollars to France to finance her purchases in this country under the Lend-Lease Agreement, and that so far as loans for reconstruction were concerned, the International Bank is being organized for that purpose and should be ready for operation at the end of this year or the early part of 1947.

Monsieur Bonnet stated that Monsieur Blum would like to see the President and the Secretary of State within a few days after his arrival, and I told him that I was sure you would be glad to arrange this.

W. L. CLAYTON

851.51/2-2546

The Ambassador in France (Caffery) to the Secretary of State

SECRET

No. 4548

PARIS, February 25, 1946.

[Received February 28.]

The Ambassador has the honor to enclose for the Department's records a copy of an informal memorandum which was prepared by

³² President Truman sent a message to the Congress on March 1, 1946, transmitting a document containing recommendations on foreign loan policy prepared by the National Advisory Council on International Monetary and Financial Problems. For texts of the message and document, see Department of State *Bulletin*, March 10, 1946, pp. 380-385.

this Embassy on the forthcoming economic conversations which Mr. Léon Blum will initiate in Washington. This memorandum was based principally on the final paragraphs of the Department's telegram no. 573 of February 4, 7:00 p. m. Copies were furnished Mr. Blum and a member of the Foreign Office who will be in the Blum party.

The observations which this memorandum elicited in the Foreign Office were reported in this Embassy's telegram no. 892 of February 24.³³

[Enclosure—Memorandum]

CONFIDENTIAL

[PARIS,] February 22, 1946.

The policy of the United States in relation to the problems of French economic rehabilitation might be recapitulated as follows:

I—The United States Government is following sympathetically the plans being developed and the measures already taken by the French Government aiming toward the solution of France's financial and economic problems. The United States Government is anxious to lend all appropriate aid, consistent with its capabilities, in developing a sound program of reconstruction in France.

II—The joint examination of the financial needs for the execution of such a program will necessarily entail the exploration of certain basic factors, more particularly these:

(a) French foreign exchange resources and prospective balance of payments.

(b) Unilateral measures available to France to attract foreign capital, to recover its tourist trade, and to revive export industries.

(c) Use of existing American credits.

(d) Planned recourse to the International Bank for long term reconstruction needs. The United States Government, the largest subscriber to the International Bank (involving therefore floating in the United States the larger part of the securities issued or guaranteed by the Bank) regards this institution as the proper and principal center for financing large scale reconstruction projects.

(e) The interim need for further Export-Import Bank financing until the International Bank's resources become available.

851.51/3-346 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, March 3, 1946—noon.

US URGENT

[Received March 3—10:55 a. m.]

1031. Léon Blum (whose condition is somewhat improved although he is still running a fever) sent me a message last evening that he regretted exceedingly that the departure of the French delegation had

³³ Not printed.

been delayed (my 1029, March 2³⁴). He said that in as much as no planes will be able to take off from the Paris airfields because of the heavy snow until at the earliest Monday evening, the delegation would arrive in Washington too late to have conferences with Secretary Vinson and Assistant Secretary Clayton before their departure for Savannah. Under these circumstances the decision had been made to postpone the delegation's departure until the conclusion of the Savannah Conference.

Blum asked me to convey to Secretary Byrnes, Secretary Vinson, and Assistant Secretary Clayton his deep regret that his illness and bad weather had necessitated a change in plans. He asked particularly that his apologies be conveyed for any inconvenience that may have been caused to the Secretary, Secretary Vinson, and Assistant Secretary Clayton.

CAFFERY

851.51/3-1946

*Memorandum of Conversation*³⁵

[WASHINGTON,] March 19, 1946.

Participants: Mr. Léon Blum;
 Ambassador Bonnet;
 The Secretary; and
 Mr. Matthews³⁶

Mr. Blum called to pay his respects to the Secretary.

Mr. Blum said he was profoundly touched at the hospitality extended to him by the American Government and wished to express his deep appreciation to the Secretary and also to the President.

The Secretary mentioned that it was unfortunate that both Mr. Clayton and Secretary Vinson were away at this time, but that they were expected back shortly and it would not delay Mr. Blum long.

The Secretary said he had hoped to talk with Mr. Bidault in London about France and find out a lot of things about conditions there, but before they could keep their engagement Mr. Bidault had been called back to Paris because of the General's resignation.

Mr. Blum said he would be glad to give the Secretary any information he wished and would be perfectly frank. He remarked "frankness is the quality only of a diplomat."

³⁴ Not printed. Later the Department was informed in telegram 1177, March 11, from Paris, that Mr. Blum would leave Paris for Washington on March 14 (851.51/3-1146).

³⁵ Memorandum drafted by Dorothy H. Morgret of the Office of the Secretary of State.

³⁶ H. Freeman Matthews, Director of the Office of European Affairs.

The Secretary said he was interested in the effect of the drought on their hydro-electric system. He said he understood because of the lack of electricity the factories could operate only half a day and inquired if that situation had improved.

Mr. Blum said the situation was back to normal now, and although there was no reserve, they expected to have enough power through the summer as there was heavy snowfall in March.

Mr. Blum said he was glad to have an opportunity to talk with the Secretary about a very important matter for France. He said the question of coal looms predominant for French economy. The people are deprived of heat, of power and most important of food.

The Secretary said he thought the power situation had improved and that with the coming of spring heat should no longer be a problem and there remained only the lack of food.

Mr. Blum said that in three or four months the food situation should not be so acute because they hope to have a better crop. It is a tragedy, he said, that the people will have to starve during the forthcoming months, but that after that the situation will change and by next year France will be self-supporting.

The Secretary inquired if France could not produce vegetables which would alleviate the situation.

Mr. Bonnet replied that the weather is too cold.

Mr. Blum said after August the food situation should continue to improve. He emphasized that what France needs is coal. They normally import a great deal of coal, he said, and they have now established production of their mines. More plants are ready to go into operation than they have coal for. The entire reconstruction of France depends upon obtaining coal. They import coal from the US but it is expensive to pay for in dollars and ship in US vessels.

The Secretary inquired how much coal France produces and how much was produced before the war.

Mr. Blum replied that France now produces $3\frac{1}{2}$ million tons a month; before the war they produced 5 million tons. He said that production in the mines in the north is above normal, but the 5 million figure included the mines near the Saar Basin where production has not been reestablished. Mr. Blum said that the Ruhr is now producing a million tons a week—four or five million tons a month, out of which France gets only 300 thousand tons. The export of this coal is fixed by the Control Council in Germany at 750 to 800 thousand tons and France gets only 300 thousand.

The Secretary inquired why the mines near the Saar Basin have not been restored in ten months.

Mr. Blum replied that this was because the house to house fighting in that area had caused so much damage that the towns were virtually

destroyed and there were not even homes for miners to live in. They do have hopes of obtaining considerable amounts of coal from this area when it can be built back. Transportation is not a difficulty because France's transportation system is almost completely normal now. Mr. Blum emphasized that the question of coal is most important and said he had instructions before he left France to talk with the Secretary and with President Truman regarding a more normal and equitable distribution of German coal.

The Secretary said he was sure that those in charge of the matter would be glad to work with Mr. Blum's representatives on this matter. He said that everything possible had been done to increase production there because we know that it is the primary need of all Europe and that progress has been made.

Mr. Blum said that he wanted the Secretary to realize he would answer frankly any question the Secretary asked—that he could treat him like an Almanac to find out anything he wanted to know about France.

The Secretary said he would certainly avail himself of the opportunity. He said he was sure Mr. Blum would be informed as soon as Mr. Clayton and Mr. Vinson had returned so that he could talk with them.

851.51/3-2746 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 27, 1946—7 p. m.

1411. Blum and members his mission met with NAC group headed by Sec Vinson on afternoons of Mar 25 and 26. At first meeting Blum presented French economic needs and situation in broad outline and distributed documents setting forth for 1946-49 period French reconstruction and modernization program, import needs and prospective balances international payments. At conclusion second meeting, which was devoted to preliminary exploration these data, it was agreed that bilateral financial subcommittee should begin technical review of documents. Other committees are beginning discussions on (1) Lend-Lease Settlement and related matters (2) commercial policy and (3) double taxation. Copies documents under reference being forwarded to you by air pouch and you will be kept informed of all significant developments.

ACHESON

851.00/4-446 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, April 4, 1946—4 p. m.
[Received April 5—7:41 a. m.]

1595. My 943, February 27.³⁷ While no qualified political observers are willing as yet to speculate on the outcome of the June elections, a number of them have expressed the opinion that potentially the Socialist position seems stronger than a month ago, when it was generally believed that they would lose a very considerable number of votes to the Communists. It will be recalled that following the Congress of Socialist Federal Secretaries a number of newspapers and some observers believed they detected a serious fissure between the Blum-led majority and the Communist-attracted Left Wing. The relative absence of friction and the extent of general agreement in the recent special Socialist Congress (my 1558, April 1³⁷) has created a generally favorable impression, particularly since an overwhelming majority voted against joint lists with the Communists and no serious controversy developed on this point.

While as a result of the foregoing the Socialists seem to have gained ground, most observers agree that the Socialist position in the coming elections now depends largely on the degree of Léon Blum's success in obtaining substantial credits in the United States. Should his mission be really successful the Socialist Party might make a very good showing. Such an event should serve to strengthen Blum's leadership as well as the majority elements in the Socialist Party which are opposed to fusion with the Communists and are willing to work with other progressive elements, particularly Liberal Catholics.

The Communists are, of course, keenly aware of this possibility and of the vital importance of the coming elections. They are trying to counteract the possibility of a success by Blum by giving tremendous publicity to Soviet wheat shipments to France and by spending hundreds of millions of francs in electoral propaganda. Bogomolov³⁸ is proceeding to Marseille to meet the first Russian wheat ship, and I am reliably informed that no money or effort is being spared to make this arrival a tremendous Communist propaganda show. In addition, the Communists are making huge outlays in their electoral campaign. In the past ten days when Paris has been enjoying magnificent spring weather, it is not uncommon to see convoys of 10 to 20 large trucks filled with children headed for excursions in the country. There is music and the trucks are gaily decorated with banners stating that

³⁷ Not printed.³⁸ Alexander Efremovich Bogomolov, Soviet Ambassador to France.

the excursions are arranged by the initiative of the Union des Femmes Françaises (powerful Communist Front organization). They also bear placards announcing that this is "initiative laïque" which is obviously a poke at the M. R. P.

I well realize there are difficulties in granting at this time substantial credits to France. I believe, however, that such difficulties should be weighed in the light of our long-range political and economic objectives rather than solely in financial terms. It is in our interest to strengthen the elements with which we can work, which share our basic conceptions and which therefore make for stability. The coming French elections are of paramount importance for they will establish the pattern which France will follow in the vital period of the next several years. Anything we can do in this critical pre-election period to encourage Frenchmen to believe that we are not abandoning Europe and particularly France but that we are doing (there is gratitude for our efforts to make food and coal available) and will continue to do our best to aid French economic and financial recovery and independence, should work to our long-term political and economic advantage. While the Socialists stand to benefit most in the elections from substantial long-term credits, such credits will unquestionably encourage all Frenchmen who share our basic conceptions. If on the other hand they believe that the United States is losing interest, they probably will feel they are being abandoned to the Communists. While they abhor this prospect, nonetheless it leads them psychologically to think that under such circumstances they have no alternative but to make the best of a very bad situation by either going along with the Communists or simply taking no part in politics, such as voting.

If we are to encourage those elements which would like to work with us—and they are a majority—we must let the extent of our interest be sufficiently known prior to the elections on June 2 so that it can sink in and be reckoned with when the ballots are cast. The timing is important. If we delay too long it is difficult to see how the Communists, with their iron party discipline and powerful propaganda machine oiled by billions of francs, can fail to benefit in the coming elections.

CAFFERY

851.00/4-846 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET
U.S. URGENT

PARIS, April 8, 1946—5 p. m.
[Received 10:30 p. m.]

1659. For the Secretary. In this critical pre-election period it becomes daily more evident that each decision of the present tripartite

coalition govt—whether on domestic or foreign policy—will be taken only after each of the three parties has carefully anticipated the reaction of the French public and is reasonably certain that the position it has taken will have the least adverse effect on its electoral chances. As applied to foreign policy one of the clearest cases of this pre-election jockeying on part of the three big parties is the question of German policy which came to a head last Friday (my 1632, April 6³⁹). To understand the decision reached then it is necessary to examine the approach of each of the three parties to the German problem in the light of the coming French elections rather than solely in light of foreign policy considerations.

The Socialists are internationally minded and are opposed in principle to the partition of Germany. Therefore they are more willing than others to try to meet the British views on the German question, particularly the Ruhr. In addition there is a deep affinity between the French Socialists and the British Labor Party. It would be a mistake, however, to believe that the Socialists are only thinking of the foregoing in their efforts to re-orient French policy towards Germany, for this is not the case. For purely internal political reasons the Socialists saw several real electoral advantages in securing a change in German policy. First, should a revision of German policy lead to the rapid conclusion of a Franco-British pact (which the majority of the French people desire) the Socialists could claim that it was their initiative alone which had made this possible and they, rather than Bidault and the MRP, would have perhaps received the credit. Secondly, knowing that Bidault's German policy has very wide popular support the Socialists could hope that Bidault and the MRP would bear the brunt of the criticism "for abandoning France's legitimate security requirements" if Bidault agreed to a change. This is important since the overwhelming majority of the French people believe (as a result of constant reiteration in the French press since liberation) that only Bidault's German policy will insure France's minimum security requirements. Thirdly, the Socialists believe that a modification in German policy would assist Blum in obtaining more substantial credit in the US which is their greatest hope in the coming elections. When Bidault refused change his policy the Socialists who believe it is of paramount importance that the Coalition Govt last till elections saw that MRP could not have a better issue on which to leave the Govt and should they do so on this issue the Socialist position would be vulnerable (politically). Therefore the Socialists somewhat sullenly backed down.

³⁹ Not printed.

MRP on other hand was placed in a somewhat paradoxical position by Gouin's pressure to change previous policy. While sincerely desiring a Franco-British pact to bolster France against Russia, Bidault and the MRP are equally sincere in their belief that the Ruhr and Rhineland must for security reasons be detached from Germany. The MRP was also convinced that any change in German policy would be seized upon by all parties except the Socialists as a pretext violently to attack the MRP on the grounds that they had abandoned France's vital security requirements. MRP which already fears taking a severe beating in the coming elections has as MRP leaders freely state "no intention of playing the Socialist game which means suicide for the MRP". By standing fast the MRP could be sure of overwhelming popular support on German question and could claim (as it is now doing) that French security would have been "sold down the river" were it not for MRP vigilance.

When after a running duel between Gouin and Bidault this Socialist-MRP dispute over German policy finally came to a head in the Cabinet meeting last Friday the Communists found themselves in a perfect position both to further Moscow's aims and to strengthen their own internal position for the coming elections. By supporting strongly (and for the first time clearly) the Bidault thesis in the Cabinet meeting, that the Ruhr and Rhineland should be separated politically from Germany, the Communists saw clearly that they could handicap negotiations for a Franco-British treaty by urging that British acceptance of the French thesis on Germany be a condition for such a pact. Since Communist apprehension is constant that a Franco-British pact may serve as the basis for a western bloc anything they can do to throw a monkey wrench in Franco-British negotiations suits their purpose. For equally important domestic reasons the Communists also found it most advantageous to support Bidault. Now that the German Communists (who the French are convinced make no move without Moscow's directive) have come out in opposition to political separation of the Ruhr, the French Communists by urging it can pose as "the real champions of French security" and also convey the impression that far from being Moscow's puppet they are essentially a French party which will oppose anyone including foreign Communists when they take a position detrimental to "France's real interests". At same time by centering their arguments against the British Ruhr plan in the thesis that a British alliance and guarantee is not a satisfactory substitute for political separation of the Ruhr—as events after the last war proved—the Communists leave the way open to shift their stand and justify the change by new guarantees from the USSR or even UNO.

In conclusion I feel I cannot overemphasize that in this critical pre-electoral period all decisions made by the present uneasy Coalition Govt on both foreign and domestic questions will necessarily be taken with the coming elections in mind—each party trimming its sails so as to catch the maximum electoral wind and to out-manoeuvre the other in the jockeying for position which precedes the electoral race. To understand what is happening here this must be kept constantly in mind.

Sent Dept 1659; repeated London 245, Moscow 110, Berlin 125.

CAFFERY

851.51/4-946 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, April 9, 1946—noon.

1584. For Ambassador and Merchant. Discussions to date with French and analysis of their figures leave no doubt of very substantial French needs. Despite extensive needs, it is impossible to go to Congress for special loan to France. Moreover, Export-Import Bank funds very limited and amount available from that source may not exceed half billion.

Department appreciates importance of having Blum Mission return to France with appearance of substantial success (re your tel 1595 of April 4). Consequently all possible steps will be taken to enable showing billion dollar or slightly greater credit. It would appear that this could be accomplished by combination of Export-Import Bank loan, funding of Plan A and other current dollar obligations on 3(c) or similar terms, large surplus property credit, and arrangements for shipping tonnage on credit terms.

Will keep you advised of developments along this line. In meantime your comments will be appreciated.

BYRNES

851.51/3-2746 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, April 9, 1946—1 p. m.

1595. Economic and financial discussions with French progressing on three main fronts:

1. Financial talks. Technical Committee (see our tel 1411 March 27) has been reviewing French statistics and report to top committee expected within week. Separate telegrams being sent commenting in more detail on Technical Committee conversations.

2. Lend-lease settlement. We are approaching agreement on basic figures. French figures on civilian inventory not yet satisfactory and expect new figures this week.

We have taken position that *Normandie* should be considered as reciprocal aid. French deny this position and want to use *Normandie* as bargaining counter for more ships. Believe satisfactory compromise can be reached, giving effect to both viewpoints.

More details on lend-lease settlement items will follow in later telegram.

3. Commercial policy. After preliminary talks, discussions commenced yesterday. Agenda for this committee consists of (a) all items (except taxation) included under commercial policy heading of tentative agenda of March 20 (airmailed to Merchant March 22), (b) item VII of tentative agenda and (c) item under which we hope to reach understanding that negotiations for comprehensive modern treaty of friendship, commerce and navigation will be undertaken as soon as possible. Separate progress reports will be sent from time to time.

Separate telegram being sent summarizing taxation conversations.

BYRNES

851.51/4-1046 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, April 10, 1946—7 p. m.

1601. ReDeptel 1585 Apr 9.⁴⁰ 1. Technical Financial Subcommittee has had three meetings with Monnet, Monick, Kaplan and other members French Delegation. Meetings devoted to general presentation present French economic picture and Monnet's plans for 1946-50. French have made no formal request for any sum, but are apparently proceeding on theory that their exchange deficits tell their own story. Job of detailed examination of French data delegated to two joint working groups: One to examine economic data (production, foreign trade, investment, consumption) and another to examine financial data. American side of working groups will complete reports this week.

2. Economic working group has held five meetings with Kaplan and other French technicians. Results of discussion and analysis French data not yet complete, but can be tentatively summarized as follows:

3. General industrial production index was 62 (1938=100) at beginning 1946. Limiting factor this year and possibly well into 1947 will be coal supply. Present plant capacity considered adequate up

⁴⁰ Apparently the reference is in error and is intended to be telegram 1595, *supra*.

to 100% 1938 industrial production; labor supply no problem until production well above 1938, and transport capacity can be kept ahead of production. Present rate coal imports 900,000 tons per month sufficient permit industrial production rise gradually to 80 before year's end. French stress coal imports as worst immediate problem and urge 1,000,000 tons per month additional German coal beginning July 1 to permit production reach 100 this year. Prospects such increase appear very remote.

4. Industrial production in 1947 expected average slightly above 1938 if coal can be imported at 1938 rate of 1,800,000 tons per month. Increase of production above this rate will require extensive investment in industrial plant and machinery, increase in energy supply and transportation capacity.

5. French plan aims to increase industrial production to about 150% of 1938 level (115% of 1929) in 1950. In 1950, plan calls for steel production at 12 million tons, electric power at 200% 1938, coal at 65 million tons, transport at 150% 1938, and mechanical industry at 160% of 1938, including development of a sizeable machine-tool industry, and general modernization much of French industry to improve its competitive position in exports.

6. Monnet says plan will require net increase industrial labor force by 2,000,000 (32% over 1938) by shift from agriculture, distribution and army, and by immigration. Plan calls for release 600,000 workers from agriculture by mechanization.

7. Total new investment required 1946-50 to achieve planned production goals estimated roughly at \$15.5 billion of which \$2.9 billion imported equipment, largely from U.S.

8. Plan calls for total of \$10 billion of imports into French Empire for 4 years 1946-49, and annual exports from French Empire rising from \$380 million in 1946 and \$850 million in 1947 to \$2 billion in 1949. Plan estimates total foreign financial aid required for 4 years 1946-49 at \$4 billion, even after liquidation \$1.9 billion of gold and public and private foreign assets.

9. In appraising French need financial aid, economic working group concentrating on 1946 and 1947. French estimate financial need these 2 years of \$2.8 billion will probably be substantially reduced by careful screening of import programs. Size of 1946-47 deficit much affected by modernization plan since \$1 billion of 1946-47 deficit accounted for by equipment imports required by plan. Furthermore, domestic investment effort required by plan affects deficit by limiting availability goods for export.

10. Financial working group has held three meetings with Monick, Guindey and others. Results summarized in following telegram.⁴¹

BYRNES

⁴¹ *Infra.*

851.51/4-1046: Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, April 10, 1946—7 p. m.

1602. ReDeptel 1585, Apr 9.⁴² Three meetings held to date with group led by Monick and Guindey on financial aspects balance of payments estimate.

First meeting: Concerned primarily with French gold position, foreign private assets, and credits under financial agreements third countries.

Monick explained that French consider it important to maintain present gold reserve \$1.2 billion. He stated:

1. Reserve must serve colonies as well as metropolitan France.
2. French are accustomed to larger gold reserve, \$3 billion in 1939, and further reduction would have adverse psychological effects by encouraging French people to hold goods and weakening credit standing of govt.
3. Imports and exports would average \$2 billion annually next 5 years, requiring substantial reserve. Little consideration being given by French to gold as backing for circulation.
4. Although French have drawing power around \$500 million on Monetary Fund, only \$100 million available annually.

Monick thought maintenance substantial gold by French coincided with interests of US by giving support to use of gold as monetary reserve. French placed emphasis on psychological importance maintaining substantial gold reserve and thought it unwise except emergency to utilize significant amount of gold for some time to come.

On private assets abroad in balances and securities French presented confidential results of incomplete census. French planning to use \$1.3 billion out of \$1.5 billion private assets outside central Europe before end 1948. Discussed program of Brit and Canadians in assisting French in mobilization and liquidation of French private assets in UK and Canada with view to determining extent to which US might cooperate with French in this respect.

Under financial agreements French have incurred debt in excess of half billion, of which approx 80% due to UK to be settled largely through liquidation of sterling assets. Remaining \$100 million expected to be largely liquidated in course of time through increase in French exports.

Second meeting: Main financial items discussed were arrears on interest, dividends, etc., receipts from tourist expenditures, troop pay, and possibility financing French needs in American private capital market.

⁴² Apparently the reference is in error and is intended to be telegram 1595, p. 425.

Re arrears interest and dividends question was raised whether all or part receipts of \$300 million estimated from this source for 1946 was not included in private foreign assets of \$1.3 billion which French plan to liquidate 1946-1948. If so net deficit in balance of payments would be correspondingly increased. French will submit further information.

French estimate they will receive about \$10 million in tourist revenues 1946 about \$150 million 1947 and \$350 million 1949. There was doubt on American side whether figures could be attained.

Doubt expressed whether French would receive \$120 million of troop pay included in 1946 balance of payments. Present thinking on American side is to select under Mendès-France agreement an adjusted franc-rate which will cancel remaining dollar obligations on troop pay account. (Thinking might be revised if appears desirable to grant through this means additional financial assistance, although subcommittee not responsible for consideration of problem and was not discussed at meeting.)

Monick saw no hope obtaining private capital in US until completion of present 5-year program. French not inclined seek loan on gold unless loan exceeded collateral amount of gold. Saw no point in obtaining loans in anticipation liquidating private dollar assets, since prompt liquidation assets presents no problems. French balance of payments 1947 allows for average interest 2% on new loans of \$1,130 million needed to finance 1946 deficit.

Third meeting: Covered budgetary, financial, and general rationing and allocation policies of French as part general program 1946-1950. Le Norcy stated French expect to finance current expenditures through taxes but reconstruction and modernization program depends on additional loans to be absorbed by public. Admitted many problems to prevent inflation but felt danger not great in view following:

1. Great effort through priorities and allocations to expand rapidly parts of program resulting most promptly in flow consumption goods.
2. Demand durable consumers goods expected moderate in 1946 and 1947. Although \$11 billion of war damage suffered by French through destroyed dwellings and household equipment, plan to pay indemnities of one-half billion dollars annually next 5 years and make such payments only where satisfied means of reconstruction are available.
3. Some imports will be consumers goods immediately available to meet increasing demands.
4. Strict rationing critical consumers goods and raw materials will continue.
5. Efforts to stimulate greater savings by French people. Importance thereof brought out by fact French program calls for increase in voluntary savings from 18 percent of gross national product 1929

to 28 percent 1949. Le Norcy admitted success of domestic fiscal program depends largely on Govt's ability to induce greater voluntary saving.

6. Price control will continue. As increased production lowers average costs expect price ceilings will be reduced. Hoped this knowledge will be added inducement to save pending reduction prices.

7. Govt planning to economize current expenditures and increase revenues. Estimated deficit 160 billion francs for 1946 compared with deficit 325 billion for 1945. Reduced deficit attained by increase some 30 billion in taxes and saving 130 billion in expenditures (40 billion subsidies, 60 military establishment, 30 civilian establishment).

Guindey pointed out present national debt burden not appreciably higher than before war due to higher prices. Budgetary strain of finding funds for servicing new public issues not expected to be severe. Govt expects retain present cheap money policies.

French presented tentative estimates of balance of payments for 1946 and 1947 distributed according to currency zones. Over 50 percent of 1946 deficit will be owed to US.

Unless material French are still to present raises questions requiring additional discussion no further finance meetings to be held.

BYRNES

851.51/4-1846

*Memorandum of Conversation*⁴³

[WASHINGTON,] April 18, 1946.

Participants: Mr. Léon Blum
 Mr. Francis Lacoste, Minister (Interpreter)
 The Secretary
 Mr. Matthews

Mr. Léon Blum came, at his request, to see the Secretary this afternoon. He wanted a chance to talk to the Secretary before he (Sec) left for Paris to attend the meeting of the Council of Foreign Ministers. He thanked the Secretary for taking the time to see him during his stay in Washington. He inquired how long the Secretary thought the meeting of the CFM would last.

The Secretary replied that that would depend on the date set by the CFM for the peace conference. He explained that the date originally set for the peace conference was May 1, but we had run into a situation where the Russians construed the Moscow Declaration⁴⁴ as meaning that there should be no peace conference until the Council of Foreign Ministers had reached an agreement on all its drafting. He added

⁴³ Memorandum was drafted by Dorothy Yovich of the Office of the Secretary of State.

⁴⁴ For text of the Communiqué on the Moscow Conference of the Three Foreign Ministers, December 27, 1945, see *Foreign Relations*, 1945, vol. II, p. 815.

that he saw that this would put France in an embarrassing position in regard to sending out invitations so he agreed that the date should be decided by the Council of Foreign Ministers.

Mr. Blum told the Secretary he did not expect any changes in the French Government as a result of the general election, which will be held June 2.

Mr. Blum further stated he wanted to impress upon the Secretary the status of the negotiations for the loan. He felt that the preparatory work was very largely accomplished and that the time is about ripe for the conclusions to be announced. He thought there was wide understanding between the American and French negotiators and that by the end of next week they would be able to draw their conclusions. However, the decision of the American Government taken at the conclusion of negotiations by the experts was another matter. He expressed the hope that the American Government would reach a decision which would be favorable to the French and that it would not be long forthcoming.

The Secretary replied he did not know the status of the negotiations as Mr. Clayton had charge of this question. He said he saw many reasons why it would be advisable to arrive at a conclusion one way or another and that before he leaves for Paris he will discuss the matter with Mr. Clayton.

Mr. Blum thanked the Secretary, and referred again to the meeting of the Council of Foreign Ministers. He said he realized how complicated the situation was, but everything had to be arranged and everything would be arranged. He said that in all his negotiations it was his experience there was never a matter which was a difficulty in itself; that when there was no goodwill, the simplest things became insolvable. When there is goodwill on all sides, there is no difficulty that cannot be overcome. Now it is up to all sides to decide whether there is goodwill.

The Secretary agreed that the only way in which to enter into a conference was with the philosophy just expressed.

Lot 60 D 137 Box 1 (18358)

*Minutes of the Twenty-second Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, April 25, 1946*⁴⁵

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
Mr. William L. Clayton, State Department

⁴⁵ Also designated as meeting No. 4 of the U.S. Top Committee on French Financial Negotiations.

Mr. Emilio G. Collado, State Department
 Mr. Henry R. Labouisse, State Department
 Mr. Thomas B. McCabe, Office of Foreign Liquidation Commissioner, State Department
 Mr. Herbert W. Parisius, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. William McC. Martin, Jr., Export-Import Bank
 Mr. August Maffry, Export-Import Bank
 Mr. Rifat Tirana, Export-Import Bank
 Mr. E. M. Bernstein, Treasury Department
 Mr. Harold Glasser, Treasury Department
 Mr. Frank Coe (Secretary), Treasury Department
 Mr. A. M. Kamarck (Assistant Secretary), Treasury Department

1. *Proposed Credits to France*

Presentation of Preliminary Results of Technical Committee's Examination of French Financial Needs—Mr. Bernstein explained that the statement of Preliminary Results (U.S. Top Committee—French Negotiations Document No. 1) had been prepared and agreed to by the Technical Committee.⁴⁶

Surplus Property Credit—Mr. McCabe summarized the current status of surplus property negotiations with the French: At the present time, there is over \$1 billion original value in surpluses in France. If the French made an offer now for purchases in bulk, they might get a credit of several hundred million dollars worth. Sales are very active to other countries, and if the French stall there may not be more than \$100 million left by the time the negotiations are completed. There is some opportunity for the French to purchase surpluses in the United States, but the total probably would not be as high as \$100 million.

Political Considerations—Mr. Clayton said that for political reasons the State Department feels that as liberal assistance as is reasonably possible should be given to France at this time. In the discussion Mr. Clayton referred to an internal State Department memorandum⁴⁷ which stressed the political importance of the loan, as viewed by the political officers of State. He said the Department wished an early decision, and believed that a decision against a substantial loan would be a catastrophe.

⁴⁶ These committee documents, not printed here, are in Department of State file 851.51.

⁴⁷ Not found in Department files.

Economic Considerations—Mr. Bernstein pointed out that the French goal of reaching the 1929 standard of living in 1948 was a modest one; 1929 was a generation ago and a country should be able to achieve that level with a modest effort. Further, the European industrial needs that used to be met by Germany will have to be filled by someone, probably by France and the U.K. if Germany is not to meet them again.

The Coal Problem—Mr. Eccles emphasized that France is so short of coal that existing facilities are not being adequately used. The question of coal supply, therefore, should be considered along with the financial problem. Mr. Bernstein agreed, calling attention to the conclusion of the Technical Committee that the coal supply is crucial.

Mr. Clayton said that coal is such a critical item that it must be assumed that the French will get the coal they need. In response to a request from Mr. Vinson, Mr. Collado informed the Committee that the State Department would prepare a memorandum for the Top Committee on this subject.

Amount of Assistance—Mr. Clayton said that French needs of over \$2 billion might be met by an Export-Import Bank loan of \$650 or \$750 million and war settlements of \$650 million in 1946-47 and that this would leave the World Bank with \$800-\$1000 million to be met by the World Bank in 1947-48. Mr. Collado felt that this was a large amount for one country to expect the World Bank to meet out of the perhaps \$2 billion of lending that the World Bank would be able to do in 1947 and 1948. Mr. Bernstein pointed out that the World Bank would have \$700 million in cash by June 30, 1947, which could be used for lending and replenished from the market.

War Settlements—Mr. Labouisse estimated that the French might receive \$240 million of assistance from surplus property and ship credits. The French obligation on account of Plan A and cash reimbursable lend-lease totaled \$315 million which might be cancelled or funded. The French had already paid \$245 million on their cash lend-lease obligations. This amount might be re-allocated and considered as payment on inventories, post-VJ-Day shipments and Schedule II items. The remainder, or \$130 million out of the \$245 million, might be applied against the French 3(c) credit. Mr. Vinson requested that a memorandum be prepared on this subject.

Source of Loan Funds—Mr. Martin questioned the adequacy of the Export-Import Bank's funds to make as large a loan to France as Mr. Clayton envisaged. Mr. Clayton thought that the funds could immediately come from the billion dollars which had been earmarked for Russia (for the discussion on this point, see below). Mr. Martin pointed out that with the present Export-Import Bank commitment

and counting on cancellations and repayments, it might be possible to loan the French as much as \$300 million. Mr. Clayton said that the nature of the negotiations that we started with the French were such that they obviously concerned more than \$300 million.

French Internal Finances—In response to a question from Mr. Eccles, Mr. Bernstein said that it is easy to exaggerate the importance of internal financial developments. The French have done a remarkable job of production so far; they have pushed their coal production above 1938 in spite of their internal financial maneuverings in the past year. Monetary excesses may retard increases in production in France but they will not stop them.

[The remainder of this document is scheduled to be printed in volume I.]

851.51/5-846 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 1, 1946—6 p. m.

[Received 11:14 p. m.]

2087. See my 1708 of April 10, 1946.⁴⁸ I trust French loan negotiations will be successfully concluded and results announced within 10 days. Elections June 2 mean that every passing day is day lost to Socialists, et cetera, for capitalization of Blum's success. Foregoing is based on my earnest hope that it proves possible to provide at minimum a total credit exceeding one billion dollars, including Eximbank [apparent garble] loan larger than November's 550 million.

CAFFERY

851.00/5-246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

[Extracts]

SECRET

PARIS, May 2, 1946—8 p. m.

[Received 10:42 p. m.]

2119. Although the referendum is only 3 days distant there is still speculation as to whether or not the French people will accept or reject the new constitution next Sunday.⁴⁹ . . .

Should the constitution be rejected in the referendum there has been some talk, particularly in rightist circles, that the Communists may endeavor to seize power prior to the June elections by some form of

⁴⁸ Not printed.

⁴⁹ May 5.

illegal action.⁵⁰ Such a possibility, however, is considered very unlikely by well-informed officials and observers who believe that the Communists will not risk any illegal coup, since regardless of the referendum outcome they hope greatly to improve their position by legal means in the June 2 elections.⁵¹

CAFFERY

851.00/5-346

Memorandum by the Secretary of War (Patterson) to the Acting Secretary of State

TOP SECRET

WASHINGTON, 3 May 1946.

MR. ACHESON: For your information the attached message, having been cleared by the President, is being dispatched to General McNarney.⁵²

ROBERT P. PATTERSON

[Enclosure]

The War Department to the Commanding General, U.S. Forces, European Theater (McNarney), at Frankfurt, Germany

EYES ONLY

[WASHINGTON,] 3 May 1946.

TOP SECRET URGENT

Reference S-3280. Authority is granted to effect movement into France in case of serious disturbance there provided that such move in your opinion is essential to provide for security of U.S. forces or to secure supplies essential to them. Loss or destruction of property which is surplus to your security needs and which would not endanger the security of U.S. Forces by falling into foreign hands should not constitute justification for movement. However, under no condition should movement (or any overt act forecasting movement) other than minimum reconnaissance by selected officers carefully briefed as to security angle and political implications of contemplated actions be made prior to or during referendum on French

⁵⁰ On May 2 Headquarters, United States Forces, European Theater (USFET) informed the War Department of a report by the Western Base Section that indicated the possibility of an armed uprising by French Communists if the proposed constitution were rejected in the forthcoming referendum. USFET G-2 agreed that an uprising was possible but considered it improbable. (War Department message 86851, May 4, 1946, filed with memorandum from the Military Attaché in Paris to the Ambassador, May 2, 1946 (not printed), Lot 55 F 43, box 3, folder 800-C).

⁵¹ Ambassador Caffery had presented a similar evaluation of an earlier report in telegram No. 1249, March 14, 1946, 6 p. m., not printed (851.00/3-1446).

⁵² Gen. Joseph T. McNarney, Commanding General, U.S. Forces, European Theater.

constitution scheduled 5 May. In case move becomes necessary, you should notify the French on a military level stressing: (1) that move is necessary to protect U.S. lives and property; (2) that only minimum personnel to accomplish this objective will be moved; and (3) that U.S. troops will take no part in French internal conflict. Details of such notification should be communicated immediately to War Department so as to avoid delay in: (1) releasing here in Washington such public information as appears desirable and (2) providing proper governmental notification to France and other powers. You should advise War Department of troop movements as far in advance as possible in order that French Government can be notified on governmental level. Until further notice, request War Department be notified daily of your estimate of French situation.

Reference paragraph 2, CCS 739/36, which reads as follows: "Dependent on stable conditions in General McNarney's area of responsibility, one parachute infantry regiment and one regimental combat team will be available until 1 September 1946 as reinforcement from United States forces in Western Europe in the event of emergency in Italy, including Venezia Giulia." Should situation necessitate the movement by you of troops into France, such requirements will for the present at least take priority over possible requirements for Venezia Giulia.

Acknowledge please.

851.00/5-346

Memorandum by the Deputy Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] May 6, 1946.

At 1 a. m. May 3 Mr. Lawler of the Code Room telephoned Mr. Hickerson at his house and described in general terms a top secret telegram which an officer of the Army had brought to him for clearance. This was a War Department telegram to General McNarney. It dealt with a report from G-2 to the effect that there would be a Communist *coup d'état* in France on May 6 if the referendum on May 5 did not approve the proposed Constitution. The telegram gave General McNarney discretionary authority to move additional US troops into France to protect US vital supplies and installations.

Mr. Lawler said that the War Department officer wanted immediate State Department clearance for this telegram and that he had suggested that Mr. Hickerson be called for this purpose. Mr. Hickerson said that he did not agree with the telegram and that he would not, therefore, agree to its going. He said that it presented very im-

portant questions which in his opinion should be considered by the highest authorities before any such message was sent. He said that he would be glad to consider this matter with the War Department any time they like. About 10:30 a. m. Col. Vittrup^{52a} and two officers from the War Department came in to see Mr. Hickerson and Mr. Bonbright⁵³ in regard to this telegram. After a brief discussion Mr. Hickerson took the entire group to Mr. Acheson's office where the matter was further discussed. Mr. Hickerson and Mr. Bonbright pointed out why they felt that the proposed telegram was inadvisable. They said that, in the first place, present indications were that the Constitution would probably be approved by a narrow majority (in this respect they turned out to be bad prophets). Next, they said that even if the Constitution were not approved they did not believe that the Communists would attempt a *coup d'état* on May 6. They continued that all indications pointed to efforts on the part of the Communists to strengthen their position in the June 2 election and that unless the Communists could be reasonably certain that a *coup d'état* would succeed it was unlikely that they would abandon their efforts to obtain control of France by legal methods.

Messrs. Hickerson and Bonbright stated that in their talks with the War Department it had developed that the supplies in question in France are reserve supplies for our occupation forces in Germany and that the main supply line runs through Bremen and not through France. They said that they felt that the logical thing to do would be to move these vital supplies into Germany and not risk inadvertent involvement in domestic French trouble by protecting supplies which however useful were not indispensable to our continued occupation of Germany. They pointed out that US troops moving into France to widely scattered places, in the event of civil trouble might well be misunderstood, give rise to incidents involving them, and, at the worst, might even cause the Communists to appeal to the Soviet Union and send for help on the grounds that the United States had intervened. Finally they said that they felt very strongly that General McNarney should not be given discretionary authority to move troops into France and that this was far too much authority in a very delicate situation for the President to delegate to a commander in the field.

Mr. Acheson expressed his general agreement with the reasoning expounded by Messrs. Hickerson and Bonbright. It was agreed that the three War Department officers and Messrs. Hickerson and Bonbright would, therefore, prepare an alternative telegram. This was

^{52a} Col. Russell L. Vittrup, Operations Division, War Department General Staff.
⁵³ James C. H. Bonbright, Assistant Chief, Division of Western European Affairs.

done and Mr. Acheson approved the alternative draft. It is attached.⁵⁴ The War Department officers took the alternative draft to a meeting of the U.S. Joint Chiefs of Staff about 1:30 p.m.

Friday afternoon, May 3, Admiral Leahy⁵⁵ took the original War Department message (with slight modifications) and the alternative draft prepared in the State Department to the President and discussed these messages briefly with him. The President indicated a preference for the War Department message and this message was sent. Secretary Patterson informed Mr. Acheson of this by telephone. Mr. Acheson discussed the matter briefly with the President Friday afternoon and arrangements were made for the matter to be discussed at the White House Saturday morning, May 4.

At 10:00 a. m., May 4, Mr. Acheson went to the White House to a meeting at which Secretaries Forrestal⁵⁶ and Patterson and Admiral Leahy and several Army and Navy officers were present. Mr. Acheson argued against the War Department and in favor of the State Department message. The President reaffirmed his approval of the War Department message.

JOHN D. HICKERSON

S51.00/5-646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 6, 1946—noon.
[Received May 6—11:47 a. m.]

2156. On eve of referendum vote on constitution the utmost importance should be ascribed to the position and views of French Communist Party on constitution and related matters.

In general the members of Central Committee of party are fairly optimistic as to results of referendum and the majority thereof consider that the "yes" vote will represent slightly more than 50% of total. The Communists attach great importance to Communist and Socialist campaign in favor of constitution but even more so to appeal of CGT (Confédération Générale de Travail) which, they believe, great majority of working class will follow. Although they recognize that results depend to large degree upon number of abstentions at polls the Communists also feel that the general population desires to terminate the "provisional regime".

Nevertheless the party's Central Committee does not conceal some anxiety over campaign directed against constitution by MRP (Mouve-

⁵⁴ Not found attached to file copy of this document.

⁵⁵ Fleet Adm. William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy.

⁵⁶ James V. Forrestal, Secretary of the Navy.

ment *Républicain Populaire*), PLR,⁵⁷ Radical Socialists and the anti-Communist bloc of Socialists represented more or less by *Combat* group.⁵⁸

Communist position is that if constitution is approved not only will the chances of Communist victory at June elections be augmented but what is more important the new constitution will enable them to vote laws facilitating the advent of Soviet brand of Communism in France "by gradual stages", particularly through disintegration of the "bourgeois state apparatus"; this disintegration would be affected under high Communist strategy not only within the various Government administrations and institutions but also within industrial enterprises.

Communists consider that task will be easier within nationalized enterprises but they intend not to neglect private sector of national economy and here the CGT will be utilized to fullest extent in aim of introducing eventually worker's control over administration and finance.

Thus the party counts on grasping step by step the most important command levers of state wherever possible pending the introduction of Soviet regime. The difficulties of attaining ultimate goal are not underestimated by the party's political BU [*bureau*] and accordingly the problem of the illegal seizure of power is posed. It is the considered opinion of political BU that ultimately the party will be obliged to resort to national insurrection in order definitely to "conquer power".

Consequently Communists continue to devote great attention to military matters, especially with respect to organization of former FTP,⁵⁹ veterans of international brigades, war veterans and reserve [officers?] in general; these operations are under the general supervision of Casanova, War Veterans Minister, aided ably by militants such as Villon. While it is improbable that Communists in immediate future will resort to armed action, it should not be overlooked that potentially party military and police organizations could under certain circumstance decide political fate of France. For example armed groups acting in concert with majority of Paris police with support of Communist dominated CGT might prove capable of seizing and holding power but such a contingency probably will not arise until Communists perceive they are seriously losing ground or until they gain far more power than is now the case in Parliament and principal Ministries.

⁵⁷ Presumably PRL is meant, the Parti *Républicain de la Liberté*.

⁵⁸ *Combat*, a daily newspaper published in Paris.

⁵⁹ *Francs-Tireurs et Partisans*.

Accordingly the political and economic implications of referendum and forthcoming elections are of vital importance for Communist position as well as for entire nation. A majority of no votes to the referendum would represent a major defeat for Communists and would probably result in radical alterations in party line, particularly if they should also lose ground at the June elections. See my 2119, May 2.

CAFFERY

Lot 60 D 137 Box 1 (18358)

*Minutes of the Twenty-fourth Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, May 6, 1946*⁶⁰

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
 General George J. Richards, Visitor
 Col. Carl Pforzheimer, Visitor
 Mr. W. L. Clayton, State Department
 Mr. E. G. Collado, State Department
 Mr. George Luthringer, State Department
 Mr. Henry R. Labouisse, State Department
 Mr. H. Van B. Cleveland, State Department
 Mr. Victor M. Longstreet, State Department
 Lt. Col. C. J. Shields, Office of Foreign Liquidation Commissioner,
 State Department
 Secretary Henry A. Wallace, Commerce Department
 Mr. Herbert Parisius, Commerce Department
 Mr. Frederick Strauss, Commerce Department
 Mr. Frank Isenhardt, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve
 System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve
 System
 Mr. Robert Triffin, Board of Governors, Federal Reserve System
 Mr. Wm. McC. Martin, Jr., Export-Import Bank
 Mr. August Maffry, Export-Import Bank
 Mr. Rifat Tirana, Export-Import Bank
 Mr. E. M. Bernstein, Treasury Department
 Mr. Harold Glasser, Treasury Department
 Mr. Andrew Kamarck, Treasury Department
 Mr. Frank Coe (Secretary), Treasury Department
 Mr. Allan J. Fisher (Assistant Secretary), Treasury Department

⁶⁰ Also designated as meeting No. 6 of the U.S. Top Committee on French Financial Negotiations.

1. *Reconstruction Loan to Russia*

[Here follows a discussion of a proposed loan to the Soviet Union.]

2. *Proposed Export-Import Bank Credit to France*

Secretary Wallace said that the report of the Technical Committee was excellent and the Chairman agreed.

Mr. Clayton's motion on the French loan at the preceding meeting was read: "Mr. Clayton moved that the National Advisory Council approve consideration by the Export-Import Bank of a loan of \$650 million to France on terms and conditions to be worked out by the Bank subject to a commitment that the French would be asked to make regarding commercial policy and other relevant matters now under discussion." Mr. Clayton suggested that the motion be changed to read "subject to a commitment by the French."

Secretary Wallace said the motion was satisfactory provided the reasons were contained in the report of the Technical Committee and were not based on other considerations. Mr. Clayton said that he would consider the report as sufficient upon which to make a motion of this kind. The Chairman said that there might be other reasons. Secretary Wallace said he would then want it recorded that the Commerce Department approved for economic and not for political reasons. The Chairman wanted to go on record that he favored for good and sufficient reasons economic and political.

Result of French Election.—Mr. Clayton said that since the Committee had discussed the French elections he might report that the State Department was surprised the constitution had not been approved. The result of the election was interpreted by the political officers as being a slight move to the right but they did not think it was a major move. He said that since we would want to make sure that in making a loan to the present Provisional Government of France that we are dealing with a duly constituted government, he had had legal advice and been assured that there is no question about that point. The rejection of the constitution merely means that the election of June 2 will not be for members of the Chamber of Deputies but will be for the election of members of an Assembly which will write a new constitution but at the same time will carry on the legislative functions of the French Government. There is no question of the authority of the French Government to make a contract of the kind contemplated in the loan negotiations.

Political Considerations.—Mr. Eccles said he believed that this loan should be considered on economic grounds. This Government is interested in political outcomes in other countries but he would dislike to have the Government accused of undertaking to buy a foreign election. He did not want a record which was susceptible of this

interpretation. He pointed out that we are very critical of the Russians for influencing elections.

The Chairman emphasized that there are political considerations in every loan and referred to the Russian loan. Mr. Eccles thought that in making loans we are concerned with getting the countries back on their feet rather than as to whether the government is socialist, communistic or a capitalistic democracy. We made a loan to Poland because we wanted to help Poland distribute coal. The Chairman referred to the condition attached to the latter loan that Poland have an election and pointed out that it is not a question of exerting pressure to change ideologies.

Secretary Wallace said it would be unfortunate if word got out that we had in mind major political considerations in making loans.

The Chairman said the political question came up in connection with the time we would conclude the loan in relation to the June 2 elections. If the loan is negotiated in the very near future there is no doubt the conclusion will be drawn that it was made for that purpose. Secretary Wallace said we had sufficient economic reasons for concluding this loan. If the Export-Import Bank does not think so we should go slowly.

The Chairman pointed out that the Chinese loan of \$500 million was a political loan and had been made on the basis of General Marshall's plea. Secretary Wallace said that if he had been present he would have voted against the loan.

Mr. Eccles added that there were many strings attached to the Chinese loan. In France conditions are orderly but the question is whether the Constitution and Assembly to be chosen would be right, left or middle. It would be unfortunate to make a loan to influence an election in a particular direction. Also we can have no assurance that a loan made before an election will have the effect we want. The French people might resent the fact that we were trying to influence the election. We have found that to be true in Latin America.

The Chairman pointed out that the State Department had raised the political matter the previous week. Mr. Clayton agreed but said there was sufficient basis for acting without it. The Chairman inquired whether there was any difference in the position of the State Department today as compared with the previous Thursday. Mr. Clayton replied that there was none whatever. The Chairman stated that he felt he must depend on the State Department for political guidance and advice.

Mr. Eccles asked whether, assuming the constitution had been adopted and the loan had not been completed before June 2nd elections and at the elections the Socialists and Communists had a ma-

jority, we would refuse to give financial aid to the French Government if that government were willing to carry through the same kind of a program as here presented.

Mr. Clayton said that the answer to Mr. Eccles' question is that we did make the Polish loan and it is hardly conceivable that France would go further to the left than Poland. He had great difficulty in separating political from economic considerations in thinking about Europe. If he thought that country X was in danger of economic and social chaos he would favor a loan if it were reasonable in amount and there were a reasonable chance of repayment. Assuming that we had not made the loan before the election, Mr. Clayton thought that he would favor going through with it, no matter how the election turned out, so long as the elected French government would respect its obligations.

Secretary Wallace inquired whether Mr. Clayton would favor an economicable [*economically?*] "bad" loan for the purpose of "stabilizing" conditions. Mr. Clayton said no emphatically. Secretary Wallace concluded that there was no fundamental disagreement between them. He proposed that political references be deleted from the Council's record of these discussions. Mr. Clayton said that was agreeable.

Mr. Martin said he was agreeable but noted that his position had concerned the short time being allowed the Bank for consideration rather than the political aspects.

Mr. Eccles observed that, aside from the questions of the election, immediate action was not required. Mr. Clayton argued that prompt action was necessary. We had been talking about this problem for six weeks. In the final analysis decision would be made on the basis of the overall picture and not on this detail or that. He admitted that the fiscal situation bothered him but he had decided it will get worse if we do not help. If we do help them we can hope they will be able to build up their economy and balance the budget.

Gold and Dollar Reserve.—Mr. Eccles referred to the billion dollars of gold and wondered whether it were necessary. He pointed out that the French will have a further reserve of \$400 million if the stabilization fund is set up as a reserve. He thought the \$1.4 billion was a very large reserve for the French to carry and asked what guarantee there was, if we advanced the credit, that they will not use a substantial part of the reserve in addition to the credit.

Mr. Clayton thought the French needed this reserve and will need it more as time goes on since they are expanding their note issue. He agreed that we may want some kind of condition that it would not sink below a certain figure. Mr. Bernstein commented that the

French have the tradition of holding large amounts of gold. However, not much weight was attached to that factor by the Technical Committee. They considered that the whole program was being financed very tightly and was dependent on credits from the Export-Import Bank, the World Bank and other countries. It was also based on the assumption that there would not be any large rise in prices. There is no leeway in any part of the report except one—in some cases they may not be able to buy as much as they want. Every other factor indicates they will have too little rather than too much. There should be some leeway.

Mr. Eccles thought that the proper provision would be that before they actually used the reserve they should get our approval or at least consult with us. Mr. Clayton thought the French might like a provision of this kind because if published it would give confidence to the French people. The Chairman pointed out that this might raise the question of sovereignty as it had in the case of the British.

French Coal Requirements.—The Chairman referred to the coal situation and pointed out that the French have to obtain their coal requirements from the Ruhr, from us, or from somewhere else. If they get it from the United States it costs \$10 a ton additional. He suggested the possibility that more coal might be obtained from the Ruhr which would reduce the French need for dollars. It was pointed out that the coal program called for 500,000 tons a month from the United States until the end of the year (3½ million tons or the equivalent of \$35 million) and then that all would be from foreign sources, and that it would be necessary for France to obtain 20 million additional tons. Mr. Clayton said that the French might get some coal from Poland but most of it would have to come from the Ruhr.

Amount of Loan.—Mr. Eccles raised the question of a loan of \$500 million as compared with the recommended amount of \$650 million. Even if the Bank got the \$1¼ billion of extra lending authority,⁶¹ a loan of \$650 million would create a tight situation in view of the \$400 million the Export-Import Bank wants for exporters.

Mr. Martin said that, assuming the French need \$650 million, the correct approach would be to advance a portion of it now and make the balance subject to the approval by Congress of the additional \$1¼ billion.

[Here follows a discussion regarding other activities of the Export-Import Bank.]

Other Forms of Assistance to the French.—The Chairman asked for the sum of the other amounts made available to the French. Mr.

⁶¹ For documentation regarding the proposed expansion of the Bank's lending authority, see volume I.

Collado said that exclusive of surplus the additional assistance would amount to \$350 million. Surplus would run from \$500 to \$600 million depending upon the timing. Mr. Maffry inquired whether the discussion meant that loan negotiations would be concluded before it was known what part of French needs would be met out of the surplus. Mr. Collado indicated Mr. McCabe wanted both settled together. Mr. Bernstein pointed out that a \$200 million figure for surplus which had been discussed with the French was not a bulk proposition but was for a selected list of items from France and the United States. Mr. Clayton said that we are insisting that the French handle the matter on a bulk basis including everything which is in France.

The Chairman commented that we have gone a long distance with respect to other methods of settlement which would have the same effect as providing dollars. Mr. Eccles said that the publicity should indicate that the total amount of assistance provided is closer to \$2 billion than to \$500 million.

Conversion of Foreign Exchange Resources.—Mr. Eccles asked whether the French could not accelerate their conversion of foreign exchange resources. Mr. Bernstein said that with the help of the British they have done very well in liquidating their assets. Mr. Eccles asked whether they might not accelerate their conversion to provide for the extra \$150 million if we only provided \$500 million. Mr. Bernstein doubted this.

Urgency of Loan.—Mr. Clayton said that England and France form the key to the whole Western European situation. If we can bring about a condition of economic and social stability in those two countries we think there is a good chance of saving Western Europe from a collapse and the economic and social chaos which might otherwise easily occur. That was the reason they attached so much importance to making a loan somewhat above the minimum figure. He was afraid that \$500 million would not be enough.

Mr. Clayton added that the State Department felt there was urgent need to go ahead on this program and make our other actions and programs fit it. State would be willing to assume full responsibility. They would fight very earnestly for the increase of \$1¼ billion as soon as circumstances permitted. If something happened and we did not get the additional money there would be serious difficulties with several countries but he was going into this with open eyes. The Chairman asked whether State felt that it was more important to give the additional \$150 million to France than to spread it over other demands. Mr. Clayton said they did.

Mr. Eccles asked Mr. Martin whether the question in his mind was that of the amount or of time for consideration. Mr. Martin said

that the resources of the Export-Import Bank are not sufficient to meet this program at the present time. Mr. Eccles said that he would like to support the \$650 million but was also in sympathy with the Export-Import Bank's position. However, he thought the \$150 million might cost us more in good relations with the French than it would help others.

The Chairman called for a vote on the motion. Mr. Eccles said he would prefer to vote for \$500 million but since the State Department was willing to take the responsibility for the problems which it creates he was willing to go along on the \$650 million. Mr. Parisius said Commerce would support the \$650 million. Secretary Wallace considered the \$650 million was the minimum amount which could get a recovery program under way in France. Also he was skeptical as to when the World Bank would get under way. Mr. Clayton voted for the motion as did the Chairman. Mr. Martin dissented. The motion was carried.

Action.

The following action was taken:

➤ The National Advisory Council approves consideration by the Export-Import Bank of a loan of \$650 million to France on terms and conditions to be worked out by the Bank subject to a commitment by the French regarding commercial policy and other relevant matters under discussion.

3. *Settlement of French War Accounts*

Consideration was begun of the memorandum on settlement of war accounts with France, which presented the present status of the French Civilian Lend-Lease account and several possible adjustments of that account designed to relieve the critical current French balance of payments position. After some discussion it was decided to defer decision until the next meeting to be held at 3:30, Tuesday, May 7, 1946.

851.00/5-746: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 7, 1946—3 p. m.

US URGENT

[Received 11:36 p. m.]

2198. The Communist leadership takes the rejection of the constitution as a serious check to their plans. A high official of the Interior Ministry tells me in strictest confidence that the Politburo of the French Communist Party met after the result[s] of the referendum were known. He understands that the meeting decided that the

referendum results cast very serious doubt on the possibility of success of the original Communist hope of obtaining a Communist-dominated Communist-Socialist absolute majority in the next elections. With this in mind it was decided that efforts must be concentrated on gaining seats for the Communists in the next Assembly and that this could best be effected by encouraging Left-wing Socialists to vote Communist in June.

According to my informant, Duclos is charged with endeavoring to arrange this operation and it is his present intention of doing so by getting the CGT to demand Communist-Socialist fusion "to defeat the forces of reaction". He anticipates that the Socialist leadership will refuse and in this event non-Communist members of the CGT who favor fusion will be asked to join with their Communist comrades to form a Communist-controlled "workers bloc" which will vote the Communist ticket. The Communist[s] apparently believe that by such a manoeuvre they can substantially increase their representation in the next Assembly which would make them the largest single party by a considerable margin since should they succeed the Socialists would suffer from the defection of the Left-wing and the MRP is expected to lose a substantial number of votes to the Left-Center and Right coalitions.

My informant does not believe that the Communists have any intention of resorting to an armed uprising at this time. He said that such action would be premature and that the risk is too great. He believes they will concentrate their efforts pointing to the June elections, after which they will re-examine their tactics and strategy in the light of the June elections results and their own strength and possibilities. I agree with the main thesis that neither the internal or international situation at this moment favors or necessitates a Communist insurrection. On the contrary the Communists here have far too much to lose by having recourse to armed action when they believe the possibility still exists of improving their own position under the cloak of legality.

Sent Department, repeated London 305, Moscow 168, Frankfurt 33.

CAFFERY

851.00/5-746: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 7, 1946—7 p. m.

[Received 11:50 p. m.]

2213. In analyzing the reasons for the defeat of the Constitution and the immediate reaction of the French to it, most observers agree that the most important single factor was probably the defection

of a considerable part of the Socialist vote. While it is true that most of these were not Socialist militants or party members, the Socialist Party leadership had not calculated on such serious desertions by Leftist voters. Of almost equal importance was the fact that ~~abstentions were fewer than had been anticipated~~ (a fraction less than 20 percent). In this connection, while some people voted as a protest against the present Government's incapacity and ineffectiveness, it is also apparent that the Communists in the past month overplayed their hand. Their intransigence and categorical refusal to consider several Constitutional compromises proposed by Gouin and accepted by the MRP; the exaggerated Communist propaganda campaign which classified all persons who opposed their Constitutional proposals as "Fascists, Vichyites and reactionaries", and a Communist announcement a week ago that Thorez would be the next Prime Minister tended to arouse many apathetic and indifferent Frenchmen to the danger and they voted instead of abstaining. In their minds the referendum was a plebiscite for or against Communism, rather than a Constitutional issue.

With the foregoing in mind, the reaction of the French people to the defeat of the Constitution is both interesting and important. Leaders of all political parties except the Communists and Socialists are jubilant and feel that for the first time since liberation they have checked the steady Communist march to power and have prevented the possibility of a Communist-dominated Thorez Government after June 2nd. The reaction of the Left-Center, Moderate and Conservative rank and file is even more important.

As I have reported, a great majority of Frenchmen are opposed to Communism. Nonetheless there has been dangerous political lassitude and apathy. The majority of the people are psychologically and physically tired and their thoughts and efforts are directed to solving the everyday problem of living rather than to politics. Furthermore, the way the Communist-dominated majority in the Constituent Assembly jammed through the Constitution and other legislation during the past 6 months accentuated this political apathy and led them to fear and believe that Communism in France was inevitable; that there was nothing they could do to prevent it; and that therefore they might as well abstain from voting or ride along with the Communist current rather than oppose it so that they would not compromise their future when the Communists should have taken over. The rejection of the Constitution acted like a shot in the arm for such persons. For the first time in months they saw the Communists checked. Apathy and despair were replaced—if only temporarily—by real hope that all was not lost and that Communism could be defeated in

France if they went to the polls and discharged their civic obligations. (The referendum results and this new spirit is the most encouraging sign I have seen in many months, and if it can be maintained until the June elections and after should be an important factor in hindering the Communists in their efforts to take over the country.)

The reaction of the two parties which supported the Constitution is also of interest. A number of important Socialist leaders (particularly those who have consistently opposed the Communists) are secretly delighted with the outcome of the referendum although they cannot say so publicly. They naturally regret that it will adversely affect Socialist chances in June but even Daniel Mayer, who is very much on the spot, fears that his party will lose heavily and that his personal position as Secretary-General has been jeopardized by the rejection of the Constitution, said to me last evening that despite this "There is at least one bright spot—the possibility of a Thorez government after June 2 has certainly been postponed until the following elections". Blum's son and daughter-in-law, who occupy important posts in the party and who are close to Gouin, both expressed real gratification at the negative vote and hope—perhaps too optimistically—that the Socialist Party will not suffer too much in the coming elections.

For the Communists, however, the rejection of the Constitution is a major setback (my 2198, May 7). It is believed that they will take no steps calculated seriously to alarm the electorate nor will they resort to any illegal attempt to seize power but on the contrary will accept their defeat on the Constitution with at least outward "good grace"; will call upon "all republican elements" to support their party in the coming elections; and will do their best through the CGT and other Communist-controlled organizations to increase substantially their representation in the next Assembly at the expense of the Socialists so that they will emerge the largest and strongest single party.

CAFFERY

851.00/5-846

Memorandum by the Ambassador in France (Caffery) to the Secretary of State, at Paris

PARIS, May 8, 1946.

Various Frenchmen have remarked that your firm stand during the Conference ⁶² in the face of Soviet pretensions was a contributing factor in persuading many voters to go to the polls last Sunday. Those voters were of the category who had about come to the con-

⁶² For documentation on the Second Session of the Council of Foreign Ministers at Paris, see volume II.

clusion that no one was going to stand up to Molotov and that consequently the Cossacks would soon be arriving on the Place de la Concorde. Your firm stand convinced them that perhaps the Cossacks won't get here after all.

Respectfully

JEFFERSON CAFFERY

851.51/5-846 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, May 8, 1946—8 p. m.

US URGENT NIACT

2189. In reply to direct inquiries (for the Ambassador) as to whether you recommended early action on French loan for political reasons (as reported in regrettable UP story) we are saying that (1) naturally you have sent numerous inquiries re progress of negotiations and urged earliest action consistent with economic merits of French case, (2) choice of timing of negotiations was made entirely by French Govt, and (3) though Blum originally planned to arrive here February 27 French Govt did not fix time of elections till March 19.

ACHESON

851.51/5-1546 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, May 15, 1946—7 p. m.

US URGENT NIACT

2354. For Secretary from Clayton. Board of Directors of Eximbank approved May 15 following resolution:

“Board approves in principle granting loan 650 million to Republic France on terms and conditions to be worked out with French on basis comparable other reconstruction loans. These negotiations will proceed immediately and final approval will be taken by Board when overall economic program with regard to France of which this is one part has been agreed to as a unit.”

Inform Caffery. [Clayton.]

ACHESON

851.51/5-2346

*Memorandum of Conversation*⁶³

[WASHINGTON,] May 23, 1946.

Participants: Mr. Léon Blum
Ambassador Bonnet
The Secretary
Mr. Matthews

Mr. Blum, accompanied by Ambassador Bonnet, called at Mr. Blum's request to see the Secretary. They exchanged greetings and the Secretary inquired when Mr. Blum expected to return to France.

Mr. Blum said he had expected to leave today, but the negotiations were not completed, so he had postponed his departure until Saturday night,⁶⁴ when he will go to New York, and then leave New York on Sunday.

The Secretary said he had talked with Mr. Clayton about the negotiations and Mr. Clayton was doing everything he could to bring about a favorable conclusion by Friday night.

Mr. Blum told the Secretary he thought it would be a good thing if the President could make a statement about the negotiations on Saturday, which would be reported in the Paris newspapers on Monday.

The Secretary said he understood one of the subjects on which work had not been completed was surplus property, and inquired what were the other subjects.

Mr. Blum replied that the real difficulty was that they have not arrived at as complete a solution as was hoped for, it does not meet completely the needs of France, and execution of the French plan for reconstruction and modernization is now [*not?*] assured.

The Secretary said he supposed there was usually some grounds for disappointment on the outcome of conferences, and remarked that he did not obtain "assurance of anything" at the conference he had just attended.

The Secretary told Mr. Blum of his talk with Mr. Bidault and Mr. Alphand, together with Mr. Bevin,⁶⁵ about the coal situation as created by the strikes here and the desire to supply coal to France from other sources. He said he had just been advised informally by General Clay that 60,000 tons could be supplied from US military stocks and General Robertson⁶⁶ hoped to obtain 100,000 from British mili-

⁶³ Memorandum was drafted by Dorothy H. Morgret of the Office of the Secretary of State.

⁶⁴ May 25.

⁶⁵ Ernest Bevin, British Secretary of State for Foreign Affairs.

⁶⁶ Gen. Brian H. Robertson, Deputy Military Governor, British Zone of Occupation in Germany.

tary stocks for the French. In addition, Mr. Bevin was to try to obtain coal from the British home stocks, and this should come near to making up the deficiency for June. He said we hope to have strikes here settled certainly by June and then normal shipments can be resumed. He said he had advised Mr. Bidault of the information General Clay had sent him.

Mr. Blum said he wished to bring the Secretary up to date on his talk with the President. He had called on the President yesterday morning, expecting it to be only a courtesy visit, but he was led to tell the President how unfortunate it was that agreement on the financial negotiations was not as complete and satisfactory as was expected. Mr. Blum told the President it was only for material reasons and not because of bad will on the part of the American negotiators, and had insisted that perhaps during the last day efforts could be made to meet more completely the needs of the French reconstruction plan. The President was extremely helpful and had said he would get in touch with the negotiators and urge that if possible something be done to cause a more satisfactory agreement. Mr. Blum had emphasized how important it was to the French people and now he hoped that something could be done, perhaps through the intervention of the President and Secretary Byrnes, to help in that direction.

The Secretary said he had talked with Mr. Clayton who informed him that there was a difference of three to two among the members of the Board in favor of a more liberal agreement for France. He pointed out that those members were entitled to act in accord with their beliefs in the discharge of their official duties. He said that while in Paris he sent a message asking that it be settled as liberally as possible, and he felt sure Mr. Clayton had had this purpose in mind all the time.

Mr. Blum heartily agreed with the latter statement.

The Secretary said it was hard to make agreements to please all parties and that the British had been disappointed over their loan also, but, on the other hand, the State Department had been severely and publicly criticized by members of the Senate for being too liberal.

Mr. Bonnet said it was now a question of supplementing the work so as to lessen the disappointment and they still hoped something could be worked out.

Mr. Blum said they are very near agreement, but he still hopes for a more favorable agreement.

In bidding goodbye, Mr. Blum said he hoped to see the Secretary in Paris next month.

Lot 60 D 137 Box 1 (18358)

*Minutes of the Twenty-ninth Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, May 24, 1946*⁶⁷

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
 Mr. W. L. Clayton, State Department
 Mr. George Luthringer, State Department
 Mr. Henry R. Labouisse, State Department
 Mr. Hubert Havlik, State Department
 Mr. Clifford Matlock, State Department
 Mr. Thomas B. McCabe, Foreign Liquidation Commissioner,
 State Department
 Lt. Col. C. J. Shields, Office of Foreign Liquidation Commissioner, State Department
 Mr. James Cooley, Office of Foreign Liquidation Commissioner, State Department
 Mr. Arthur Paul, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. Wm. McC. Martin, Jr., Export-Import Bank
 Mr. Herbert Gaston, Export-Import Bank
 Mr. August Maffry, Export-Import Bank
 Mr. Rifat Tirana, Export-Import Bank
 Mr. Hawthorne Arey, Export-Import Bank
 Mr. H. D. White, International Monetary Fund
 Mr. E. G. Collado, International Bank for Reconstruction and Development
 Mr. E. M. Bernstein, Treasury Department
 Mr. Harold Glasser, Treasury Department
 Mr. James Brooks, Treasury Department
 Mr. P. P. Schaffner, Treasury Department
 Mr. Frank Coe (Secretary), Treasury Department
 Mr. Andrew Kamarek (Assistant Secretary), Treasury Department

1. *French Financial Negotiations*

(a) *War Settlement.*

Secretary Vinson pointed out that the U.S. figure for the balance due from France on war accounts is \$455 million whereas the French

⁶⁷ Also designated as meeting No. 11 of the U.S. Top Committee on French Financial Negotiations.

figure is \$410 million. Mr. Labouisse explained that the U.S. Army valued the supplies furnished by the U.S. armed forces to the French military after V-J Day at \$25 million although the French have carried a figure of \$70 million. The French want to fix this item at \$25 million and their figure of \$410 million reflects this proposal; whereas the U.S. figure of \$455 million is based on a value of \$70 million for this item. The question before the Council was whether to settle this item now at a definite amount or to adopt the figure of \$455 million and leave it open to later accounting adjustment for the post V-J Day Army-Navy transfer item. Secretary Vinson did not believe a figure of less than \$70 million should be used since the French themselves carried this figure and since it might turn out to be considerably higher. It was pointed out that the unbilled balance of post V-J Day transfers under the 3(c) agreement was also subject to later accounting adjustment.

The Council agreed that the figure of \$455 million should be regarded as the settlement balance subject to accounting adjustments for the two items in question.

Action.

The following action was taken:

The National Advisory Council accepts the amount of \$455 million as the balance due the United States from the Provisional Government of the French Republic in settlement of the war accounts described in Annex 2 of U.S. Top Committee-French Negotiations Document No. 6, subject to accounting adjustments (a) for post V-J Day Army-Navy transfers of supplies to the French military, and (b) for the unbilled balance of post V-J Day transfers under the 3(c) agreement with the Provisional Government of the French Republic.

(b) *Surplus Property.*

Mr. McCabe explained that the \$1.5 billion inventory figure for surplus property, declared and undeclared, in France and French North and West Africa had been reduced to \$1.4 billion to cover sales to other foreign governments and to UNRRA. The French are being offered this inventory, including all surplus property already sold or committed for sale to the French but not yet paid for by them and a base in Noumea, for \$300 million, 21 percent of original cost. The French wanted the inventory to include railway rolling stock when such stock was declared surplus, but were refused this request. The French also wanted a guarantee that deficiencies in the Levy List of urgent requirements would be supplied from surpluses in other areas, priced at the same ratio to original cost as surpluses in France. Mr. McCabe offered to use his best efforts to

supply these deficiencies. Finally, the French claimed they understood the inventory would include surpluses in all French possessions. The larger part of these surpluses is in New Caledonia. A concession was made to them only on the base in Noumea.

Mr. Clayton moved that the \$300 million offer covering surpluses in France and French North and West Africa be made final with the provision that the F.L.C. will attempt to supply deficiencies in the Levy List at 21 percent of cost. If the French were unwilling to accept this offer, negotiations should be called off.

Mr. McCabe stated that at the beginning of the negotiations major emphasis was attached to the Levy List which he thought could be substantially filled. However, during the negotiations, the amount and nature of the items included in the inventory changed, so that it was no longer possible to supply as large a percentage of the critical items as was originally contemplated. He felt that the French should be so informed and that he should be permitted to supply railway rolling stock to make up any ultimate deficiency in the list of critical items. He asked for a reconsideration of Mr. Clayton's motion in order to include the following provision: If railway rolling stock in Europe is declared surplus, the amount allocated as French surplus will be included in the \$300 million offer to the extent necessary to make up deficiencies in the list of critical items.

The Council agreed that the French should be advised of any changes in the original estimates of the availability of critical items; but it decided that, in view of the low price at which the surplus was offered, no provisions for including rolling stock should be made. Mr. McCabe acquiesced in this decision.

The motion proposed by Mr. Clayton was passed. Secretary Vinson remarked that he would rely on the State Department for handling any developments arising from the above settlement.

Action.

The following action was taken:

The National Advisory Council approves the offer, described in Annex 5 of U.S. Top Committee-French Negotiations Document No. 6, made by the Foreign Liquidation Commissioner to the Provisional Government of France for the disposition of surplus property.

(c) Credit Terms.

Mr. Labouisse reported that the French want terms of 2 percent for 50 years with a waiver clause in the war settlement credits. Mr. McCabe said he had offered terms of $2\frac{3}{8}$ percent for 30 years with a

deferment of principal repayment for 5 years, but without any waiver clause on interest payments. Secretary Vinson remarked that the French want the same terms as were given the British so as to avoid an unfavorable public reaction in France. Mr. Eccles believed there was no reason for giving the French specially favorable terms, such as 2 percent, particularly since they were probably getting a better overall deal at $2\frac{3}{8}$ percent than the British were at 2 percent. The British case, moreover, was unique in many respects.

Mr. McCabe reviewed the unsatisfactory history of collections on World War I settlements. He thought some distinction was reasonable between countries where large overall settlements were involved and those where the settlement amounts were relatively small. Mr. Clayton said that the main consideration was collection of the principal; that the interest rate was not too important. He suggested that the interest rate be set at 2 percent for all countries with which overall war settlements were made. Mr. Eccles maintained that if any revision of policy were made, it should be consistent with respect to all countries involved. He proposed a $2\frac{3}{8}$ percent rate for France unless terms for all other countries were reduced to 2 percent. He thought the easier terms could be justified before Congress on the grounds that it was necessary to give the French such terms, and, therefore, it was also necessary to give them to other countries. Mr. Martin emphasized that the problem should be considered in more detail before any action was taken. Mr. Gaston asked how the proposed reduction would affect Export-Import Bank's loans on 3(e) terms to France, Belgium and the Netherlands. Mr. McCabe thought that credits for goods under requisition were in a different category from credits on surplus already in France. Mr. Eccles added that the proposed reduction in interest was not intended to refer to the Export-Import Bank's loans on 3(e) terms.

After further discussion, the Council agreed that in countries with which overall war settlements were made, any credits granted in connection with these settlements would be at 2 percent for 35 years with a five year period of grace on repayments of principal, but with no waiver of interest. Such terms would not apply to isolated surplus sales; nor would they apply to the Russian pipeline case unless an overall war settlement was made with Russia. Mr. Clayton pointed out that the French Lend-Lease agreement contains a provision for postponement of installments due, upon mutual agreement by the two governments. It was decided that this provision did not interfere with the Council's action and that it should also be included in the war settlement agreement.

Action.

The following action was taken :

The National Advisory Council approves the following terms for the extension of credit by the United States Government to the Provisional Government of the French Republic in the overall settlement of war accounts: Interest at 2 percent per annum; period of repayment, 35 years, with an initial 5 year period of grace on repayments of principal; no provision similar to that in the financial agreement between the governments of the United States and the United Kingdom for waiver of interest payments. Terms should also include the provision contained in paragraph C(3) of Schedule 1 and paragraph 5 of Schedule 2 of the "Agreement between the United States of America and the Provisional Government of France," dated February 28, 1945.⁶⁸

*Credit Terms in Overall Settlements of War Accounts**Action.*

The following action was taken :

The National Advisory Council approves the following terms for the extension of credit by the United States Government in connection with, and only in connection with, overall settlements of war accounts with foreign countries: Interest at 2 percent per annum; period of repayment, 35 years, with an initial 5 year period of grace on repayments of principal; no provision for waiver of interest payments. These terms are specifically not to be regarded as applicable to credits involved in separate sales of U.S. surplus property to foreign countries.

(d) *French Tort and Patent Claims, and Claims for Requisitioned French Goods in the U. S.*

Mr. Labouisse explained that the French have agreed to settle at their own expense, as a reciprocal aid benefit, all tort claims against the U.S. arising out of acts or omissions of U.S. military and civilian personnel up to V-J Day; but that they refuse to accept this liability for acts after V-J Day unless compensated by an allowance of up to \$10 million in the claim settlement. The Army regards this proposed allowance as quite high. With regard to patent claims of French nationals against the U.S., the French are willing to assume a liability, as a matter of reciprocal aid, up to \$5 million. With regard to French material and equipment in the U.S. requisitioned by this government for war use, he said that the U.S. Settlement Committee believed that at least the claims of the French Government should be waived.

Secretary Vinson wanted a final settlement to be reached on all these claims and the Council approved that an amount of up to \$15 million be proposed to the French in settlement of the claims.

⁶⁸ 59 Stat. (pt. 2) 1304.

Action.

The following action was taken :

In the overall settlement of war accounts with the Provisional Government of the French Republic, an amount of up to \$15 million is approved by the National Advisory Council to settle (a) all tort and patent claims of the French against the U.S. Government and (b) all claims with respect to French material and equipment located in the U.S. and requisitioned by the U.S. Government for war uses after U.S. entry into the war.

(e) *Press Release and Joint Declaration on Settlement of French War Accounts*

The Council reviewed a draft press release and joint declaration and made several revisions. In connection with the statement concerning the Export-Import Bank's \$650 million credit to France, Mr. Gaston said the French want the credit to cover a \$150 million revolving fund and a \$150 million expenditure already made by the French for North African supplies. The Bank analyzed a list of French requirements totaling \$864 million and found that 67 percent represents current supplies; 21 percent, equipment; and 12 percent, freight and services. The Bank felt the percent of current supplies was entirely too high to finance under a reconstruction and development loan. The French were really asking for an open loan although the Bank is restricted to loans for specific projects, and thus far the French had been unwilling to change the nature of their credit request. The Bank offered the French terms of 3 percent for 25 years with a 5 year period of grace on repayments of principal. In view of the unsettled state of the loan negotiations, the Council decided to use the following statement: "The other provisions of the loan contract are now being worked out between the Provisional Government of France and the Export-Import Bank."

The Council agreed to dispense with the press release and approved the revised joint declaration.

Action of the Council.

The Council approved a joint declaration of the President of the United States and the President of the Provisional Government of the French Republic. The final text of this declaration is contained in Attachment (B) to the minutes of the meeting of May 28, 1946.

851.00/5-2646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 25, 1946—7 p. m.

[Received May 25—4:40 p. m.]

2573. I am told in confidence by a reliable official of the Interior Ministry that Molotov was deeply chagrined over the outcome of the constitutional referendum. According to a report believed reliable by the Interior Ministry, Molotov called together the French Communist leaders and told them that this setback was unfortunate but that it would not help matters if they started a violent attack against the Socialists in an effort to recoup Communist prestige lost by the referendum. Molotov said that while the Socialists were enemy number one of the Communists, a violent Communist attack against the former would simply drive them into the arms of other French elements of the Left-Center, and would push them closer to the British Labor Government. This in turn might result in a Franco-British pact which would form the basis of a western bloc designed to bar Communist penetration in Western Europe. Molotov is reported to have concluded by stating that whether or not the Communists gained seats in the June 2 elections was of no vital importance at this moment. He advised them to devote all their energy to strengthening the internal discipline and organization of the French Communist rank and file.

In connection with the foregoing, it will be recalled that Molotov was for a considerable period the actual if not the nominal Secretary General of the Comintern. Furthermore, Communist tactics and propaganda since the referendum have—despite bitter anti-Communist attacks by the Socialists—been defensive and in some cases almost conciliatory.

Sent to Washington as 2573, repeated to Moscow as 200, to London as 369, to USPOIAd Frankfurt as 40.

CAFFERY

 Lot 60 D 137 Box 1 (18358)

*Minutes of the Thirtieth Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, May 28, 1946*⁶⁹

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
 Mr. W. L. Clayton, State Department
 Mr. Henry R. Labouisse, State Department

⁶⁹ Also designated as meeting No. 12 of the U.S. Top Committee on French Financial Negotiations.

Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System

Mr. Herbert E. Gaston, Export-Import Bank

Mr. E. M. Bernstein, Treasury Department

Mr. Frank Coe (Secretary), Treasury Department

French Financial Negotiations

1. *Memorandum for the President*

A draft Memorandum for the President from the U.S. Top Committee was discussed. The principal change made in the draft was the insertion of a paragraph to make it clear that no one of the various settlements would be valid or in effect if circumstances should make it impossible for any of the other settlements to be finalized. The reason for the inclusion of this paragraph (No. 6 in the attached memorandum) was the information that the French Assembly might have to ratify the credit obligations attendant upon surplus property agreement and the lend-lease settlement. It was the intent of the U.S. group to make sure that the Export-Import Bank credit would not be effective, in the event that this ratification, or any other necessary steps were not taken by the French on other agreements.

The Committee agreed unanimously upon the "Memorandum for the President from the U.S. Top Committee on French Negotiations" (attachment A). A number of minor changes were agreed in the proposed statement to be made by the President of France and the President of the United States.

2. *Declaration by the President*

Attachment B entitled "Declaration made in Paris by the President of the Provisional Government of the French Republic and in Washington by the President of the United States on May 28, 1946" was agreed upon unanimously.^{69a}

3. *Memorandum of Agreements.*

A draft "Memorandum of Agreements" to be signed by Secretary Vinson and Assistant Secretary Clayton for the United States and Messrs. Bonnet, Blum and Monnet for France, was considered. The principal change made was the same as in No. 1 above, namely, the insertion of a paragraph to make it clear that all the agreements were interdependent. Attachment C entitled "Memorandum of Agreements" is a copy of the document which was approved by the Committee.

4. *Memorandum of Understanding.*

The Committee considered and agreed upon a draft of this document to be initialled by Secretary Byrnes for the United States and

^{69a} For text of the Declaration, as issued, see Department of State, Treaties and Other International Acts Series No. 1928, or 61 Stat. (pt. 4) 4216.

Mr. Bonnet for France. The document, as agreed, is attached as D entitled "Memorandum of Understanding between the Government of the United States of America and the Provisional Government of the French Republic regarding settlement for lend-lease, reciprocal aid, surplus war property, and claims."^{69b}

Action by the National Advisory Council

Secretary Vinson pointed out that these French financial negotiations had been conducted on the American side by a special committee, designated by the National Advisory Council. The members of the Committee were all members or alternates of the Council. The Committee was proposing to make a report to the President and the undertakings would be entered into after the President had approved. Secretary Vinson thought that even though the top committee and the Council had similar members, it might be desirable for the Council to take formal action approving the arrangements which were being recommended to the President.

Mr. Clayton agreed and so moved and the motion was unanimously approved.

Action:

The following action was taken:

The National Advisory Council approves the proposed financial arrangements between the Government of the United States and the Provisional Government of France which are outlined in a document entitled "Memorandum to the President from the U.S. Top Committee on French Negotiations". (Attachment A)

Attachment A

MEMORANDUM FOR THE PRESIDENT FROM THE U.S. TOP COMMITTEE
ON FRENCH NEGOTIATIONS

Subject: U.S.-French Economic and Financial Negotiations

The U. S. Top Committee submits for your approval the following points of agreement reached in the economic and financial negotiations with the representative of the French Government:

(1) A credit of \$650 million to the French Government through the Export-Import Bank to facilitate the restoration of the French economy and the reconstruction and modernization of French industry. This is in addition to the credit of \$550 million granted to France by the Export-Import Bank in 1945.

^{69b} For text of the Memorandum of Understanding, as signed, see Department of State, Treaties and Other International Acts Series No. 1928, or 61 Stat. (pt. 4) 4175.

(2) The payment of \$720 million on agreed credit terms by the French Government to the United States Government, subject to determination by agreed accounting procedures, in final settlement of lend-lease and reciprocal aid, including all indebtedness arising from provisions of the lend-lease and reciprocal aid agreements of February 28, 1945, surplus property, and the other financial claims of each government arising out of the conduct of the war. The Military Supply Program (Plan A) has been waived.

(3) Procedures for the settlement of military procurement and troop pay.

(4) The purchase by the French Government on terms to be discussed of approximately 750,000 tons of merchant shipping owned by the United States Government, under the Merchant Ship Sales Act of 1946.

(5) A statement of the French Government expressing its full agreement with the principles of the United States' proposals on world trade and employment, and an expression of intention to work together with the United States Government in securing general international support for these proposals at the forthcoming conference of the United Nations. The two Governments have also reached understandings on other important related matters of a commercial policy nature.

(6) The effectiveness of each of the agreements set forth above, except no. 4, is dependent upon the acceptance of all, including such acts of ratification by the French Government as may be necessary.

If you approve, we will close the negotiations by executing the agreements.

There is also attached for your approval a joint declaration by the President of the United States and the President of the Provisional Government of the French Republic which it is proposed be issued by you here simultaneously with issuance in Paris.

/s/ FRED M. VINSON, *Chairman*
M S ECCLES
W L CLAYTON
ARTHUR PAUL ⁷⁰
HERBERT E GASTON

MAY 28, 1946

Approved 5/28/46

/s/ HARRY S TRUMAN

⁷⁰ Assistant to the Secretary of Commerce and Director of the Office of International Trade.

Attachment C

MEMORANDUM OF AGREEMENTS

The representatives of the Provisional Government of the French Republic and the Government of the United States of America, having concluded their discussions of the economic and financial problems of interest to their countries, record the results of their negotiations, as follows:

1. The United States Government has approved a credit of \$650 million to the French Government through the Export-Import Bank to facilitate the restoration of the French economy and the reconstruction and modernization of French economy. The utilization of the credit will be upon such terms and conditions as may be mutually agreed upon.

2. The French Government and the United States Government have settled the lend-lease and reciprocal aid account, and the financial claims of each Government against the other arising out of the conduct of the war. The United States Government has sold to the French Government certain United States Army and Navy surplus property, including installations, located in France and certain French overseas territories. The final amount on two items of the settlement are subject to determination by agreed accounting procedures. The sum due to the United States Government on settlements and surplus property is \$720 million. Payment is to be made under credit terms provided in the Memorandum of Understanding.

3. Discussions are taking place for an additional credit, subject to the provisions of the Merchant Ship Sales Act of 1946, whereby the French Government will acquire approximately 750,000 tons of merchant shipping owned by the United States Government.

4. By a declaration concerning commercial policy, the United States Government and the French Government have expressed their full agreement on the steps to be taken towards the liberation and expansion of world trade. The two Governments have also reached understandings on other important related matters of a commercial policy nature.

5. The effectiveness of each one of the agreements set forth above, with the exception of No. 3, is dependent upon the acceptance of all, including such acts of ratification as may be required.

A Joint Declaration by the President of the Provisional Government of the French Republic and the President of the United States,

announcing the above agreements, is being issued simultaneously in Paris and Washington.

For the Provisional
Government of the
French Republic

/s/ LÉON BLUM
/s/ H. BONNET
/s/ JEAN MONNET

For the Government of
the United States
of America

/s/ FRED M. VINSON
/s/ W. L. CLAYTON

WASHINGTON, May 28, 1946

851.51/5-2946 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 29, 1946—6 p. m.

URGENT

[Received May 29—1:07 p. m.]

2617. For the Secretary. I am delighted with the outcome of the negotiations with Blum in Washington announced last night.⁷¹ The total loan is sufficiently large to meet France's immediate balance of payments problem and to provide a base for embarking on her reconstruction policy. On commercial policy we have secured France's articulate support to our views as well as the removal of certain practices adverse to our business interests. The disposal of surplus in bulk has the virtue of drastically shortening the life of a difficult problem. The final settlement of lend-lease accounts is a statesman-like action. In summary I regard the negotiations as a great success and I desire to extend my personal congratulations to those responsible for their conduct and conclusion. The French press has not yet had time to analyze or editorialize on the terms of the total negotiation. The initial reaction, almost without exception, however, has been most enthusiastic. Tribute is paid to the contribution of lend-lease and wide publicity given to the magnitude of the sums involved.

CAFFERY

⁷¹ For texts of agreements between the United States and France relating to mutual aid settlement signed at Washington May 28, 1946, and declaration made in Paris by the President of the Provisional Government of the French Republic and in Washington by the President of the United States on May 28, 1946, see Department of State Treaties and Other International Acts Series (TIAS) No. 1928, or 61 Stat. (pt. 4) 4175.

851.00/6-2246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, June 22, 1946—6 p. m.

[Received 6:40 p. m.]

3050. Referring to Bidault's efforts to form a government and especially to the Communist attitude thereto, several prominent Frenchmen have remarked recently that the only card of value that Bidault holds in his game with the Communists is the fact that the Communists are apprehensive lest Bidault's failure to form a government might produce such chaotic political conditions here that De Gaulle might return to power. The Communists are not afraid of Bidault but are very much afraid of De Gaulle.

Repeated London 463, Moscow 246; Berlin 250.

CAFFERY

[On July 11 the Acting Secretary of State instructed the United States consular officers at Algiers, Casablanca, Rabat, and Tunis to begin reporting regularly on Communist propaganda and other activities in French North Africa. For documentation on this subject, see volume VII, "Interest of the United States in Communist and Nationalist Activities in North Africa."]

851.00/7-1246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, July 12, 1946—5 p. m.

[Received July 13—12:35 p. m.]

3432. It is known that the apparent contradiction between the French Communist and German Communist positions with regard to Germany, especially the Ruhr, has been the subject of debate in Communist circles here for some time and there are grounds for believing that Duclos visited Berlin as early as April for the purpose of ascertaining whether the German and French Communist "lines" could be brought more into focus. It was found, however, that pending further clarification of the matter on the part of the Kremlin it would be best for the German Communists to plug for the territorial integrity of Germany and for the French to play along with the popular Bidault thesis. The latter at least according to Communist circles here possessed the virtue of putting an end to unilateral British control of Ruhr and further extending Soviet influence in the west as well as serving as a popular platform on eve of June elections.

An indication of the party line was given last night when an important Communist informed a member of my staff that Molotov's declaration⁷² laid the foundations for bridging the gap between the German and French Communists and was in line with Leninist-Stalinist doctrine of "protecting the German proletariat by opposing British imperialism in the Rhineland". The source continued to effect that no basic differences existed between German Socialist Unity Party and the "class conscious workers of France" and that pending the growth of German Communist Party it was "only natural that French Communists should demand that Ruhr and Rhineland be placed under international rather than British control".

Informant's explanation conforms with Magnien's statement in today's *Humanité* to effect that Molotov's proposal for Inter-Allied control and France's demand for the political and economic internationalization of the Ruhr are not insoluble; furthermore, Magnien stresses the points on which Paris and Moscow are in general agreement and cleverly omits any mention of the basic difference between the French demand for detachment of the Ruhr and Molotov's rejection thereof. Already *Humanité* is stressing vital importance to France of reparations, particularly coal, and is insisting that only by an international control of the Ruhr as outlined by Molotov can France's national economy recover. At same time Magnien blames British and by inference ourselves for France's failure to receive reparations, of which the most vital item in eyes of all French is coal. By violently dragging the red herring of coal into the debate, Communists undoubtedly hope to divert attention from their abandonment of Bidault and thus regain at least somewhat the loss of popularity which will result inevitably from Soviet rejection of French thesis.

To Dept as 3432; repeated London 529; Moscow 287; Berlin 274.

CAFFERY

851.00/8-246

*Memorandum by the Assistant Chief of the Division of Western European Affairs (Wallner) to the Acting Director of the Office of European Affairs (Hickerson)*⁷³

[WASHINGTON,] August 2, 1946.

General De Gaulle's speech of July 28 was destined principally for internal French consumption and may be regarded as an attempt by

⁷² On July 10 Molotov had spoken in the Council of Foreign Ministers, at Paris, on the future of Germany and the peace treaty with Germany; see volume II.

⁷³ Mr. Hickerson sent the memorandum to Under Secretary Acheson with the following notation: "You will be interested in Wallner's comment on Gen. De Gaulle's speech. I agree with these comments. JDH"

the General to crystallize around himself as a focus the gropings of the large anti-Communist majority in France towards a western orientation which began to make themselves manifest at the polls in the May referendum and the June elections. It has been suggested that the General will be a candidate for the Presidency if the Constitution now being formed is to his liking, particularly the provisions concerning the strength and authority of the Chief Executive. Without speculating on the success of the General's bid, it should be noted that the speech will hinder rather than help any efforts which Bidault may be contemplating toward persuading the present tripartite Government to take a more westerly orientation or to recommence negotiations for an Anglo-French pact. However, we may assume the General is looking to the future.

Regarded as a purely political speech, it was one of the best the General has ever made. It clothed in clear, strong and emotionally well-attuned phrases answers to questions, hitherto more unspoken than spoken, which lie in the heart of every non-Communist Frenchman. It painted, not as a spectre but as a fact, the picture of a world dominated by two great powers each animated by basically different concepts. Shrewdly, the General did not ask the French people to choose. He offered the hope of an "old Europe", united within itself, holding the moral balance between the two worlds. To bring this about two things were necessary: The security of France and a Franco-British alliance.

To General De Gaulle, as to every Frenchman, the security of France begins with Germany, and he called for a Germany decentralized and regrouped around its traditional federal components, the Ruhr to be placed under international control for the benefit of both Germany and Europe as a whole. He did not dispute Polish control as far as the Oder and reiterated, but not aggressively, his claim for compensatory French dominion along the Rhine.

Of interest is the General's studied vagueness concerning the future of the Ruhr. He did not speak of political separation but only of international control, presumably of the region's economic resources. This brings him very close to the British thesis.

To my mind, however, the most notable feature of the speech was the thesis, hitherto no more than hinted at, that the great danger to France lay not in Germany's own potential strength but in the temptation for Germany "to test whether fortune might permit her to regain her greatness by combining her ambition with that of someone else." The reference to Russia, while unspoken, was clear.

W[OODRUFF] W[ALLNER]

851.00/8-2646 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, August 26, 1946—8 p. m.

[Received 10:10 p. m.]

4254. Bidault is considerably worried over the present internal political situation and particularly the question of the Constitution. The Communists are at present opposing vigorously the present constitutional draft which is being debated in the Assembly, and by exerting pressure through the Socialist left wing are endeavoring to force the Socialists to go along with them as they did in the first Constitutional Assembly. Bidault is worried that in the Socialist Congress the end of this month the Blum leadership may be so weakened that at least a part of the Socialists will go along with the Communists.

He is even more deeply concerned, however, over a report which he believes reliable that De Gaulle is planning to make a speech in September in open opposition to the Constitution. Such an event would definitely influence the referendum vote. Bidault does not believe that De Gaulle has as yet made up his mind but he is angered at the possibility of such a manoeuvre on the part of the General since it would greatly reduce the majority by which the essentially MRP draft Constitution would be passed and might even lead to its rejection. He still does not think, however, that the Constitution will actually be rejected in the referendum.

CAFFERY

851.00/10-2946 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 29, 1946—9 a. m.

[Received 9:57 a. m.]

5419. The grave financial, economic and food crisis described in my 5415 and 5418, October 28,⁷⁴ has had a most depressing effect on French morale, which has steadily deteriorated since the middle of September till at present it is probably lower than at any time since the liberation. The depths of this psychological depression are unquestionably accentuated by the fact that in July and August there was a widespread feeling that while difficult days still lay ahead, the corner had been turned and French economy was on the upgrade.

⁷⁴ Neither printed. Telegram 5415 described problems of agriculture and the distribution and rationing of food (102.78/10-2846); telegram 5418 reviewed financial developments in the 9 months since devaluation of the franc and various proposed economic measures (851.01/10-2846).

This unfounded optimism was in part caused by belief that the Communist threat had been averted as the result of the May referendum and June elections, by the advent of warm summer weather with adequate food supplies and an abundance of fruits and vegetables at reasonable prices, by an increase of consumers' goods and a general feeling that things were better. By mid-September, however, the rose tinted lenses through which the French public viewed developments had turned to gray. France was faced with another cold and critical winter. The wage index had increased but the price index had risen even more and the inflationary spiral was in full progress. Perhaps even more important from the psychological point of view was the increasing belief in the Government's inability to cope with the vital problems of finance and economy on which the well-being of every Frenchman depends. The nation's resources were being frittered away. The French public could perceive not the slightest indication that its Government had any definite program. Each political party in the Government appeared to spend its time in horse trading with other parties and furthering its own political ends, rather than in courageously attacking the country's fundamental problems. The opposition, composed of the Right-Center and Right, was equally sterile. While criticizing the tripartite government it showed little leadership or understanding of the aspirations of the people.

As a result there is at present a profound "malaise" in France. The repercussions on the elections of this deep psychosis of worry and disillusionment are difficult to evaluate. It is unquestionably true that "democracy" as it has been practiced here since the liberation is greatly discredited and the public fails to see how the present elections can improve matters. The people are fed up with "too much politics" and many Frenchmen are not even sure for what party they should vote. For example, the majority is still opposed to the Communists. But the Socialists, on whom many voters pinned their hope immediately after the liberation, are divided and have followed a vacillating course (because of their inferiority complex towards the Communists) with no constructive or dynamic program. The MRP, which after the rejection of the first constitutional project became the hope of persons who wished to bar the Communist march to power, has been a disillusionment. It has lacked strong leadership and has even gone along with the Communists on critical issues, such as the very unpopular electoral law, when it thought that by so doing its chances in the November elections would be enhanced. Its divergence with De Gaulle over the constitution caused further confusion in the ranks of its voters. The Rassemblement des Gauches suffers

from the fact that it is the natural successor to the old Radical-Socialist leadership which many people still hold responsible for the disastrous French policy in the thirties. The PRL is too far to the Right to be in tune with the present Left-of-Center tendency in France.

Thus the French voter who wishes in the coming elections to cast his vote for a party which can best reconstruct France is puzzled and bewildered. He knows that no party, and probably no two parties, can have a working majority. And yet he fears the continuation of a tripartite or coalition government which he believes will be unable to adopt a constructive program because of the concessions which each party will demand as a condition for its participation in the Government.

Out of this welter of mental confusion a very disquieting trend of thought is developing among at least some thinking Frenchmen of different political views. They are beginning to feel that for the present at least, since democracy in France does not appear to produce results, some form of authoritarian government is needed. Actually they profess to see only two possibilities—a dictatorship by the Communist Party or an authoritarian regime under De Gaulle. The majority of Frenchmen, if faced with only these two alternatives—which is certainly not a foregone conclusion—would unquestionably pick De Gaulle. Many would do so with the greatest misgivings and with the feeling that France was being launched on an unknown adventure which might lead anywhere, but in the belief that such a “Gaullist” experiment would be preferable to a Communist dictatorship which once installed would put France behind the iron curtain.

It is not my intention to be alarmist, nor do I wish to exaggerate the present strength of the above sentiment. Nevertheless it does exist and should conditions further deteriorate resulting in a major political crisis it might have to be reckoned with. The sad but true fact remains that with less than 2 weeks remaining before France goes to the polls to elect a permanent government, the French people are worried and confused to a point where clear thinking about political parties and what they stand for has become difficult if not impossible.

CAFFERY

851.00/11-1546 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, November 15, 1946—6 p.m.

[Received November 15—6 p.m.]

5653. As I have reported, the Communist[s] continue to attack United States and are trying hard to convince the French people

that we are pursuing policy of economic enslavement of the world in general and France in particular. Typical of this campaign is an article in *Humanité* this morning (text forwarded in immediately following telegram ⁷⁵) criticizing the Blum-Byrnes economic agreement.

From the Communist viewpoint this article serves two useful purposes:

(1) It casts discredit upon the United States.

(2) It discredits Blum, who from the Communist viewpoint is Socialist enemy number one, because he has fought Communist-Socialist unity and is the leader of the anti-Communist group of the Socialist Party.

In connection with this anti-American campaign, the October issue of *Cahiers du Communisme* (the monthly organ of the Communist Central Committee and required reading for all party militants) attacks bitterly not only American foreign policy (particularly our German policy) but also the Secretary in person as "a reactionary in his own country, imperialist, and one of the principal promoters of the anti-Soviet bloc at the Paris Peace Conference".

Sent Department 5653; repeated Moscow 397.

CAFFERY

851.00B/12-2046

The Ambassador in France (Caffery) to the Director of the Office of European Affairs (Matthews)

TOP SECRET

PARIS, November 26, 1946.

[Received December 2.]

DEAR DOC: I suggest that you have a look at Norris Chipman's memorandum no. 345, dated November 23, 1946.

Very sincerely yours,

JEFFERSON CAFFERY

[Enclosure]

Memorandum by Mr. Norris B. Chipman, Second Secretary of Embassy in France

TOP SECRET

[PARIS,] November 23, 1946.

No. 345

THE TACTICS OF THE FRENCH COMMUNIST PARTY ACCORDING TO A SOURCE MAINTAINING CLOSE CONTACTS WITH IMPORTANT COMMUNISTS

The former representative of the Italian Communist Party at Moscow, Rossi (Tasca) who was also formerly an important agent in

⁷⁵ Not printed.

Western Europe of the Comintern, has furnished me the following information based on a recent conversation which he had with a friend maintaining close and friendly relations with certain members of the Political Bureau of the French Communist Party. Since I have confidence in the political judgment, as well as intellectual honesty of Rossi, who broke with Moscow on democratic grounds in protest against the Comintern's brutal methods and interventions in the affairs of the various Communist parties abroad, I consider that this highly interesting report should receive serious attention.

THE RETURN OF THOREZ FROM MOSCOW

Thorez returned to Paris from Moscow at the beginning of last September. His brief trip was clandestine since no mention thereof was ever made by the Party which, however, by way of explaining Thorez's absence from State councils, issued a laconic communiqué stating that its Secretary General was sick. His trip was taken at the instance of the Soviet authorities and in this connection it is noteworthy that it was Thorez and not Duclos who was summoned to Moscow because the Kremlin desired to discuss the Communist position within the French Government rather than strictly to investigate Party matters; if the problem under discussion had related to internal Party questions the Kremlin naturally would have summoned Duclos.

At the first meeting held by the Political Bureau of the French Communist Party subsequent to his return to Paris, Thorez delivered a report on the international situation as viewed by the Soviet authorities. While he did not indicate, according to the source under reference, whether he had conferred with the "boss" that is, Stalin, Thorez left no doubt that his views were inspired by the highest Soviet authorities. He spoke as follows:

The international situation is favorable in general to the interests of the Soviet Union but the latter is not in the position at the present juncture of European affairs to draw the greatest possible benefit therefrom. The Soviet Union is not prepared for war and its military preparations will not be completed for a number of years. Hence, the necessity to *gain time* and to avoid situations of a highly dangerous nature while endeavoring to maintain and even consolidate positions already acquired. The policy and tactics of the French Communist Party must follow *closely in line with this perspective* and should be oriented in an intelligent manner with Soviet policies.

Because the Soviet Union is in the position of having to avoid during a relatively long period participation in a major war, it follows that the French Communist Party should not advance too rapidly and above all else must not endeavor to seize power by force

since to do so would probably precipitate an international conflict from which the Soviet Union could hardly emerge victorious. The eyes of the United States and England are directed towards France and should the French Communists become too openly aggressive, they would bring about a major crisis which might too deeply involve the Soviet Union.

At the same meeting of the Political Bureau Duclos spoke for the purpose of stressing the point that Thorez's report confirmed what he had always said, namely, that a Communist party "worthy of the name must know how to make the necessary sacrifices on the internal level in order later to reap more substantial harvests from the international situation". He indicated in this way that while the French Communist Party was now in the position forcibly to seize power, it was obliged to shape its policies so as not to conflict with the larger interests of the Soviet Union; in the final analysis the maintenance of Communist power in France would depend upon the success of the Soviet Union in Europe.

THE "REASSURING" DECLARATIONS OF THOREZ

The situation as outlined above explains to a considerable extent the motives behind the interviews given recently by Thorez to Reuters, the London *Times* and the INS. Thorez had not resorted previously to issuing such "reassuring" statements because Moscow awaited the results of the elections; since the latter were even more favorable than the Communist leadership had anticipated in their most sanguine moments and have rendered the Communists not only the first National party but also the only great party on the so-called Left, it was expedient that Thorez take a public stand on the basis of his Moscow conversations.

These interviews were rendered necessary by the unexpected success of the Communist Party at the polls on November 10 when the Communist leadership anticipated that their Party would not increase its representation in the National Assembly by more than five or six seats at the most; as a result of this success the Communists received the order from Moscow to make a serious bid for the formation of a Cabinet under Communist direction and consequently the Thorez interviews should be regarded in the light of the *general campaign* of the Soviet Union at the present juncture to reassure the distrustful Anglo-Saxons and thus attenuate the existing international tension. In this manner, the outbreak of the "inevitable" armed conflict with the British and Americans would be postponed until the Soviet Union had improved its military strength and had further consolidated its political position in eastern, central and southeastern Europe.

While the Soviet authorities wish to avoid the creation of a French Communist Government which would too greatly alarm England and America, the French Communists are in the position now where they must continue to march towards the attainment of final power because not to do so would break the powerful current that is advancing their dynamic movement. The Communists feel certain that this current as well as their organizational genius will bring them even greater success at the elections on November 24 for the Council of the Republic than was achieved at the polls on November 10. Should this success be realized, the expediency of the Thorez interviews becomes still more justified.

THE REALIGNMENT OF FOREIGN POLICIES

It is certain that Soviet foreign policy as executed during the past six months has often embarrassed and rendered more difficult the role of various Communist parties in Europe, especially the French Party with respect to the German problem and the Italian in connection with Trieste. In conformity with the general tactics of the Neo-Comintern, both parties had successfully exploited the national and even nationalist sentiments existing within their countries, but finally found themselves in open contradiction with the official position of the Soviet Union; they were thus confronted with the disagreeable alternative of repudiating the Soviet Union—an impossibility—or of seeing their patriotic coat of arms somewhat besmirched.

The Kremlin has seldom, if ever, seriously worried about the difficulties thrust upon the various Communist parties abroad by its foreign policies because it always felt sure that these parties would remain obedient and would finish by faithfully supporting Soviet interests even if embarrassing explanations of zig-zag changes of the party "line" became necessary. The law of self-interest is the only principle that Moscow invariably obeys but this time Soviet interest itself was at stake and accordingly it became expedient that the foreign policies of the French and Italian parties be realigned with "general Soviet" policy. In this manner the double purpose of aiding Soviet interests, as well as those of the two greatest Communist parties in Europe would be served. In view of Soviet unpreparedness, neither the German nor Adriatic situations could be pushed to the breaking point.

This explains Molotov's recent attitude at the Security Council and his search for a direct compromise between Italy and Yugoslavia announced by Togliatti's visit to Belgrade.⁷⁶ For some time it was clear

⁷⁶ For documentation relating to the visit to Belgrade of Palmiro Togliatti, secretary-general of the Italian Communist party, see volume II.

that the Soviet Union was disposed to make certain concessions to Italy rather than to abandon Trieste to an international regime which might entail the more or less permanent installation in this strategic territory of Allied armed control. The Soviet Union in reality preferred an Italian administration with as little power as possible in the hands of the city government in order to augment the pressure which could be exercised by the Slav elements of the surrounding countryside. Tito proposed the "exchange" of Trieste for Gorizia for two reasons; first, to dominate militarily the valley of the Isonzo and the Julian Marches, and, secondly, to eliminate Anglo-Saxon troops from this vital area.

The coincidence of three important factors should be noted with respect to the policies outlined above, namely, the Soviet Union's desire to gain time, its necessity to maintain already conquered positions, and its self-interest in re-aligning the foreign policies of the French and Italian Communist parties in the aim of ameliorating their internal positions. The results of the Italian municipal elections indicate that this re-alignment and conciliatory attitude in the case of Italy was not without success.

In the case of Germany, Stalin perceived the expediency of reinforcing the position of the S.E.D. (Socialist-Communist group) and disarming the distrust produced by the policy of the "Iron Curtain" in the Soviet zone. This explains Stalin's clear stand on the necessity of a united political and economic Germany expressed in his interview with Alexander Werth and the President of the United Press, Hugh Baillie.⁷⁷ But prior officially to taking position on the matter, the Kremlin considered it expedient to reorient the French Communist "line" on Germany with its own German policy. The Thorez visit to Moscow laid the groundwork for this reorientation.

THE NEW GERMAN POLICY OF THE FRENCH COMMUNIST PARTY

Owing to the possibility that Thorez might direct the new Cabinet to be formed on the basis of the November 10 and 24 elections, it became all the more urgent that he begin publicly to clarify his Party's views on Germany. While it is true that the new French Communist position already had been clearly set forth in the September issue of the theoretical organ of the Communist Party *Cahiers du Communisme*, nevertheless the French public remained largely ignorant of this latest corkscrew twist of the Party "line". (In this connection see memorandum no. 336 dated October 29, 1946).⁷⁸

⁷⁷ For documentation relating to these interviews, see volume II.

⁷⁸ Not printed.

The Party in other words waited for the election results prior to making the necessary declaration as set forth by Thorez in his interview with Reuters in which he insisted that an accord "should be found" between the Soviet formula of "interallied control of the Ruhr" and the French Communist demand for internationalization". Thus, once more the French Communists repudiated their own policy, as well as that of the MRP, without being seriously attacked even by the latter.

THE FRENCH COMMUNIST PARTY AND THE MRP

At the first meeting of the Political Bureau which took place subsequent to the November 10 elections, Jacques Duclos expressed great satisfaction over the results of the elections, especially since they had placed his Party in first position on the national scale, as well as on the "Left". Duclos ventured the view that had the MRP pursued the tendency espoused by Lecourt—one of the most anti-Communist leaders of the MRP—it would probably have obtained not less than 200 seats and would have thus remained the first party of France. Fortunately, added Duclos, the Bidault-Gay tendency had dominated the Catholics despite the fact that the vast majority of the MRP is anti-Communist.

Duclos further insisted that the MRP would continue to play a very important role in the political life of France and consequently it was necessary not only to maintain but also reinforce the liaison now happily enjoyed between the Communist and the Bidault-Gay tendency. Duclos added that Bidault remained favorable to collaboration with the Communists within the Government and that one could nearly always count on him by "playing on his vanity"; he explained that the close ties between Bidault and the Communists had been established in 1943 when an accord was reached on the basis of Communist support for Bidault as Foreign Minister in the Government to be formed following the Liberation.

MILITARY PREPARATIONS

While continuing the policy of "legality" required by the exigencies of the international situation, the Communists are by no means slowing up their secret penetration of State institutions or their clandestine military preparations. On the contrary the International Brigades are being reinforced—recently strengthened by two brigades—and in this connection it should be noted that Marty's⁷⁹ trip to Moscow last September already has brought results (see memorandum no. 518⁸⁰).

⁷⁹ André Marty, a French Communist leader.

⁸⁰ Not printed.

Moreover, the Communists now count on fresh sources of recruitment for their armed groups, namely, among the 200,000 Italian workers who plan to immigrate into France. The organization of this recruitment in Italy is in the hands of the Communist dominated Italian C.G.T. and on the French side is being carried out by the present Minister of Labor and veteran Communist trade unionist, Croizat. Since a large number of workers in Northern Italy are Communist and possess military training the opportunities offered by this mass inflow of Italians into France certainly will not be neglected by the Italian and French Communists.

Finally, it is noteworthy that should Thorez head the next Cabinet the Communists would hold an ace card in extending their power and influence over the State because the civil service bill just promoted by Thorez and accepted by the Assembly places the career of every government official in the last instance under the control of the President of the Council and not the Ministry with which the employee is connected.

N[ORRIS] B. C[HIPMAN]

851.00/12-1846 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, December 18, 1946—5 p. m.

US URGENT

[Received 7 p. m.]

6169. My 6157 December 17.⁸¹ At the conclusion of the Assembly debate last evening Blum received a vote of confidence of 544 against 2 (Aumefan, PRL, and Louis Marin) with 72 reported abstentions (chiefly Rightists). It is perfectly obvious that this apparently massive vote of confidence was not an enthusiastic approval of Blum and the Socialist program but rather tacit acknowledgement that at this time there was no alternative solution. For the political leaders were aware that if the Blum government were not approved, the impudence [*impotence?*] not only of political parties and the Assembly but perhaps even of French democracy itself as now practiced would be even more clearly exposed to the French public, thus favoring an attempt at some "extreme" solution (the Communists or De Gaulle). While a breakdown of democracy might not in itself be distasteful to the Communists or to certain elements of the extreme right, each is restrained by the fear that the other would be the beneficiary of such a breakdown.

While there is, of course, general relief that a solution—temporary though it is—has been found and that France again has a government

⁸¹ Not printed.

which will try to "save the franc" by adopting urgent financial and economic measures, the first reaction insofar as the future is concerned is that no solution whatsoever has been found for the basic disagreements which divide the parties. It is true that in the recent negotiations the four parties (Communists, Socialists, MRP and Rassemblement) have reached a measure of agreement on some general aspects of economic and financial policy but on other points including the critical questions of what political parties shall be included in the next government and the future distribution of ministerial portfolios the deadlock remains unbroken. (In his Assembly speech yesterday Duclos was intransigent in his insistence that the Communists receive one of the "three" big portfolios. Duclos accused the MRP and part of the Rassemblement of deliberately preventing the formation of a coalition government in order to pave the way for De Gaulle's return.)

In other words, the acceptance yesterday of the Blum government as a temporary stop gap has simply postponed the crisis until January. If the different political parties do not reach general agreement during this period of grace so that a government with a workable majority can be installed following the election of the President of the Republic, France will one month hence be faced with the gravest of political crises. In any event, as things now look the coming period will be one of latent crisis with much political jockeying and maneuvering both as regards the next government and the Presidency, with things probably coming to a head about the middle of January.

Sent Dept as 6169. Repeated to London as 818, to Moscow as 432, to Rome as 307.

CAFFERY

851.00B/12-2046: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

TOP SECRET

Moscow, December 20, 1946—6 p. m.

[Received 6 p. m.]

4434. Personal for the Secretary only. If you have not already done so, I strongly recommend that you read top secret memorandum No. 345, November 23⁸² written by Chipman, Paris, entitled "Tactics of the French Communist Party according to a source maintaining close contacts with important Communists".⁸³ On basis of our analy-

⁸² Marginal notation in Secretary Byrnes' handwriting: "Let me have this."

⁸³ *Ante*, p. 471.

sis here, I consider this to be most accurate revealing exposé of present Soviet tactics not only in France but throughout rest of Europe and to be principal explanation for ultimate concessions made at CFM and Assembly.

SMITH

851.00/12-2746 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, December 27, 1946—4 p. m.

US URGENT

[Received December 27—1 : 22 p. m.]

6285. Léon Blum told me this morning that for the first time in many a month he feels encouraged:

1. The overall economic situation in France has taken a very recent turn for the better;
2. Prices have gone down for a few articles;
3. The Government has been successful in making some reductions in the budget;
4. But above all, the Communist Party as well as the MRP have recently shown signs of being more willing to cooperate with his government as well as with each other.

He went on to say that he believes Auriol will be elected President of the Republic and will form the government that "I tried unsuccessfully to form". I said: "Why would the Communists agree to cooperate in January when they would not agree to cooperate in December?" He said: "First of all because the French people as a whole are sick and tired of political bickering and party maneuvering and in case of another political impasse they will put the blame where it belongs on the party which refuses to cooperate and the Communists who have ears always very close to the ground know that. Also, as I know you know, an internal feud broke out recently in the Communist Party between Thorez and Duclos on the one side, and Marty and Mauvais on the other, Marty and Mauvais taking the line that Thorez and Duclos are not 'men of action'. Of course I know full well," he added, "that the moment the Kremlin speaks the feud will be over but even among Communists feuds leave a bitter taste in some men's mouths."

CAFFERY

THE INTEREST OF THE UNITED STATES IN NATIONALIST OPPOSITION
TO THE RESTORATION OF FRENCH RULE IN INDOCHINA

[For documentation on this subject, see volume VIII.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RELATING TO AIR SERVICES BETWEEN THEIR RESPECTIVE TERRITORIES, SIGNED AT PARIS MARCH 27, 1946

[For text of Agreement, see Department of State, Treaties and Other International Acts Series No. 1679, or 61 Stat. (pt. 4) 3445.]

CONVENTION BETWEEN THE UNITED STATES AND FRANCE FOR THE AVOIDANCE OF DOUBLE TAXATION, SIGNED AT PARIS OCTOBER 18, 1946

[For text of convention and supplementary protocol for the avoidance of double taxation and the prevention of evasion in the case of taxes on estates and inheritances, and modifying and supplementing the convention relating to income taxation signed July 25, 1939, see Department of State, Treaties and Other International Acts Series No. 1982, or 64 Stat. (pt. 3) B3.]

UNDERSTANDING BETWEEN THE UNITED STATES AND FRANCE RELATING TO ALLOCATION OF PROCEEDS FROM LIQUIDATION OF GERMAN PROPERTY IN SWEDEN

[Effected by exchange of notes dated at Washington, July 18, 1946. For texts of notes, see Department of State, Treaties and Other International Acts Series No. 1731, or 61 Stat. (pt. 4) 3840.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE FOR THE PURCHASE OF NATURAL RUBBER

[Effected by exchange of notes signed at Washington, January 28 and February 7, 1946. For texts of notes, see Department of State, Treaties and Other International Acts Series No. 1525, or 60 Stat. (pt. 2) 1690.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RELATING TO PASSPORT FEES

[Effected by exchange of notes signed at Washington, November 20 and December 10, 1946. For texts of notes, see Department of State, Treaties and Other International Acts Series No. 1608, or 61 Stat. (pt. 3) 2795.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RELATING TO AIR SERVICE FACILITIES IN FRENCH TERRITORY

[Effected by exchange of notes signed at Paris, June 18, 1946. For texts of notes, see Department of State, Treaties and Other International Act Series No. 1852, or 61 Stat. (pt. 4) 4088.]

Excuse me standing on my
memories to be about
I want to be loved
I want to be loved

GERMANY

PROBLEMS RELATING TO QUADRIPARTITE CONTROL OF GERMANY¹

740.00119 Control (Germany)/1-846: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

[Extracts]

SECRET

BERLIN, January 8, 1946—9 a. m.

[Received January 9—8:33 a. m.]

61. Thirtieth meeting Coordinating Committee held with British chairman² January 7. . . .

Regarding evaluation of plants for advance deliveries on account of reparations, Sokolovsky³ argued that the index of prices based upon 1938 is satisfactory for industrial equipment but that raw materials and agriculture products, such as the Soviet must return for part of such advance reparations, have increased in price well above 1938 levels. Robertson argued that German Government subsidies had held prices of industrial equipment down in 1938 so that price indices may have been distorted. He pointed to agreements with satellite countries where capital, plant and equipment was valued on the basis of 1938 prices plus 15%, whereas raw material was valued on the basis of 1938 prices plus 10%. He asked why Sokolovsky recommended a complete reversal regarding Germany. Sokolovsky pointed out that Soviet must take aggregate facilities in some cases and thus must accept some equipment it does not want. Clay⁴ suggested compromise, (1) use of 1938 prices for both capital goods and reciprocal deliveries, (2) establish floor (minimum residual value of a plant after deduction of depreciation and war damage) 25% rather than 30% as formerly agreed by French, British, and Ameri-

¹ For previous documentation concerning Centralized Agencies and Economic Control of Germany, see *Foreign Relations*, 1945, vol. III, pp. 861-925, and 1169-1506, respectively.

² Lt. Gen. Sir Brian H. Robertson.

³ Army Gen. Vassily Danilovich Sokolovsky, Deputy Military Governor, Soviet Military Administration in Germany; Soviet member, Coordinating Committee, Allied Control Council for Germany.

⁴ Lt. Gen. Lucius D. Clay, Deputy Military Governor, U. S. Zone of Occupation in Germany; U. S. member, Coordinating Committee, Allied Control Council for Germany; Director, Office of Military Government of the United States for Germany (OMGUS).

cans, and (3) that receiving country could reject 10% by value of plant and equipment—prior to delivery—which had been allocated to it for reparations. Sokolovsky compromised on basis of reciprocal deliveries priced at 1938 level plus 5% and with 22% being used as figure on residual value in place of Clay's 25%. This plus 1938 price for capital goods and 10% rejection right was basis of unanimous agreement.

Regarding definition of restitution Sokolovsky repeated known Soviet position.⁵ The French proposal, which has British and American agreement, would apply restitution to goods removed "whatever the means of disposition may have been". The French would also add, "when among the aforesaid property there are goods which have been yielded without constraint, they will be handed over to the government concerned, which will confiscate them for its own benefit".

No agreement was reached. Taking up the discussion of the special meeting of December 31 (see our cable 1363 of December 31, 1945, 12 midnight⁶). Sokolovsky announced willingness to agree to 5.8 million tons annual steel production, with capacity to be established by steel experts at not over 6.5 million tons. Robertson stated that assumption is that annual review will always result in a downward revision of production and that he could not accept that assumption. He agreed to accept an annual production figure as low as 5.5 up to 1949 and suggested leaving capacity open for later determination. Clay stated this would mean two reparations programs and suggested compromise of 5.8 annual production and 7.0 capacity. Sokolovsky agreed but Robertson said British had already violated instructions by going as low as 7.5 on capacity and he could go no further. Stating that he was exceeding his authority, Sokolovsky advanced his capacity figure to 7.2 but with British refusal to compromise further, matter was referred to Control Council.

Sent to Department, repeated to Moscow as 6 and London as 11.

MURPHY

740.00119 Control (Germany)/1-1146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, January 11, 1946—6 p.m.
[Received January 13—1:08 a.m.]

89. 1. Sixteenth meeting of Control Council held yesterday under British chairmanship was brief but satisfactory and reached agreement on German steel capacity.

⁵ For documentation on this subject see telegrams 1126, November 28; 1176, December 4; and 1252, December 13; *Foreign Relations*, 1945, vol. III, pp. 1426, 1440, and 1462, respectively.

⁶ *Ibid.*, p. 1499.

2. Montgomery⁷ stated that a failure to bridge the difference of 300,000 tons between the Soviet figure of 7,200,000 and the British figure of 7,500,000 would be regarded as a confession of incompetence. He asserted that if the British estimate was wrong it could be corrected by further steel plant reduction, whereas if the Russian estimate proved wrong, no such remedial action was possible in view of plant removals. Sokolovsky said he would make the necessary concession on the understanding that the figure will be subject to review and that Germany would be left with the more out-of-date factories. Expressing thanks to General Clay for his efforts to produce a compromise, Sokolovsky accordingly accepted a steel capacity for Germany of 7,500,000 tons with the promise that it be reviewed from time to time.

3. Mentioning the deadlock on the definition of restitution, the chairman indicated further discussion would serve no useful purpose and suggested report with recommendations be submitted by the respective members to their govts. Koenig⁸ said France had made its ultimate concession and mentioned his govt's position was strengthened by the conclusions of the Paris Restitution Conference.⁹ Sokolovsky asserted that the latest French proposal in no way represented a change in the French point of view but that as a last concession the Soviet Delegation was willing to consider an amendment of the French proposal on the following lines (see my 1338, 27 Dec, 9 p. m.¹⁰):

Paragraphs 2 and 3 of the French proposal would be deleted and the following would be substituted in their place:

“Restitution will be limited in the first instance to identifiable goods which existed at the time of occupation of the country and which were taken out of the territory of the country by the enemy by force. Also falling under measures of restitution are identifiable goods produced during the occupation whose acquisition was accomplished by an act of force. All other property removed by the enemy is subject to restitution to the extent consistent with reparation; however, the United Nations retain the right to receive compensation from Germany for these other goods removed as reparation.”

Pgh 4 to remain the same except that the word “such” would be substituted for the phrase “some of these”.

⁷ Field Marshal Viscount Montgomery, Military Governor, British Zone of Occupation in Germany; British member, Allied Control Council for Germany.

⁸ Lt. Gen. Marie-Pierre Koenig, Military Governor, French Zone of Occupation in Germany; French member, Allied Control Council for Germany.

⁹ For documentation relating to the Paris Conference on Reparation, November 9–December 21, 1945, see *Foreign Relations*, 1945, vol. III, pp. 1357–1506, *passim*.

¹⁰ Not printed; this telegram contained the text of a revised French proposal concerning a definition of restitution (740.00119 Control (Germany)/12–2745).

Paragraphs 6 and 7 to be deleted as not within the Control Council's competence.

In reply to a question by the French member whether removal by force also meant requisition, Sokolovsky said the intention of his proposal was comprehensive since his suggested pgh 3 mentioned "all other property". Soviet amendments will be referred to Coordinating Committee for study and for report to next meeting of Control Council.

MURPHY

862.6359/1-1346 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, [January 13, 1946—2 p. m.]
[Received 6:20 p. m.]

112. 1. See my 272 [89], January 11, 6 p. m. Control Council's important agreement on the level of the German steel industry suffered a set-back from a dispute about the figure for inclusion in the over-all economic plan which gave rise to a long and diffuse discussion in yesterday's meeting of the Coordinating Committee under British chairmanship.

Disagreement came to light Friday in the drafting of the Control Council minutes when the British insisted that 7,500,000 tons steel capacity be transmitted to the Economic Directorate as the critical figure upon which over-all planning for German industry would be based.

U.S., French and Soviet interpretation was that permitted steel production of 5,800,000 was intended to be the critical figure. Sokolovsky in Coordinating Committee explained that 7,500,000 tons was envisaged as a productive capacity necessary to insure the production of 5,800,000 tons and was intended to include a certain reserve capacity which would obviate the need of building new plants. British member stated his delegation had accepted the capacity figured on the understanding that it would be the norm for further economic planning. In the light of the current discussion he suggested that the Economic Directorate be instructed to produce two plans for German industry based respectively upon the figures of 5,800,000 and 7,500,000 and he supported his argument by reference to the different answers given by Sokolovsky and Clay to the question whether increased German steel production would result in excessively high or low levels for the

other industries as to be permitted in Germany. General Clay referred to the 600,000 tons of steel for export included in the permitted production but Robertson claimed that this agreement was not in the record. Sokolovsky insisted that adoption of the 7,500,000 figure as a basis for planning would leave Germany with a machinery production constituting war potential and he said the Soviet Delegation could never agree to a proposal such as that envisaged by the British.

Koeltz¹¹ proposed that without disturbing the agreement reached on the German steel industry the figure of 5,800,000 be referred as the planning norm to the Economics Directorate which would be invited to submit comments on such obstacles and difficulties as it might decide were involved in adoption of the lower figure. This proposal was accepted by the U.S. and Soviet members but Robertson stated he would have to obtain his Government's views which he hoped to present at the next Coordinating Committee meeting.

After the meeting, I inquired of General Robertson and Sir William Strang¹² why they had injected the confusing issue into the steel tonnage question after having painfully arrived over a period of weeks at the clear cut agreement which was reported to the Department. They indicated that London is worried over the notion that the agreement will result in impoverishment of Germany to a point where German economy and population will become a burden to England. I asked Strang whether this thinking was in terms of trade between the UK and Germany and he replied that it was not only the question of future trade relations but possible expenditures by the UK for the support of the German population, which bothered London. He said "You people don't seem to mind this. You are going more and more in Morgenthau's direction."¹³ I mentioned to Strang that thus far the US is the only power which has made a direct expenditure for the support of the German population (food) and we did mind it, but were determined also to destroy German war potential. I suggested that the steel tonnage figures are subject to annual review and that for the present it is of the utmost importance to have Allied unity on this subject. In any event, Germany will be physically incapable of producing even 5,800,000 tons until 1948 or 1949. The British have asked London for further instructions

¹¹ Lt. Gen. Louis Koeltz, Deputy Military Governor, French Zone of Occupation in Germany; French member, Coordinating Committee, Allied Control Council for Germany.

¹² Sir William Strang, Political Adviser to the Commander-in-Chief, British Forces of Occupation in Germany (Montgomery).

¹³ In 1944 Henry Morgenthau, Jr., Secretary of the Treasury, had proposed the imposition of harsh peace terms on Germany. Documentation relating to the Morgenthau Plan is scheduled for publication in a subsequent volume of *Foreign Relations* dealing with the Allied Conference at Quebec, September 1944.

in the light of Saturday's¹⁴ discussion and I anticipate that a formula similar to that suggested by the French (above) will be arrived at.

I also discussed the steel issue with Sobolev and Sokolovsky individually. Both expressed great indignation over what they termed a transparent British effort to evade the recent agreement.

2. In the absence of instructions concerning the Soviet compromise proposal of the definition of restitution, Koeltz requested discussion be deferred until next meeting, set for January 16 (see above reference).

MURPHY

740.00119 Control (Germany)/1-1846: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Acting Secretary of State*

SECRET

BERLIN, January 18, 1946—6 p. m.
[Received January 19—9:40 p. m.]

159. 1. See my 112, January 13, 2 p. m. Agreement on the definition of restitution was finally reached at thirty-second meeting of Coordinating Committee held yesterday [under British] chairmanship, but British member adopted a more intransigent position regarding general level of industry and suggested that this question revealed a fundamental difference of opinion which should be faced as soon as possible.

2. Robertson said he had just returned from a special trip to London and that the statement he was about to make had his Govt's full authority. He referred to Clay's remark at the last meeting that the US Delegation's first commitment was the destruction of German war potential and that it felt no obligation to guarantee a standard of living to Germany beyond trying to achieve a balanced import-export program, but that if such balance could not be reached without leaving war potential, the standard of living would have to be further reduced. Robertson said the British were also determined to destroy war potential but that the interpretations as to its meaning were far apart. The British Govt could not agree to the premise that if starvation, misery and slavery were to result from demilitarization, they would have to be accepted. No civilized nation was entitled to impose such terms and the way to world peace did not lie along this path. Such conditions would create a state of despair and inevitable danger of a future Germany would be a reversal of the progress toward democracy en-

¹⁴ January 12.

visaged at Potsdam. German living standard could not be depressed without having a harmful effect on Europe and the rest of the world. The British delegation could never agree to turning Germany into a wilderness. Robertson claimed the British had accepted the steel capacity figure of 7,500,000 tons with the reservation that the overall German economic plan be based on this amount and his delegation knew that no satisfactory plan could be based on the permitted production figure of 5,800,000 tons without transforming Germany into a wilderness. He said that in view of Clay's statement he believed the differences on German peacetime economy were fundamental and the sooner they reached the Control Council for discussion the better. He indicated, however, that the British would accept a plan for reparations based on the steel agreement provided it would not commit this to a lower figure for long-term German economy.

Clay rejected the imputation that US policy envisaged German starvation and said he had never doubted British good faith in proposing a higher figure for German steel production, which had originally been done by the US delegation itself. His delegation had receded from its first position since [quadri-]partite Govt, like democracy, must work by compromise. The difference between 5,800,000 and 7,500,000 was so small as not to be critical, and the US delegation stood by its understanding that the Coordinating Committee was committed to the figure of 5,800,000 for inclusion in the economic plan.

Sokolovsky stated that a plan based on the figure of 7,500,000 would leave Germany with a heavy industry capable of waging a new war, for which the Soviet delegation could not assume responsibility. He dismissed Robertson's fears of a "German wilderness" as illusory and as an unacceptable resort to politics. Sokolovsky said he agreed with Clay that the powers had no obligation to feed Germany, which should work and feed itself [on] the basis of the 5,800,000 figure for steel.

Clay then pointed out that if 7,500,000 tons were left as a maximum, Germany could not produce this amount as an average and that it was untenable to base the economy on a figure which will not be fulfilled. He claimed that the norm of 5,800,000 will increase the levels of the lighter industries. Robertson thereupon made the surprising statement that the British had meant that 7,500,000 tons would actually be produced when they had agreed to this figure.

A discussion then took place during which the British suggested that the figure of 7,500,000 be referred to the Economics Directorate as the basis for determining reparation claims against other plants depending on steel. Sokolovsky could not accept this but stated he was agreeable to instructing the Economics Directorate to destroy and declare available for reparation all steel plants in excess of those

needed to maintain the productive capacity of 7,500,000. This [proposal was accepted] for immediate implementation and the Coordinating Committee decided to refer the larger question at issue to the Control Council meeting of January 21. Clay and Sokolovsky desired communication to the press of the Coordinating Committee's current discussion but Robertson requested deferment of publicity pending Control Council action.

3. Coordinating Committee accepted with certain additions Russian counter-proposal on definition of restitution (see my 112, January 13, 2 p. m.). Clear text and summary of discussion furnished in separate telegram.¹⁵

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Sent to Dept as 159; repeated to Moscow as 16 and London for personal attention Secretary Byrnes¹⁶ as 40.

MURPHY

740.00119 EW/1-1946: Telegram

The United States Political Adviser for Germany (Murphy) to the Acting Secretary of State

RESTRICTED

BERLIN, January 19, 1946—10 a. m.

[Received January 20—10:30 a. m.]

169. See my 112, January 13, 6 p. m., and my 89, January 11, 6 p. m. Following is text of definition of restitution based on Soviet counter proposal adopted by Coordinating Committee at its thirty-second meeting:

“1. The question of restitution of property removed by the Germans from Allied countries must be examined, in all cases, in light of the declaration of January 5, 1943.¹⁷

“2. Restitution will be limited in the first instance to identifiable goods which existed at the time of occupation of the country concerned and which have been taken by the enemy by force from the territory of the country.

“Also falling under measure of restitution are identifiable goods produced during the period of occupation and which have been obtained by force. All other property removed by the enemy is eligible for restitution to the extent consistent with reparations. However, the United Nations retain the right to receive from Germany compensation for this other property removed as reparations.

¹⁵ Telegram 169, January 19, from Berlin, *infra*.

¹⁶ The Secretary of State was in London as Chairman of the United States delegation to the First Part of the First Session of the General Assembly of the United Nations.

¹⁷ Reference is to the Inter-Allied Declaration Against Acts of Dispossession, *Foreign Relations*, 1943, vol. I, p. 443.

"3. As to goods of a unique character, restitution of which is impossible, special instructions will fix the categories of goods subject to replacement, the nature of these replacements and the conditions in which such goods could be replaced by equivalent objects.

"4. Relevant transportation expenses within the present German frontiers and as repairs necessary for proper transportation, including the necessary manpower, material and organization, are to be borne by Germany and are included in restitution. Expenses outside Germany are borne by the recipient country.

"5. The Control Council will deal on all questions of restitution with the government of the country where the objects were looted."

General Clay approved the proposal on condition that restitution to be effected will not involve expenses to US occupation forces and he emphasized that the US accepted no obligation to replace art objects item by item. In reply to a question from the French as to meaning of "compensation" Russian member envisaged compensation as including equipment, manufactured goods, raw material of minerals delivered at Germany's expense as far as possible. French member requested the record include Soviet member's understanding that the Control Council will decide the question to what extent restitution is consistent with reparations.

Instructions envisaged under paragraph 3 of text above were referred to the Reparations Deliveries and Restitution Directorate for drafting and agreement will be reported to Control Council meeting 21 January subject to British member obtaining final approval from his Government of the above definition.¹⁸

Sent Dept repeated to Moscow as 17, Paris as 17, London as 40 and copy to Angell¹⁹ in Berlin.

MURPHY

¹⁸ Telegram 198, January 22, 4 p. m., from Berlin, reported on the discussion concerning restitution at the 17th meeting of the Allied Control Council, January 21. British General Playfair presided because of the illness of both Field Marshal Montgomery and General Robertson. "Playfair stated that the British delegation would accept the definition of restitution which was agreed by the French, Soviets and U.S., at the last Coordinating Committee meeting. British stated, however, that they accepted on the assumption similar to that stated by Clay for the U.S., namely, that definition would not result in any additional burdens on the German economy which would have to be met from British sources. The British also agreed with the Soviet provision that 'goods of a unique character' would relate only to artistic and cultural objects. Koenig suggested and obtained unanimous agreement that 'scientific apparatus' also be included. British pointed out that they agreed with the U.S. view that there would not be replacement of objects of art item for item." (740.00119-Control (Germany)/1-2246)

¹⁹ James W. Angell, United States representative, Allied Commission on Reparations.

740.00119 EW/1-2246 : Telegram

*The United States Political Adviser for Germany (Murphy) to the
Acting Secretary of State*

SECRET
US URGENT

BERLIN, [January 21, 1946—5 p. m.]
[Received January 22—9: 48 p. m.]

190. From Angell No. 213.

1. In conversation with me January 14, General Clay stated that he is strongly opposed to removal of capital equipment from any peaceful industry (that is, textiles, shoes, et cetera, as contrasted with metals and chemicals). As explained to me, General Clay's position stems from his belief that it is essential to leave Germany with an adequate economic base for development of a democratic and peace-seeking government. For this reason he feels that: (1) it is essential to minimize the scale and duration of the unemployment which will result from large capital removals in the heavy industries; and (2) the German standard of living should be allowed to rise as rapidly as is consistent with the rate of recovery of liberated countries and with the availability of fuel and raw materials. On these grounds, he feels that the retention of the capital equipment of peaceful industries is essential.

2. In General Clay's view, Potsdam Agreement does not require removals from peaceful industries even if not all present capital equipment is required to support a self sufficient German-economy at levels equal to European average forecast at end of reparation program. On the contrary, he cites the provisions of paragraphs B, 11 and 13 of Chapter 3 of Potsdam Agreement²⁰ in support of view that reparations removals were intended to apply only to heavy industries and that peaceful domestic industries are to be encouraged.

3. After re-study of Potsdam provisions, I am convinced that Potsdam Agreement does not require removal of surplus equipment in peaceful domestic industries, though such removals would not be inconsistent with the agreement. On the merits of the case, I believe considerations advanced by General Clay are in accord with long term US policy in economic treatment of Germany. In particular, I do not consider US security objectives prejudiced by retention of equipment in peaceful industries.

4. Following additional considerations, however, must be taken into account:

a. Proposal to exempt peaceful industries will probably meet serious opposition from USSR.

²⁰ *Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1499, 1504.*

b. Smaller less-industrialized claimants in west are especially interested in acquiring equipment in consumer goods industries.

c. Retention in peaceful industries of surplus capacity not immediately needed for either domestic consumption or commercial exports may create demand from other claimants for current production from such surplus capacity for use as reparation. They could argue such deliveries would not violate first-charge principle since commercial exports from these industries would in theory already be at maximum. US side, however, would not agree, and I believe first-charge principle without qualification could be successfully maintained.

5. US estimates of relation between existing capacity and requirements for domestic consumption and exports, for peaceful industries, are unlikely to show any substantial surpluses.

6. On basis of these estimates and of arguments advanced in paragraph 1, General Clay will attempt to avoid any removals from peaceful industries. In negotiation with other governments, however, he would be prepared to accept some removals in order to satisfy probable demands of claimants in west and to facilitate general agreement with USSR. On balance of considerations set forth above, I agree with General Clay's position.²¹ [Angell.]

MURPHY

740.00119 Control (Germany)/1-1846: Telegram

The Acting Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, January 23, 1946—8 p.m.

204. Following is Dept reaction to British steel position reported in urtel 159 of Jan 18.

1. Two totally independent technical calculations by U.S. experts have indicated that annual steel production as low as 5.0 to 5.5 million tons would adequately serve needs of initial post-war German economy proportioned as a whole to provide capacity for standard of living equal to European average post-war. 5.8 million tons as planning figure therefore seems a reasonable reflection of strict Potsdam terms.

2. In any case we regard British unjustified in regarding difference between 5.8 and 7.5 million tons as margin which will determine starvation, misery, slavery and the transformation of Germany into a wilderness. Similarly we doubt whether this difference will determine German capabilities to wage a new war, as suggested by U.S.S.R.

²¹ In telegram 271, January 29, 8 p. m., to Berlin (telegram 151 for Angell), the Department expressed its general accord with the view of General Clay on removals from peaceful industries (740.00119 EW/1-2246).

3. U.S. policy like that of U.K. and, presumably, U.S.S.R. is concerned to balance punitive and constructive aspects of Potsdam settlement. Dept regards it as unfortunate that quantitative differences of this order of magnitude be made occasion for imputing basic differences of interpretation of Potsdam terms.

Sent to Berlin as 204, repeat[ed] to Moscow as 128, and to London as 757 for personal attention of Secretary.

ACHESON

862.6511/1-2846 : Telegram

The Secretary of State to the United States Deputy Military Governor for Germany (Clay)

SECRET

WASHINGTON, January 28, 1946—5 p. m.

253. For Clay from Secretary Byrnes. Bevin's²² statement is that he does not object to the 5.8 production for steel but he objects to making this production level the level for industry and production of all kinds. Is he correct in believing that is the agreement?

He wires me as follows and I wish you would advise me if you are in agreement with his statement:

"Since we spoke on the telephone on January 24th about reparations and the level of German industry, I have been discussing this question with the Ministers immediately concerned, though I have not yet had a chance to put it to the Cabinet. As I understood it, you were in full agreement with me that it was not the intention at Potsdam that we should determine before February 2nd the level of German industry for all time. What we are concerned to settle now is a plan for reparations which will be based on examination of the relevant economic factors so far as they can be assessed now. This seems in accord with your own statement of policy of December 12th which accompanied the State Department's statement on the reparation settlement and the peacetime economy of Germany.²³

"It seems to me, therefore, that what we should aim at is to establish an upper retention limit for other industries just as has been done in the case of steel. By so doing we may hope to find a solution of the reparation problem without determining the final level of German industry. Just as in the case of steel we have agreed on a 7.5 million retention level though actual production would only be permitted for the time being up to 5.8 million, so we should now work out retention levels for other industries. Their permitted production would also be limited if necessary to some lower figure corresponding to the figure we have agreed for steel. Capacity above the retention levels in all cases would be available for reparations. The levels of permitted production would be subject to annual review and, should

²² Ernest Bevin, British Secretary of State for Foreign Affairs.

²³ Department of State *Bulletin*, December 16, 1945, pp. 964 and 960, respectively.

it be established that the retention level of certain industries was higher than seemed likely to be required after the initial control period for Germany's peacetime economy, then such surplus capacity would be available for reparation deliveries.

"The term 'initial control period' I have quoted from the heading of Section 11 of the Berlin protocol.²⁴ I take it to correspond to the 2-year period of reparation removals described as 'the second stage' in your statement of December 12th.

"The foregoing would seem to me to follow logically from our conversation and I should be grateful if you would be good enough to let me know whether you are in agreement.

"I suggest that what we must try and achieve is the retention in Germany of enough capacity to provide after the initial control period a balance of payments sufficient to ensure for her a reasonable standard of living. This point is clearly brought out in your statement of December 12th about the 'third stage'. If our plan is not based on this premise, Germany will be left with neither the capacity to achieve this standard nor the resources to create the necessary additional capacity."

BYRNES

862.50/1-2846

Memorandum of Conversation ^{24a}

[WASHINGTON,] January 28, 1946.

Lord Halifax ²⁵ called at his request upon the Secretary this afternoon. He referred to a personal note from Mr. Bevin to Mr. Byrnes, dated January 24,²⁶ regarding German reparations and the level of German industry. He stated that as he understood the problem, the British thought they had reached an agreement with the United States and the Russians and were going to take a certain figure—what they called the retaining level—7.5. That did not mean the Germans would be allowed to make that. The agreement was that we would allow the Germans to make 5.8 and see how they got along. Now the question came up what to do with all the other steel using plants. As he understood it, the agreement was that all those plants would be rationed on the basis of 5.8, but not destroyed or dismantled to the level of 5.8 yet. They would be kept in existence at the level of 7.5. Then if we found we couldn't get along with 5.8 and were faced with mass unemployment, we could always keep an eye on the potential and let it expand to 7.5 million.

²⁴ Reference is to section II A, paragraph 11, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1478, 1483.

^{24a} Presumably prepared by the Office of European Affairs.

²⁵ British Ambassador.

²⁶ Quoted in telegram 253, January 28, to Berlin, *supra*.

The Secretary replied that that was his understanding, too. He stated that he discussed the situation with General Clay in London and everything was so definite that it looked like a closed case. The agreement had been reached after months of discussion among the British, Americans, French and Russians—production 5.8 and capacity 7.5. General Clay said there was no question about the agreement, but the British representative, Mr. [General] Roberston, subsequently placed a different interpretation on it. This action on the part of the British representative disturbed General Clay and the French representative, as the Soviets could cite this position as a precedent in subsequent matters and take an interpretation different from the other three members. On the merits of the agreement General Clay said that there was not a chance in a year and a half to reach 5.8 production. Therefore, so far as steel was concerned it was academic. His view was that a peace treaty would fix anything for the future. This agreement could be construed only for the present and for the production during the time we were in control.

The Secretary said that he agreed with Mr. Bevin's views as set forth in his note and would so advise General Clay. Unless it was in conflict with what General Clay positively agreed, this represented his opinion of what it ought to be. The Secretary added that he had explained the whole situation to Mr. Bevin but Bevin was afraid that it is to be used as a yardstick for all industry besides steel.

Lord Halifax stated that Mr. Bevin was most anxious that the British and Americans do not take divergent positions on this, which may affect European economy.

862.6511/1-3146 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET US URGENT
 NIACT

BERLIN, January 31, 1946—3 p. m.
 [Received 9:02 p. m.]

303. General Clay asks that following telegram which was sent to War Dept be brought to attention of the Secretary :

“Reference Secretary of State's radiogram No. 253 dated Jan 29 [28].

“United States, Russian, and French position is that 5.8 million tons allowable annual production for steel would form basis to establish level for industry and production of all kinds. British position is that upper figure of 7.5 million tons would be used in establishing this level. There is no question in my mind that our commitment in Allied Control Council was based upon 5.8 figure being used for level of industry study.

"It is our understanding that level of industry determination now under way will fix the minimum level of German industry to be left in Germany, although long range control will undoubtedly be established in war potential fields. We feel strongly that we should tell the German people at the earliest possible date those industries which are to be removed and those which are to be limited. They must know their future if they are to embark on any plan for long range economic rehabilitation. I can think of nothing worse to our other objectives in Germany than to continue the removal of capital industry over an indefinite period of time. I also feel that if the level established proves too low, additional plants can be permitted in the future. Industry does not stand still.

"We quite agree with Mr. Bevin that we should determine an upper production limit for other industries just as has been done in the case of steel. However, computation of steel-using industries level based on 5.8 annual production with a reasonable reserve capacity is quite different from this calculation on a 7.5 basis with reserve capacity also left. In point of fact, actual determination of capacity in steel-using industries will necessarily leave a substantial margin of production. It is our view that the capacity of such industries should be based on normal operation of two shifts daily. If this is agreed, three shifts operations would always be possible to permit full utilization of steel production capacity within the 7.5 figure. However, utilizing 7.5 figure in level of industry studies would result in depressing light industry levels as compared to utilization of 5.8 figure which would increase light industry capacity to remain in Germany.

"While no agreement has been reached as to the exact meaning of the initial control period, nor in fact as to the controls to be continued in Germany, it has always been our thought that these controls should apply only in the heavy industry field. It is our view here that light industry in Germany should not be restricted at this time nor in the future, if we are to hold out hope to the German people for eventual rehabilitation and rebuilding of a reasonable economy.

"Our studies originally contemplated a 7.5 production figure but compromises with others led to acceptance of 5.8 figure. We do not believe that the difference is sufficient to make the difference between a living economy and a wilderness in Germany. We recognize that all figures used in level of industry studies are estimates of a future economy based on many intangibles. Their acceptance does not necessarily preclude expansions which time may prove necessary. We are convinced that the 5.8 figure does combine the principles enunciated at Potsdam for the destruction of German war potential on the one hand while leaving a reasonable standard of living on the other hand. Moreover, in view of the same interpretation placed on the agreement by three members of quadripartite government, it would be a dangerous precedent for the fourth member, making an independent and different interpretation, to succeed in having that interpretation accepted. Manifestly, on the merits, we can not argue against the British figure of 7.5, since it was approximately our own first proposal. Nevertheless, quadripartite government must be government by compromise. We believe that in reaching this compromise by bringing the Russians up from their original single figure of 4.6 to

an agreed annual production of 5.8, with reserve capacity to 7.5, was a major achievement. We have no reason to doubt our ability to secure appropriate reserve capacity in steel-using industries provided that the calculated values used in the level of industry study are based on the lower figure.

"Recently, my opposite, Robertson, has advised me informally that he will authorize his representatives to join with the rest of us to prepare level of industry plan based on 5.8 figure, without commitment was [as] to final acceptance. It is possible that we may find an answer in preparing this plan. Respectfully suggest, therefore, that Mr. Bevin be urged to agree to proceed with preparation of level of industry plan based on 5.8 production figure to determine the possibility of reaching agreement on other industries using this basic steel production figure and without commitment as to acceptance of 5.8 figure until plan has been fully considered."²⁷

MURPHY

740.00119 Control (Germany)/2-146 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, February 1, 1946—6 p. m.

530. SfAmb from the Secretary. On my behalf please convey the following message to Bidault:²⁸

"I should be most grateful if you could see your way clear to review the French attitude on the establishment of central German agencies. In doing this, I should like to ask you to take into account the following considerations:

I believe, as a result of our close cooperation in the European Advisory Commission²⁹ in planning the occupation of Germany and in our day-to-day relationships with the French representatives on the Control Council, that the basic ideas of the French and American Govts on the political principles which govern the treatment of Germany in the occupation period are not far apart. I am certain that our reiterated intention to destroy German militarism and Nazism and our joint measures to accomplish the complete disarmament of Germany have received the complete approval of the French Govt. I know that we are in accord on the political premise that the administration of affairs in Germany should be directed toward a decentralization of German governmental structure and the development of local administrations based upon democratic principles. Furthermore, I am sure you will agree that the time has not yet come to reestablish any central German Govt and that the occupation of Germany under

²⁷ In telegram 1115, February 1, 5 p. m., to London, Secretary Byrnes instructed Ambassador Winant to convey to Mr. Bevin the hope that the British Government would agree to carry through the procedure tentatively agreed upon by Generals Clay and Robertson (862.6511/2-146).

²⁸ This message was communicated to Georges Bidault, French Foreign Minister, on February 6.

²⁹ For documentation on United States participation in this Commission, see *Foreign Relations*, 1945, vol. III, pp. 1 ff.

the prevailing agreements is expected to continue for an indefinite period. I should like you to know that I fully appreciate the natural desire of your Govt to prevent the resurgence of a militant and aggressive Germany. Lying next to Germany as France does, I can readily understand the desire of the French Govt to effect territorial changes which, in its opinion, will form the basis of security against Germany. Therefore, I can understand the reasons which have prompted the French Govt, acting under the unanimity rule of the Control Council, to prevent the establishment of central German administrative departments.

On the other hand, the central German agencies proposed will be operating under the direction of the Control Council, in which the French Govt has full participation. The Control Council is directed so to manage affairs in Germany that the former highly centralized governmental structure of the German Reich will be abolished and replaced by a much looser structure. It does not seem to me that this theory is incompatible with the establishment of certain central administrative departments which will enable the Control Council to equalize and make uniform the treatment of Germany in many important aspects. Even under a loosely-federated form of gov't it would seem to be indispensable eventually to permit the establishment of central agencies in the fields of finance, transport, communications, foreign trade and the control of German industry. Otherwise, we may have a situation in which it will become impossible to administer Germany as an economic unit and to effect that reduction of German war potential which we both agree is essential.

I should also like you to know that in my opinion the establishment of certain central German agencies does not prejudice the eventual consideration of Germany's western frontier. This problem is an enormously complicated one which will no doubt be the subject of extended exchanges of views between the Allies. We have not as yet begun our joint labors on the conclusion of a peace treaty with Germany and I think you will agree the time has not yet come to do so. The greatest security which France and all of the United Nations have against Germany is indeed a continued occupation of the German Reich. We all hope that this occupation will result in a Germany which is incapable for an indefinite future of waging war, but the problems of this occupation are enormously complex and it is indispensable that the four occupying powers should collaborate in executing the purposes of the occupation. The American, Brit and Soviet Govts have all agreed that the establishment of central German agencies is required for the purposes of this occupation. They have further agreed that such agencies will be under the direction of the Control Council.

Last, but not least, it seems to me that we must view the functioning of the Control Council as a test of the ability of the four Allies represented thereon to work together in the post-war world. Failure of the Council would mean failure of Allied cooperation and would be so regarded in the world at large.

I, therefore, express the earnest hope that the French Govt will reconsider its attitude in this matter and will, by so doing, facilitate the development of the common Allied policy in Germany."

In addition to the above written message, you may orally and discreetly inject the thought that any steps which the French Govt may publicly take at this time in the way of cooperating with American aims should help to create a more favorable atmosphere for the important economic and financial talks which they are about to initiate.³⁰

BYRNES

862.60/2-946

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*³¹

[LONDON,] February 7, 1946.

I have received from Mr. Winant a personal note from you³² in answer to my message of January 24th on the subject of reparations and the level of Germany industry.

I appreciate the efforts you have made to enable your Delegation and ours to reach a common understanding on this matter but I fear that there are still certain misunderstandings between us which require clarification.

You state that your view is that the difference between 5.8 million and 7.5 million tons is the present margin above permitted production required by German technology to allow for maintenance and repairs. While we do not deny that the need for repairs may temporarily reduce steel output, we have maintained throughout that Germany must be allowed to retain capacity to produce annually 7.5 million tons since we believe that this is the minimum figure which she will need if she is to have any chance of achieving a balance of payments. I could not, therefore, agree to your proposal to leave in other industries a margin which was merely put in to ensure the production of a permitted output which in turn was based on 5.8 million tons of steel production.

My understanding of the discussions which took place between General Robertson and General Clay on this subject is that the former agreed that the economic directorate should produce a plan based on 5.8 million tons of steel for inspection by the Coordination Committee. The British representative on the economic directorate would take part in the discussions but would not be empowered to agree to the plan. General Robertson would make this provision quite clear

³⁰ For documentation relating to the Agreements between the United States and the Provisional Government of the French Republic on economic and financial matters, signed May 28, 1946, see pp. 399 ff.

³¹ Transmitted to the Department on February 9, 1946, under a covering note, not printed, from the British Ambassador (Halifax).

³² See footnote 27, p. 496.

at the Co-ordinating Committee, and would also state that he reserved to himself the right to reject the plan when it was submitted. General Clay apparently thought that this procedure would be helpful.

It seems to me that it is better for us to let the matter rest where it is for the time being, but I earnestly hope that if we are able to show that a plan which is based on the level of steel-using industries being reduced to a capacity consistent with a steel output of 5.8 million tons is unworkable from the point of view of achieving a balance of payments, you will give your support to the upward revision of capacity levels generally.

862.6511/2-846 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, February 8, 1946—7 p. m.

369. 1) Although we understand compromise method by which steel capacity and production figures were reached and "political" nature of recent Anglo-American exchanges we still have a technical question requiring clarification.

2) Do you interpret the 7.5 million ton capacity figure to mean sufficient plant and equipment to produce 7.5 million tons under pressure or as "rated capacity" say 10 percent under absolute possibilities? OMGUS Industry Report No. 5 mentions calculating Steel capacity in terms of highest attained output.

3) We wish to know exact technical relationship between 5.8 million ton production figure and 7.5 million ton capacity figure. It does not seem likely that 1.9 [1.7] million tons are the necessary margin between permitted production desired and capacity needed to attain that production with certainty in view of breakdowns, maintenance, repairs, etc.

4) If this is true the 1.9 [1.7] million tons difference contain two types of cushions. A) Capacity needed to attain permitted production regularly. B) Additional capacity which could be used to produce steel in excess of 5.8 million tons per annum.

5) Do you expect this situation will be repeated in each industry or that only cushions of type A above, will be left in other industries?

6) We would appreciate explanation and comments from you, Clay and Angell.

BYRNES

840.6363/2-1246: Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

SECRET

LONDON, February 12, 1946—7 p. m.
[Received February 12—6: 50 p. m.]

1752. ReEmbte1 232, Jan 8, 6 p. m.,³³ repeated Moscow as 14, to Paris as 21 and Berlin as 22. We are told that Foreign Office paper on economic aspect of Ruhr and Rhineland problem has been cleared through official levels and is now before Ministers. Official who participated in drafting it states that it advocates alternative proposal to that of French, Foreign Office favoring international economic control of Ruhr without its separation from Reich either politically or economically. It envisages indefinite duration for such control and indefinite military occupation of the Ruhr.

Their thought is that pressure in British [*Britain*] and US for demobilization will not permit military occupation of these two zones for any very long period and that in these circumstances indefinite occupation of Ruhr by small forces with close economic control of its industries would over the years give maximum efficiency of control over German war potential with minimum effort. They would not favor any separate tariff regime for Ruhr but would permit it to remain integral part of German economy for benefit of whole country. Their thinking on political side has not progressed as far but tends to oppose any political separation of Ruhr and Rhineland. While they foresee future German agitation for removal of international economic control of Ruhr and see certain advantages if it were subject to outside political control as well, they are inclined to believe disadvantages would be greater. They do not favor separate political regime for Rhineland but might agree to French retention of bridge-heads.

Sent Dept as 1752, repeated Berlin as 169, Paris as 112 and Moscow as 64.

WINANT

862.6511/2-1346: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, February 13, 1946—2 p. m.
[Received February 14—3: 19 p. m.]

444. Reference Department's 369, February 8. The following represent the views of General Clay, the steel experts of OMGUS, and

³³ Not printed.

myself in replying to your inquiry. Angell's comment will follow in a subsequent message.³⁴ The following presumes also that your reference to 1.9 million tons should read 1.7 million tons.

There is no specific technical relationship between the 7.5 million ton capacity figure and the 5.8 million tons capacity figure and the 5.8 million ton production figure. It was agreed that the capacity figure had to be in excess of annual production to allow them for breakdowns, repairs, etc. However, there is no known method for a mathematical determination of steel capacity. Our proposal for the determination of the 7.5 million ton capacity is to take the maximum operation of each plant left in Germany during its best year. It is recognized that this will sustain annual production of 5.8 million tons with some reserve capacity. However, steel experts state that a mathematical determination of the reserve capacity within this margin is almost impossible as it depends on efficiency of operation of each plant and also as to the size and type of orders received in each plant. It is my belief that efficiency of German steel operations under this low figure will be much higher than in the past, and that a fairly substantial portion of the 1,700,000 tons will be available as reserve capacity.

With respect to allied industries, there is at least on our part no intent to establish a comparable reserve capacity. Basic steel is necessarily a 24-hour a day, 7 days a week production job. However, most of the allied industries using steel may operate either one, two, or three shifts a day. Our proposal is to compute plant capacities within allowable limits on a two-shift a day, 6 days per week production. This would of course permit as much as 25 percent additional capacity in each allied industry by three-shift, 7 days a week operation.

The position of other members of quadripartite Govt with respect to measurement of capacity has not yet been disclosed.

MURPHY

740.00119 Control (Germany)/2-1346

The Secretary of War (Patterson) to the Secretary of State

WASHINGTON, February 13, 1946.

DEAR MR. SECRETARY: The Office of Military Government has advised the War Department of a development in the Coordinating Committee of the Allied Control Council for Germany which threatens to obstruct further progress in the completion of the reparations program.

³⁴ In telegram 541, February 18, 5 p. m., from Berlin (telegram 230 from Angell), Mr. Angell stated his agreement with the views expressed in telegram 444 (862.6511/2-1346).

As you know, agreement has been reached in the Control Council that Germany would be permitted to retain steel production capacity of 7.5 million ingot tons and that annual production of steel in Germany would be limited in any one year to 5.8 million ingot tons. Although, for a short time, the British representative on the Control Council insisted that levels of production in other industries should be established on the basis of 7.5 million ingot tons of steel, the Office of Military Government has now advised the War Department that the British have agreed to the preparation of a level of industries plan based on an annual production of 5.8 million ingot tons of steel, without committing themselves to final acceptance of such a plan.

However, at a meeting of the Coordinating Committee on February 1, 1946, the French representative officially presented a request that in determining the specific steel plants to be left in Germany under the decision fixing production capacity at 7.5 million tons, the study should be based upon two alternatives: (1) that Germany will retain its present geographic boundaries West of the Oder-Neisse line and (2) that the Saar will be annexed to France. General Clay advised the French representative that the American delegation would not consider reparations under the second alternative, since it felt itself bound by the Potsdam Agreement to treat Germany as an economic unit. General Clay pointed out that the exclusion of the Saar from Germany would not only affect the entire reparations program in the remainder of Germany but would also affect delivery of reparations. The British representative expressed a willingness to make the study requested by the French but stated that any conclusions with respect thereto would be beyond the scope of his authority under the Potsdam Agreement. The Russian representative took the position that there was no question involved inasmuch as the decision had already been made at Potsdam that the remainder of Germany, except as provided in the Potsdam Agreement, would be treated as an economic unit.

General Clay has advised the War Department of his view that until this question is resolved little progress can be made in the completion of the reparations program. Moreover, he expresses his view that the question cannot even be studied in Berlin until it is resolved at governmental levels by reason of the fact that the Soviet representative will refuse to make any studies of reparations which do not treat Germany as an economic unit within the terms of the Potsdam Agreement.

I am, therefore, calling this problem to your attention as a matter of urgency with the request that the State Department resolve the issue with the French Government and that the War Department be

advised concerning the instructions to be transmitted to the Office of Military Government for Germany (US) as to their future course.³⁵

Sincerely yours,

ROBERT P. PATTERSON

862.50/2-1946 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, February 19, 1946—11 p. m.

[Received February 21—9:20 a. m.]

558. Economic Directorate, on 15 February, agreed to the following statement on German export-import balance:

“For the purposes of the reparations plan, it is agreed:

1. That the value of export from Germany shall be planned as 3 billion RM (1936 value) for 1949 and that sufficient industrial capacity shall be retained to produce goods to this value and cover the internal requirements to Germany in accordance with the Potsdam Declaration;

2. That approved imports will not exceed 3 billion RM (1936);

3. That of the total proceeds from exports, it is estimated that not more than 1½ billion RM can be utilized to pay for imports of food and fodder, if this will be required, with the understanding that any portion of that sum not needed for food and fodder will be used to pay for costs of occupation, and services such as transport, insurance, etc.; and

4. That the Food and Agriculture Committee is directed to prepare a program of requirements to achieve the maximum agriculture production in order to reach the pre-war yields, in crops and livestock production, by 1949 or as soon thereafter as possible, throughout Germany, in order to reduce required imports of food.”

Agreement on this resolution represents a substantial step toward agreement on reparations plan. Little progress has been made in earlier discussions in which the Russians had insisted that food and fodder imports should not be in excess of .6 billion RM. American food and agriculture experts maintained that 1.5 billion RM of such imports would be insufficient. However, the American delegate, on February 15, felt bound to 1.5 figure but unable to approach the much lower Soviet estimate. The Russian figure was based upon an estimate of recovery of land productivity and cattle population by 1949, whereas American officials expect a much longer period to be required.

³⁵ In his reply of February 16 to Mr. Patterson, Secretary Byrnes indicated that the problem of Germany's Western frontier was one which would have to be solved on a quadripartite intergovernmental basis. The State Department concurred in General Clay's previously raised objections to the French proposal to exclude the Saar from Germany and observed that the entire Level of Industry Plan would be affected by such a move (740.00119 Control (Germany)/2-1346).

The Russians over-all export-import balance contained a figure of .8 billion RM for cost of occupation and invisible imports. Neither the Brit nor American figures contained any similar item. The Russian estimates of needed imports, including the .8 billion figure, totalled approximately 3 billion RM. As a compromise move, the American delegate recommended the acceptance of the 3 billion figure. He pointed out to the Russians that, if their figure of .6 billion for food imports was sufficient, a balance could be struck allowing for the estimated Russian cost of occupation and invisible imports. The Russian delegate accepted the above compromise, as refusal to do so would have indicated lack of confidence in the Russian estimate of needed food imports. With agreement on this matter, it is expected that more rapid progress can be made on the levels of industry and it is probable that the reparations program which was due February 2 should be achieved within the next 4 to 6 weeks.

Sent Department as 558; repeated to London as 107, Moscow as 49.

MURPHY

740.00119 EW/2-2046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, February 20, 1946—9 p. m.
[Received February 21—5:30 a. m.]

567. Reference our telegram 169, January 19, transmitting quadripartite definition of restitution, below is substance of paper presented to RD and R Directorate giving interpretation by US member.

1. The word "force" as used in the first two subparagraphs of paragraph 2 is interpreted by the US delegation to include:

a. Property otherwise restitutable which was removed from the territory of the claimant nation by order of the German civilian or army occupational authorities; and

b. Property otherwise restitutable where no order was issued. This will be returned where the German occupying army, civilian administration, or individuals obtained the property by means of a direct threat of physical force, such as of the use of superior numbers or weapons.

2. Concerning the third sub-paragraph of paragraph 2. The US delegation interprets the phrase "all other property" to be all property removed otherwise than by force.

The phrase "consistent with reparations" is taken to mean that where property was not removed by force, it may be restituted only where the same object does not come within the reparations program.

3. As an example of the effect upon restitution claims of the concept

of force, there may be cited the case of machine tools removed from occupied territories and found in reparations industrial plants. If force was used in the removal of these machines, they are to be restituted to the country from which they were taken. If force was not used, they must go with the rest of the plant to the country receiving the plant as reparations. However, if the machine tools go as reparations, the country from which they were originally taken may be compensated from such classes of German property as are determined not to be subject to reparations and are otherwise available for the purpose of compensation.

MURPHY

740.00119 Control (Germany)/2-2446: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, February 24, 1946.

[Received February 25—7:54 a. m.]

602. There is a growing conviction here that the time is overdue when a firmer and more aggressive stand should be taken on one of the basic elements of the Potsdam decision, namely, the establishment of German central administrative agencies.

Recent developments which have been reported to the Department leave little room for doubt regarding the current trend in Germany. For example, the speech of Walter Ulbricht, leader of the German Communist Party (12 years residence in Moscow and close affiliation with the Soviet military government in Germany—Mrs. Ulbricht serves as a collaborator of Marshal Zhukov³⁶) seems to be the opening gun in a campaign to rally German public opinion behind the German Communist movement in favor of a united Germany. Ulbricht naturally accepts the amputation of German territory east of the Oder and Neisse but insists that the rest of the Reich remain intact; his slogan is "The Ruhr is and must remain German; Germany cannot live without the Ruhr; we stand for a united Reich." This in time will carry a powerful appeal for the support of the bulk of developing German opinion. It seems equally clear that such a campaign will receive direct Soviet support.

In contrast the French remain intransigent in their bargaining position against central agencies and for their western settlement proposing security measures which seem to me an outmoded conception which

³⁶ Marshal of the Soviet Union Georgy Konstantinovich Zhukov, Military Governor, Soviet Military Administration in Germany, July 1945–March 1946; Soviet member, Allied Control Council for Germany.

has little relation to the current situation. Members of the French delegation here have admitted privately that present French policy is based not simply on fear of future German aggression but equally, if not more, on fear that the United States will lose interest, eventually withdraw from Germany, and that some fine morning they will wake up and find themselves face to face with the Russians on the Rhine. Yet by their very intransigence regarding the constructive feature of the Potsdam decision on central German administrative agencies the French during the past 8 months, it would seem, have played directly into the hands of the Soviet Union which has taken full advantage of French obstructionism to consolidate the Soviet position in eastern Germany.

When Grumbach, Chairman of the French [Foreign] Affairs Committee of the Assembly, visited Berlin this week, I mentioned to him the recent speech of Maurice Thorez in which the latter declared for the internationalization of the Ruhr and opposed the establishment of German central agencies. Whether Thorez was simply dangling on the end of the Moscow party line or whether he was speaking first of all as a patriotic Frenchman is not known, although it does seem that there might be room for reasonable suspicion that he is following the party line. If this is true then it becomes obvious that present French obstructionism is welcomed by the USSR which may intend to exploit to its own advantage western resistance to a United Germany and emerge later as the champion of a united Reich whose only salvation lies in close affiliation with the Soviet Union.

The operation of German central agencies would have militated against zonal boundaries and served to break down exclusive Soviet control of one of the largest and most important German areas. Within it the Soviet military government has thrown its vigorous support to the German Communist Party. But the UK and US in their zones throughout the interval have applied the Potsdam principles with impartial reference to groups or parties. They have not indicated specifically what solution they stood for in the west except by inference. This inference takes two forms: (1) Potsdam contemplates the 1937 Reich frontier in the west, or (2) the US and UK must sympathize with the French view because if they didn't they possess ample means to persuade France to agree to Potsdam. It is difficult for either the Russians or the Germans to believe that France is acting independently without the tacit or active approval of the UK and/or the US.

The USSR has thus laid a foundation on which to build a favored position for itself vis-à-vis the German population, to gain eventual

German confidence, and to work for a close affiliation between a new German Reich and the USSR.

If we entertain a firm conviction on this issue, which carries with it for the future grave implications, and we are unable by discussion to persuade the French Govt of the validity of our view, the question is asked whether it might not be desirable temporarily to withhold cooperation in other fields from the French until a more favorable attitude might develop.

MURPHY

740.00119 Control (Germany)/2-1846

*Memorandum by the Director of the Office of European Affairs
(Matthews) to the Secretary of State*

SECRET

[WASHINGTON,] February 28, 1946.

MR. SECRETARY: The French Ambassador³⁷ called on me on February 18 and left with me an *aide-mémoire*³⁸ in which is presented the desire of his Government to have the Saar territory turned over to permanent French administration without prejudice to the French claims on the Rhineland and the Ruhr.

The introductory argument of the *aide-mémoire* asks for an immediate decision on the grounds that it is extremely difficult to fix the level of German industry without knowing the disposition to be made of the Saar and that it is necessary to determine immediately whether the industrial establishments of that area are to be subject to reparation deliveries.

By this proposal the Saar, vaguely defined as a region larger than that described in the Treaty of Versailles,³⁹ would be completely separated from Germany and incorporated into the French customs and monetary systems. The mines would again, as following the Treaty of Versailles, become the property of the French state. France would assume immediately permanent control of the administration and take over the protection of Saar interests abroad. The status of the local populace would be left for subsequent determination.

Should this proposal be accepted, the *aide-mémoire* continues, the Control Council in Berlin would be able to make a number of decisions of an economic nature which are now pending because of absence of agreement on the Saar. The French Government, consequently,

³⁷ Henri Bonnet.

³⁸ Not printed. The text of the *aide-mémoire* is substantially the same as that of a note presented by the French Foreign Minister on February 12 to the American, British, and Soviet Ambassadors in Paris and printed in *Documents Français Relatifs à L'Allemagne* (Paris, Imprimerie Nationale, 1947), p. 17.

³⁹ *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, pp. 57, 165-166.

asks that its views be examined as a matter of urgency and that they be discussed as soon as possible by the four Foreign Ministers or their delegates.

The Saar, you will recall, was placed under a League of Nations commission in 1919 and was administered by that body until 1935 when the inhabitants voted overwhelmingly for return to Germany. During that interval the area was included in the French customs and monetary region and the French state owned the coal mines, the economic arrangement which it is desired to restore. The Saar is an economic complement to the iron ore of Lorraine and the industry of Northern France and if it were now placed under French occupation it would contribute an increase of approximately 30 percent to France's production of coal, iron, and steel and would mean virtually a comparable loss to Germany west of the Oder-Neisse line. The present population is in excess of 800,000 Germans.

Contingent upon a proper delimitation of the area and an acceptable definition of the status of the inhabitants, and contingent likewise upon the French being willing to treat this question as a part of the whole settlement of French policy toward Germany, it seem advisable that this Government should agree to permanent French occupation of the Saar.

This second qualification I consider a matter of paramount importance. A recent telegram from Ambassador Murphy, a copy of which I attach for your convenience,⁴⁰ adds to the economic arguments for making progress with the central German administrative agencies a compelling political reason for overcoming French obstruction, viz., that the Soviet Government and the German Communist Party are making effective capital out of the present impasse by becoming the champions of German unity. I must agree with the Ambassador that, both because of the economic and political situation in Germany and because of the broader European implications, it is essential that French opposition be overcome as quickly as possible. To that end, therefore, I suggest that we make it plain to the French Government that we cannot enter upon a discussion of the disposition of the Saar, until we see some prospect of cooperation in setting up the central German agencies.

The Secretary of War has addressed a letter to you which bears the same testimony as to the political developments in Germany.⁴¹

I attach a draft reply to the French *aide-mémoire* for your consideration.⁴²

H. FREEMAN MATTHEWS

⁴⁰ Telegram 602, February 24, *supra*.

⁴¹ For a summary of this letter, dated February 25, see telegram 645, March 12, to Berlin, p. 524.

⁴² Draft not attached to file copy of this document.

740.00119 Control (Germany)/3-146: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*SECRET
NIACTPARIS, March 1, 1946—7 p. m.
[Received 7:34 p. m.]

1003. For the Secretary. In connection with the question of centralized administration in Germany it is becoming increasingly clear that the main French opposition now comes from Bidault and the Foreign Ministry. Although it was generally believed that the French refusal to discuss central administrations in Germany until Germany's western frontiers were delimited was De Gaulle's⁴³ own policy this is not entirely correct. The French policy was formulated by Bidault and the Foreign Ministry and was enthusiastically accepted by De Gaulle. While De Gaulle was still chief of government, certain officials were inclined to place the blame for the negative French attitude on centralized administrations on his shoulders. Now, however, they admit that De Gaulle and Bidault saw eye to eye on German policy and that it is now the latter who is firmly opposed to any policy change.

Bidault's main argument is that, if Germany's western frontiers are not delimited before centralized administrations are set up, there will not be the slightest chance for the French views on the Ruhr, Rhineland and Saar to prevail. That is, Bidault feels that if these areas are under the jurisdiction of centralized administrations it will be impossible, when Germany's western boundaries are finally settled, to detach politically these areas from Germany at that time. He also believes that unless these areas are separated politically and economically from Germany they will in the future, as in the past, serve as a springboard for aggression against France: not German as such but from a Russian-dominated Germany. In contrast to Bidault's views, the Socialist leadership, particularly Blum,⁴⁴ are in general opposed to the idea of a partition of Germany although, somewhat paradoxically, they favor the political separation of the Rhineland, Ruhr and Saar from the rest of Germany as a security measure. Despite this latter view they have not taken any strong stand against the establishing of central German administrations and, as I have reported, have on occasions criticized the "negative" policy of France in Germany.

With the foregoing in mind and since the Socialists largely dominate the present French Govt, I have been persuading them, par-

⁴³ Gen. Charles de Gaulle had resigned as Provisional President of the French Republic in January.

⁴⁴ Léon Blum was head of the French mission to the United States to negotiate economic and financial agreements; for documentation on these negotiations, see pp. 399 ff.

ticularly Blum, Auriol⁴⁵ and Gouin,⁴⁶ to go along with us on centralized German administrations. Despite the fact that the Socialists know that any apparent abandonment of the past French policy will probably be very unpopular with the mass of the French public and will expose them, at this critical moment preceding elections, to criticism from the other political groups which are interested in reducing their influence, they (particularly Blum) have made a real and courageous effort to meet our requirements.

For example, when Bidault returned from London Gouin told him that in view of the importance of America to France, the French must modify their position on Germany. Bidault protested energetically but finally agreed to submit a compromise plan. A Foreign Ministry official says in confidence that he did so several days ago but the plan offered was apparently only a slight modification of the previous French position. Gouin rejected it and told Bidault he would have to go further. Bidault was annoyed but submitted a revised plan. This was also returned to him by Gouin, since it did not go sufficiently far to meet our desires. At this point Bidault became angry and upon returning to his Ministry informed Chauvel⁴⁷ and other high-ranking officials that if the Socialists tried to push him too far on this matter and tried to force him to support a plan which he considered unsound and against France's best interests, he would resign from the government rather than go against his principles (my 923, Feb. 26⁴⁸). He nonetheless submitted to Gouin, the day before yesterday, a plan which he described to one of his Foreign Ministry colleagues as his "last effort to try to formulate a mutually satisfactory compromise." This plan is apparently along the general lines outlined in the first part of my 981, Feb 28.⁴⁹

While the Socialist leadership really wishes to reach satisfactory agreement with us—particularly since they feel that if they do not the Blum mission to the United States might be less successful in obtaining substantial credits from us—they are nonetheless in a difficult position since they cannot afford to take the risk of Bidault resigning,

⁴⁵ Vincent Auriol, President of the French Constituent Assembly.

⁴⁶ Felix Gouin, Provisional President of the French Republic and Minister of Defence.

⁴⁷ Jean Chauvel, Secretary General, French Ministry for Foreign Affairs.

⁴⁸ Not printed.

⁴⁹ Not printed; in this telegram, Ambassador Caffery reported on press articles which made mention of a possible French compromise plan on German central agencies. The pertinent part of the telegram reads as follows: "This [compromise plan] would involve French acceptance of the creation in Germany of 'ministerial departments whose authority would extend over all former German territory'. These Departments would be of a purely administrative and technical character and would not govern the country directly but would have an essentially consultative role, all the decisions being taken by an Inter-Allied Commission which would be a sort of extension of the actual Inter-Allied Control Council. Furthermore, the Control Council would have delegates in all the Ministries." (740.00119 Control (Germany)/2-2846)

which would in turn probably cause a major governmental crisis, possibly involving the withdrawal of the MRP from the tripartite coalition. In view of their heavy governmental responsibility the Socialists wish at all costs to avoid a rupture of the present tripartite truce, particularly one for which they might be held responsible. Should Bidault resign (I personally do not think he will) basing his withdrawal upon Socialist abandonment of legitimate French interests, the Socialist Party would be in a very serious position at a very critical time. (In this connection some of the Center and Rightist press have already published derogatory articles hinting that Blum may abandon French security requirements in Germany in order to obtain a substantial US loan which will enhance his personal prestige and which the Socialist Party will use for political capital in the elections.)

In the light of the foregoing and despite the efforts of the Socialists, in the absence of some new development it does not appear at this juncture that the French will be disposed to go further than as generally outlined in my Feb 28, in replying to your message to Bidault. The French reply is being discussed in the Council of Ministers today.

While I shall, of course, continue my efforts with Bidault to bring about a further evolution in French thinking, it seems apparent that a crisis involving the withdrawal of the MRP from the tripartite coalition on the issue of French policy on Germany is not at all desirable since a widening of the breach between the Socialists and the MRP would certainly be capitalized on by the Communists to urge the Socialists to go along with them, and also since elements hostile to us, in an effort to damage our position, might play it up as a direct intervention in French internal affairs.

In other words, it would definitely appear unwise at this juncture for me to press this matter further with the Socialist leaders.⁵⁰

CAFFERY

862.50/3-146 : Telegram

*The Secretary of State to the United States Political Adviser for
Germany (Murphy)*

CONFIDENTIAL

WASHINGTON, March 1, 1946—9 p. m.

560. Our reading of urtel 558 of Feb 19 raises questions about effect of import-export balance agreement in Economic Directorate on first charge principle, especially as it applies to import charges accruing in present period.

⁵⁰ Department's telegram 984, March 2, 5 p. m., to Paris, replied that indeed the French "should not be pressed to a point where there is real danger of Bidault's resignation and of a split in the coalition government which could rightly or wrongly be attributed to our intervention and which would have wide political ramifications in France." (740.00119 Control (Germany)/3-146)

Para 3 urtel appears to allow possibility of situation in which first charge principle will be abandoned. As we understand text in 1949 imports of 1500 million RM (1936 prices) of non-food items will be permitted. Another 1500 million RM might be spent for food imports, but to the extent that food imports cost less balance will be available for externally incurred occupation costs. No reference is made to payment for accrued import costs, which by 1949 will have grown large and will have been largely borne by United States.

Would you clarify agreement in light of first charge principle? War Dept also inquiring directly of OMGUS.⁵¹

BYRNES

740.00119 Control (Germany)/3-246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET
 NIACT

PARIS, March 2, 1946—3 p. m.
 [Received 6:58 p. m.]

1024. For the Secretary. Dept's 530, Feb 2 [1]. Following is free translation of Bidault's reply to your message. *Begin translation:*

Mr. Ambassador, in the course of my last visit to London, Mr. Dunn⁵² delivered to me, on behalf of the Secretary of State of the United States, a personal communication dated February 6, relating to the position taken by the French Government on the subject of the creation of central agencies in Germany.

I have the honor to request you to communicate to Mr. Byrnes, in reply to his communication, the following message:

"By a communication dated February 6, you were good enough to inform me of your desire to have me re-examine the position taken by the French Government on the subject of the creation of central German agencies.

["]You reviewed for me on this occasion the principles on which American policy toward Germany is founded: The destruction of German militarism and Naziism, the complete disarmament of Germany, the greatest possible decentralization of the German structure, and the development of local administrations with a democratic character. You indicated that the time has not come to re-establish a central German government and that the occupation of Germany under the prevailing arrangements is expected to continue for an

⁵¹ Telegram 715, March 7, 9 p. m., from Berlin, replied as follows: "At its meeting on March 5, at request of American delegate, the Economic Directorate amended its decision of February 15 to read that, 'after all imports approved by the Control Council are paid for any portion of that sum (i.e. one and one half billion RM) not needed for food and fodder will be used to pay for costs of occupation,' etc. War Department being advised by OMGUS." (862.50/3-746)

⁵² Assistant Secretary of State James C. Dunn, Senior Adviser, U.S. Delegation to the United Nations General Assembly, London, January 10-February 14, 1946.

indefinite period. Finally you expressed your full comprehension of the French Government's desire to assure against further German aggressions and for this reason to effect territorial changes in neighboring frontier regions.

"I am happy to verify the agreement of our Governments on these principles and to take note of this understanding. After all, I have the feeling that, since in the last analysis it is a question of strengthening democracy and guaranteeing security, which are matters of concern common to all the United Nations, a fundamental agreement has never ceased to exist between our governments. The divergence of views appears only over the practical measures to be taken to assure the effective application of our common ideas.

"The French Government for its part, if it considers, in agreement with the American Government, the prolonged occupation of Germany as the best guarantee of security, nonetheless cannot ignore the fact that this occupation will eventually end. Even at this time the French Government is preoccupied with the measures which must be taken to avoid the possibility that Germany shall become again a menace to peace when the occupation shall have ended. It seems to it, given the human potential of this country, that the German menace will exist as long as a German Government, perhaps favored by a relaxation of international vigilance such as occurred between the two World Wars, has at its disposal the necessary industrial resources to reconstitute its military power. The experience of the last 25 years has made it clear that territorial clauses are the last that revisionist states question. Those clauses also may be easily implemented by an effective and precise international guarantee. For these reasons, the French Government proposes that the separation of certain regions from German sovereignty characterize (*marqué*) the irrevocable nature of the limitations imposed on German potentialities and render it, in fact, irrevocable.

"These preoccupations are known to your Government. You tell me you understand them. You nonetheless judge that they present an enormously complicated problem; that—for the present—the occupation assures us security; that this occupation in itself presents very complex questions; that the treatment of these questions (in this instance the creation of central German agencies) does not prejudice the terms of a future territorial settlement and therefore should be not delayed by a study of these terms.

"Whatever be the importance, complexity and urgency of the questions posed by the occupation and administration of Germany, the French Government does not think that the occupation powers should, to facilitate their immediate task, compromise the guarantees of the future. It is not a simple concern for logic which leads the government to desire that before reestablishing German administrative services, the four powers will reach agreement on the extent of future German territory. In fact, to the French Government it would appear that even if the frontiers remain theoretically open to future settlement, the establishment of central German services having their own right of decision, having ramifications in all the territory actually under control and exercising direct action everywhere by their agents, will be generally considered, particularly by the German population, as prejudicing future settlements. Furthermore, the

manner in which this same problem has been treated in the past will reinforce this impression and finally this impression itself will make subsequent territorial modifications on which the powers may agree more difficult.

[“] Moreover, the experience of the years just after the First World War showed that the most active and successful adversaries of any kind of decentralization of the Reich were precisely the local agents of the central German administration.

“For all these reasons, the French Government continues to feel that, if the occupying powers intend to follow a policy of decentralization, they should not begin to establish extended (*tentaculaires*) administrations having independent authority. The French Government could not in any case agree to the extension of the authority of such administrations to the Ruhr, Rhineland or even more to the Saar.

[“] This does not mean that my Government does not recognize the necessity of coordinating the activities of the various zones. It considers however, that this coordinating role belongs to the Inter-Allied Council and that the Council, under present conditions, should alone retain the power of making decisions, these decisions to continue to be presented, as necessary, to the local German administrations through the Allied authorities in each zone. As a matter of fact, this position would seem to be close to that which you yourself take in stating that the time has not yet arrived to establish any sort of central German Government.

“If it is only a question, as I understand it, of facilitating the examination of technical questions coming under the competence of the Inter-Allied Council and of assuring better coordination in the governing of the four zones by the authorities charged with their administration, it would not seem necessary to weaken the rules recalled above to obtain this result. It would suffice for the Council, without changing present practice, to obtain the collaboration of the German technical administrations in the preparation and support of the Council’s policy.

“The French Government would not object that the establishment of services of this nature and the definition of their duties should be examined by representatives of the four Governments.

“Moreover, whatever may be the complexity of the problem of the western frontiers of Germany and the future regime of the Rhine-Westphalian region, my Government, whose views were presented in the memorandum submitted to the Council of Ministers for Foreign Affairs on September 13,⁵³ and subsequently explained by the Chief of the French delegation on the 26th of that month,⁵⁴ feels it must point out that no reply has been received up to this date in spite of the visits of M. Alphand to Moscow. It hopes that these proposals which the governments primarily interested have had the time to study in all their phases, may also be submitted to joint discussion.

“It therefore suggests that a four-party conference be called as soon as possible for the examination of both the question of central German administrations and that of western Germany. If the idea of such a conference should be approved by the Government of the United States and the two other Governments—to whom a similar

⁵³ For text, see *Foreign Relations*, 1945, vol. II, p. 177.

⁵⁴ See *ibid.*, p. 400.

proposal has been made—the French Government would be happy to receive any suggestions regarding the conditions under which such a conference might be organized. It feels that an appropriate setting would be the Conference of Ministers for Foreign Affairs which, in accordance with the resolution adopted at its meeting of September 26, is the proper body having competence for the discussion of these matters. The French Government is, however, ready to examine any other method of examination which might be presented to it.”

Accept, etc., etc., signed Bidault.

CAFFERY

740.00119 Control (Germany)/3-546: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 5, 1946—6 p. m.

[Received March 5—5:32 p. m.]

685. Forty-first Coordinating Committee meeting March 4 considered and returned to Reparations, Deliveries and Restitution Directorate paper containing special instructions concerning replacement by similar or comparable property, in lieu of restitution, of objects of unique character. US delegate RD&R Directorate had withheld final agreement to paper because it failed to give effect to certain principles enunciated by US member of Coordinating Committee at its thirty-second meeting.⁵⁵

United States delegate forty-first Coordinating Committee meeting opened his statement by reference to position taken by General McNarney at seventeenth Control Council meeting, which had approved principle of such replacement. He proceeded to state that in such cases as Control Council might agree require replacement by analogous articles, the latter should be taken where possible from property confiscated from Nazis. He declared that to agree to replacements generally would transform restitution into reparation.

French member then set forth French stand that replacement through analogous articles should not be limited to works of art such as pictures and statues; German pillage of cultural works had violated international law which also protects such books as historical documents, religious and other cultural works; it would be unjust to allow Germany keep all its cultural riches after having destroyed those of other nations; that should Germany be unable restitute what it had pillaged, it should be compelled yield substitutes; that nine other United Nations overrun by Germany had supported foregoing French thesis in Paris Reparations Commission meeting; finally that reparations can compensate only material not cultural losses.

⁵⁵ See telegram 169, January 19, from Berlin, p. 488.

Slightly relaxing US position to meet French argument, US member declared that information about exceptional cases might enable US delegation enlarge scope its definition of works of art, but could not allow it accept general principle of replacement article by article.

British member expressed strong sympathy, and full agreement with French position. Moreover, provided it were made object of special study, he would agree to delete from paper a clause to which Soviet member objected and which would make liable to use as replacements inconvertably [*incontestably*] German-owned objects removed from an occupation zone after May 9, 1945. (Note: Soviet objections possibly traceable to alleged removal some art works from Soviet Zone as trophies of war, and others as replacements in kind).

Although agreeing return paper to RD&R Directorate for further study and clarification to US position, US member stated US delegation unwilling now agree reparation program necessitating removal all cultural works from Germany; such removals should be under title of reparation.

French member closed debate by stating French position did not mean removal all cultural objects from Germany since restitution and replacement program is strictly limited and emphasizes only objects of unique character.⁵⁶

MURPHY

740.00119 Control (Germany)/3-646: Telegram

The Chargé in the Soviet Union (Kennan) to the Secretary of State

SECRET

Moscow, March 6, 1946—9 a. m.

PRIORITY

[Received March 7—7 a. m.]

672. Re Deptel 339, February 27.⁵⁷ Following are my comments on Murphy's 602, February 24.

1. Before examining Soviet motives in question of central German agencies, I would like to review basic Soviet postwar program for Germany as seen from Moscow.

First step in this program was creation of Oder-Neisse border. By this measure, which has already been realized, Moscow accomplished following: (1) fixed Soviet strategic border along shortest line between Carpathians and Baltic; (2) made unthinkable for foreseeable future any independent collaboration between Polish and German peoples; (3) placed Poland in position of total military dependence on Russia, and (4) complicated (if indeed it did not make completely

⁵⁶ Telegram 836, April 5, to Berlin, stated the Department's approval of the policy of keeping the definition of unique objects subject to replacement very narrow (740.00119 Control (Germany)/3-546).

⁵⁷ Not printed; it requested comments on telegram 602, February 24, from Berlin, p. 505.

impossible) continued separate existence of remainder of Germany as a national unit except in close political and economic dependence on some stronger neighboring state.

Second part of Soviet program is creation in remainder of Germany of "anti-Fascist Republic" as a road-paver for Soviet Socialist state which is to follow. For this final purpose it is not of vital importance from Soviet standpoint just where Germany's western frontiers lie, particularly if they are to be flanked by a France extensively under Soviet influence. Thus Moscow is at liberty to play with this question as a pawn for tactical advantage.

I would by no means accept it as foregone conclusion that Russians have really been eager, up to this time, to see central German administrative agencies established. As far as we can judge from here, they were happy to have several months in which to exercise a completely free hand in their own zone; to take stock of situation, to overcome effects of their own initial entry, to quiet fears of certain section of population, and to establish firm foundations for Communist political control. During this period they had no desire to permit Allies to see what was going on in their zone or to subject conduct of affairs there even in minor degree to authority of any central administrative agencies. However, they see in central agencies a possibly indispensable device for entering at an appropriate moment into other three zones and facilitating there accomplishment of Soviet political program. For this reason they have not wished to take onus of opposing in principle establishment of such agencies. It has therefore been a perfect solution, from Soviet standpoint, that French should run interference for them here and should take upon themselves for a time the burden of opposing establishment of such agencies. It is of key significance here that French Communists have not, as far as I am aware made any serious effort to alter stand of French Govt in this matter. On contrary, as Murphy points out, Thorez himself, on one occasion at least, supported French Govt openly in its opposition to establishment of central agencies, thus taking up a position diametrically opposed to that of German Communists. I think we need have no doubts as to whether Thorez was acting here as Moscow stooge. Moscow-approved Communist parties in neighboring European countries do not generally take up diametrically opposed position in a given question unless it is agreeable to Moscow that this should be done.

3. As for future Russian stand on this question this will depend, in my opinion, mainly on degree to which Russians consider that central administrative agencies could contribute, at any given moment, to realization of final Soviet program for Germany. Judged from this standpoint, central administrative agencies are plainly two-edged

sword, which could cut in either direction, depending on realities of underlying political control. Russians, however, are backing the sole authoritarian party in a country used to authoritarian methods and ill-prepared for democracy. For this reason they doubtless feel that in the end they cannot lose, that realities of underlying political control will sooner or later be favorable, from their standpoint, to establishment of central agencies. When it is considered in Moscow that political preparation is far enough advanced to proceed to creation of central agencies, we will probably see signs of this first in behavior of French Communists, as reflected in attitude of French Govt., which may then agree to some compromise solution.

4. I think we should guard against undue optimism about central agencies serving to break down exclusive Soviet control in Soviet zone. I do not think Soviets will really encourage establishment of such agencies, as we envisage them, until such time that they are fairly sure that within this new framework they can contrive not only to preserve in effect their exclusive control in their own zone but also to advance materially their possibilities for influencing course of events elsewhere in Germany. In other words, when time is ripe for establishment of agencies I think Russians will seek a formula which will give persons subject to their political influence maximum powers to reside, travel and act in other zones and will tend to exclude persons not included in this category whether German or Allied from travelling, residing and acting in Soviet zone.

5. But it would be a mistake to ignore close connection of question of central agencies with questions of Germany's western frontier. Here Moscow has been gingerly carrying water on both shoulders, avoiding any clear commitment on the official level, trying to let French Communists earn kudos as patriotic Frenchman by pressing for international administration (albeit by "many nations") in Ruhr and supporting govt's demands for independent Rhineland, and at same time trying to let German Communists get kudos for taking lead in bid for united Germany up to old western frontier. By playing in this way with opposites, Moscow is only employing an old and favored device of Soviet diplomacy. If asked what Moscow really wants with respect to German frontiers, I think answer is Moscow does not yet know; it depends on further course of events. It depends on which of the two Communist parties, French or German, turns out to need most and/or to have most to offer. It also depends partly on us. If we continue to shape our policy toward a united Germany and remain relatively passive and neutral toward German internal politics, Russians will see clear sailing for German Communist Party and will be inclined to press for central agencies

and for United Germany, including Ruhr and Rhineland. If, on other hand, we and British should show signs of lessened enthusiasm for prospect of United Germany and should set about to build up our zones on relatively independent basis with constructive programs looking toward integration of these zones into general economic and political pattern of western Europe rather than into a new Germany and establishment of a barrier to further advance of Communism from East to West, then I think we would soon see Russians tapping insistently at the back door by supporting French claims for internationalized Ruhr and independent Rhineland.

6. I agree entirely with Murphy that as things are now working out [Russians and German] Communists are in fair way to establish reputation as champions of a united Germany. But I wonder how effective establishment of German central administrative agencies would be at this time in averting final Communization of Germany. Our representatives in Berlin are, of course, alone competent to give us authoritative answer to this question. But it looks from Moscow as though possibility of a united and sovereign Germany, fitted constructively into pattern of western European life as an independent, self-respecting unit, bound by ties of mutual confidence and common ideals to countries of Atlantic community, was effectively disposed of the day we and British assented to Oder-Neisse Line as future boundary of Germany in east. This amputation of Germany['s] eastern territories must surely have left a country seriously crippled and unbalanced economically, and psychologically extensively dependent in first instance on the great land power to the east which controls or holds great food producing areas so necessary to German economy. It seems to me unlikely that such a country once unified under a single administration and left politically to itself and to the Russians would ever adjust itself to its western environment successfully enough to play a positive and useful role in world society as we conceive it. If this is true then we have and have had ever since our acceptance of Oder-Neisse Line only two alternatives: (1) to leave remainder of Germany nominally united but extensively vulnerable to Soviet political penetration and influence or (2) to carry to its logical conclusion the process of partition which was begun in the east and to endeavor to rescue western zones of Germany by walling them off against eastern penetration and integrating them into international pattern of western Europe rather than into a united Germany. I am sure Russians themselves are confident that if rump Germany west of Oder-Neisse were to be united under single administration, there would be no other single political force therein which could stand up against Left Wing bloc with Russian backing.

7. In summary, therefore, I wish to say following with respect to thoughts set forth in Murphy's message: (a) I think we need not doubt that Russians will eventually have strong desire to see central agencies established and that when this time comes French will be found to be more amenable on this point, but (b) I think we should be careful in assuming that by establishment of such agencies we could accomplish as much as we hope to break exclusive Russian control in their own zone or to impede advance of Soviet political influence to other zones of Germany.

Sent Dept 762, repeated London 121, Berlin 47, Paris 46.

KENNAN

862.50/3-846 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, March 8, 1946—10 p. m.
[Received March 9—11: 45 p. m.]

729. The Coordinating Committee on March 7 reached almost complete agreement on level of industry for Germany. With exception of small difference on electric power installed capacity and subject to review by French and British Governments, agreement was obtained and agreed figures will be referred to Control Council.

Economic Directorate meeting ending 3 a. m., March 6th, reached level of industry agreement on basis of following assumptions: (1) Use of German population figure of 66.5 millions; (2) treatment of Germany as single economic unit; (3) acceptance of German exports in international markets.

Production of arms, ammunition and implements of war, aircraft and sea-going ships is prohibited. In addition, industrial capital equipment for production of following is to be eliminated: synthetic gasoline and oil, synthetic rubber, synthetic ammonia, ball and taper roller bearings, heavy machine tools of certain types, heavy tractors, primary aluminum, magnesium, beryllium, vanadium, produced from Thomas slags, radioactive materials, hydrogen peroxide above 50% strength, specific war chemicals and gases, radio transmitting equipment. However, production facilities for synthetic gasoline and oil, synthetic ammonia, synthetic rubber and ball and taper roller bearings, will be temporarily retained to meet domestic requirements until necessary imports are available and can be paid for. Steel production capacity of 7.5 million ingot tons and allowable annual production of 5.8 million ingot tons subject to annual review was made part of plan. Annual consumption including exports of products containing following metals is fixed at: copper ore 40,000 tons, zinc

135,000 tons, lead 120,000 tons, tin 8,000 tons and nickel 1,750 tons.

40% of 1936 production capacity (measured by 1936 sale values) will be retained in following basic chemicals: nitrogen, phosphate, calcium carbide, sulphuric acid, alkalis and chlorine. 70% of 1936 production capacity will be retained for other chemicals such as those used for building supplies, consumer goods [items] plastics, industrial supplies and other miscellaneous chemical products. 31% of 1938 capacity of heavy engineering industries producing metallurgical equipment, heavy mining machinery material handling plants, and heavy power equipment will be retained. Other mechanical engineering industries will be retained at 50% of 1938 capacity.

50% of 1938 production capacity will be retained in electrical engineering industries. Capacities to produce heavy electrical equipment will be restricted to 50% of 1938 production. Export of specified types radio receiving sets is forbidden. Capacity will be retained to produce annually 80,000 autos consisting of 40,000 passenger cars and 40,000 trucks and for 4,000 light road tractors. No production of motorcycles with cylinder sizes of 250 cubic centimeters will be permitted. Capacity to produce annually 10,000 motorcycles with cylinder sizes between 60 and 250 cubic centimeters will be retained.

Locomotive production capacity will be retained exclusively for repair of existing stock to build up pool of 15,000 locomotives in 1949. A later decision will decide on production of any locomotives after 1949. Capacity will be retained to produce annually 30,000 freight cars, 1,340 passenger coaches and 400 luggage vans.

Capacity to produce annually 10,000 light agricultural tractors will be permitted. Capacity for production of other agricultural equipment is to be retained at 80% of 1938 levels. Capacities for transport and agricultural machinery will allow production of normal quantities of spare parts.

Capacity will be retained to produce precision instruments in value of 340,000,000 Reichsmarks (1936 value) of which 220,000,000 is for domestic use and 120,000,000 for exports. This industry may be further reduced if recommended by the Committee for Liquidation of German War Potential.

Coal and potash production will be maximized with estimates that 155,000,000 tons hard coal equivalent can be obtained including 45,000,000 tons for export. Rubber needs in 1949 estimated at 50,000 tons including 20,000 from reclaimed and 30,000 from imports. Pulp paper and printing needs estimated at 2,129,000 tons plus 400,000 tons for export. Textiles and clothing industries estimated at 665,000 tons of fiber based on 10 KG per head for 1949, including 2 KG for export. Boots and shoes requirements estimated at 113,000,000 pairs. US delegate stated that above four estimates not considered as limitations.

Building industry will be allowed to develop within limits of available resources and licensing system. Except for cement, existing capacity for building materials will be retained.

No limitations except available resources are placed on following industries: furniture and woodwork, flat glass bottle and domestic size ceramics, bicycles. The exports and imports aspect of the plan was reported in our cable 558, February 19.

Economic Directorate stated that after approval of [plan] existing capacities of separate branches of production should be determined, and a list of enterprises available for reparations committees [*compiled*]. After agreement a full description of various features of [plan] will be prepared by Economic Directorate.

Coordinating Committee discussed following disagreed items:

(1) Pharmaceuticals. Here British, US and Soviets agreed to total production of 350,000,000 RM value with 120,000,000 for export. French agreed on capacity for domestic but requested export limitation of 50,000,000 reichsmarks.

(2) Dyestuffs. Annual production estimated as follows: US 60,000 tons, British 50,000, Soviet 24,000 and French 20,000.

(3) Synthetic textiles: US proposed 265,000 tons, British and French 250,000 and Soviet 31,000.

(4) Cement: French requested 8,000,000 tons limitation, Soviet 6,000,000 and British and Americans no limit.

(5) Electric power installed capacity in million KW was: French 10.3 American 9.7, British 9.6 and Soviet 7.7.

(6) Machine tools: British, American, Soviet agreed to retain 12½% of 1938 capacity with additional instructions on type and size of machine tools. French delegate proposed 8%.

After prolonged debate in which General Clay skillfully kept discussion going when it appeared that British and French delegates preferred to postpone decisions to allow time for any relay of problems to their govts, the following compromises were suggested: pharmaceuticals 332,000,000 reichsmarks, dyestuffs 36,000 tons, synthetic textiles 185,000 tons, cement 8,000,000 tons and machine tools at 11.4% of 1938 capacity. Agreement was not reached on electric power capacity with Soviet proposing figure of 8.5, Americans 9.0 and with both French and British having reservations on 9.0. In addition French stated they would have to refer compromise on pharmaceuticals and dyestuffs to their govt for approval.

During debate Sokolovsky pointed out use of sulphuric acid in producing synthetic textiles and thus to high war potential aspect. Robertson agreed but pointed out that Germany will not be able to pay for sufficient imports of synthetic fibers and that all war potential cannot be removed.

On cement figure Sokolovsky asked explanation of US estimated requirement of 3,000,000 tons for new industrial capacity and 1.8

million tons for occupation armies. Sokolovsky argued that this would allow sufficient cement for concealed fortifications and that this level was not required for peaceful German needs.

On electric power Clay proposed and Sokolovsky agreed to exclude hydro-electric installations from reparations.

Clay suggested that in view of reduction of exports required in making compromise further investigations will be required to determine where this can be made up from other industries. Robertson pointed out that estimates would have to be increased upwards if population turned out to be in excess of 66.5 million.

It was agreed in view of French and British reservations and absence of final agreement on electrical power that no figures would yet be made public and that communiqué should merely mention that statement had been referred to four Govts.

Sent Dept. as 729, repeated Brussels for Angell as 29, Moscow as 66, London as 128, Paris as 77.

MURPHY

862.50/3-846 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 8, 1946—10 p. m.

[Received March 9—4 p. m.]

730. See my 729. On March 8, with the four Deputy Military Governors acting as principals, the Control Council reached agreement on the last undecided item on the levels of industry when Sokolovsky agreed to 9.0 million kw capacity in electrical power. The French continued the reservation that the compromise on pharmaceuticals and dyestuffs would have to be approved by the French Govt.

Subject to these reservations, the Control Council accepted the plan, subject to approval at a subsequent meeting of the Coordinating Committee (this to allow the British to review the plan) and agreed to instruct the Economics Directorate to determine the amount of productive capacity which will be left in Germany as a whole and to determine the amount of productive capacity which will be moved from the Western Zones and also to determine allocations of such removals and to prepare a list of plants available.

Clay stressed that the purpose of the plan was not to establish production limitations but was to allow early planned reparations removals. He stressed that the plan contained definite disarmament objectives, such as long term agreement on steel capacity and elimination or limitation of many industries, but that the remaining figures

for light industry must be allowed to vary as time requires. He stressed that production in light industry must be based on world markets and, therefore, that amount and type of production may vary considerably. He also stressed that in the plan it has been assumed that the Saar and Ruhr are an integral part of Germany; that, this being a Governmental problem, it could not be raised in the Control Council, but that, if boundary or other changes should be made, the agreed plan would have to be modified as it probably would no longer be sound.

Koeltz stated that French interpretation was that maximum amount of food imports indefinitely was 1.5 billion reichsmarks (1936 value). He stated that this would be the French position even if the population should exceed the assumed 66.5 million. He stated that any population increase could not be allowed to affect the proposed commercial balance.

Robertson agreed with Clay's above comments and emphasized the British contention that a population of over 66.5 million would require modification of the plan. He asked Sokolovsky for the Russian view on this point, and received the reply that the British worry on this score is imaginary as Sokolovsky believes that the population figure will prove to be under 66.5 million. Robertson stressed that he could not accept the plan until it had been referred to the British Govt. It was agreed that the provisional acceptance of the plan would allow the Economic Directorate to proceed.

MURPHY

740.00119 Control (Germany)/2-2446: Telegram

*The Secretary of State to the United States Political Adviser for
Germany (Murphy)*

SECRET

WASHINGTON, March 12, 1946—6 p. m.

645. Secretary of War has written letter to me⁵⁸ of tenor comparable to your 602 of Feb 24. He reports Military Govt belief that unwillingness of Western Powers to take a stand on frontier issue is giving Soviet Military Govt and Communist Party great propaganda advantage. Letter concludes "It is also reported that it will be difficult to prevent the spread of this development unless the political parties in the Western Zone can be given license to discuss the above and similar issues, that to permit a discussion of the French position will no doubt arouse French resentment; and it is believed that the prohibition against political discussions of critical issues interferes

⁵⁸ Dated February 25, not printed.

with the achievement of our objectives in Germany. In view of the foregoing it appears desirable that our present policy concerning political discussions in Germany should be reviewed as a matter of urgency."

Your comments would be appreciated.

BYRNES

862.50/3-846: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, March 14, 1946—9 p. m.

667. Our attitude toward French reservation on level of German dyestuff production as detailed in urtel 729 and 730⁵⁹ and by Clay to War Dept. in CC 1112 of March 8,⁶⁰ is firm opposition. Dept urges that you make no concessions to French on pharmaceuticals and dyestuffs. War Dept sending similar message. We do not regard this issue as a disarmament issue in any respect.

Dept believes that French desire to use this action to replace Germany in export markets. U.S. policy as stated in Para. 7 of Dec 12, statement⁶¹ is opposed to such action.

French participated with Germans in pre-war dyestuffs cartel. U.S. is anxious to break the German cartel but does not wish in doing so to foster a French-controlled world cartel. We are not yet satisfied with the abrogation of French-German dye-industry arrangement made during the occupation.

You are authorized to communicate the substance of U.S. views as stated in this cable to French representatives in Berlin if necessary.⁶²

Sent to Berlin as 667 repeat to Paris as 1185 and Brussels as 229 for Angell as 180.

BYRNES

740.00119 EW/3-1646: Circular telegram

*The Secretary of State to Certain Diplomatic Representatives*⁶³

U.S. URGENT RESTRICTED WASHINGTON, March 16, 1946—8 a. m.

Following is substance of JCS directive to Commanders US zones

⁵⁹ Both telegrams dated March 8, pp. 520 and 523, respectively.

⁶⁰ Not printed.

⁶¹ Statement by the Department of State on the Reparation Settlement and the Peacetime Economy of Germany; for text, see Department of State *Bulletin*, December 16, 1945, p. 960.

⁶² Telegram 884, March 26, 11 p. m., from Berlin, reported final acceptance by the French of the figures previously accepted provisionally, i.e., productive capacity of 332 million reichsmarks for pharmaceuticals, 36,000 tons for dyestuffs, and 11.4 percent of 1938 capacity for machine tools (862.50/3-2646).

⁶³ Sent to the diplomatic representatives at Berlin (for information), Bucharest, Budapest, Helsinki, Rome, and Vienna.

Germany and Austria re restitution to Italy, Hungary, Rumania and Finland and to Austria from Germany which is supplement to outstanding directive re restitution to United Nations.

Pending agreement in Control Council on scope of restitution⁶⁴ to above-named countries US zone commanders instructed to undertake interim program of restitution to governments of these countries of specified categories of identifiable property acquired by Germany through act of force or removed to Germany or Austria without compensation and removed from Italy between Sept 3, 1943 to May 15, 1945; from Hungary between Jan 20, 1945 and May 15, 1945; from Rumania between Sept 12, 1944 and May 15, 1945; from Finland between Sept 19, 1944 and May 15, 1945 and from Austria between March 12, 1938 and May 15, 1945.⁶⁵

Following summarizes categories of property covered by directive (a) whole range of cultural and artistic works, museum collections, libraries, archives, etc. (Restitution of this category requires only submission of satisfactory proof of identifiability by claimant Govt irrespective of circumstances of removal.) (b) Heavy and power-driven industrial and agricultural equipment, communication, power and transportation equipment, except sea-going vessels (c) other property (except gold, securities and foreign currencies) found in storage or bulk form. (Restitution of this category need not be made if zone commander considers restitution would jeopardize minimum requirements German or Austrian economy or require additional US assistance to Germany or Austria).

Zone commander may defer restitution transportation equipment pending formulation of over-all program so as not to reduce available transportation below need for purposes of occupation, minimum requirements of German and Austrian economy and recommendations of ECITO.

⁶⁴ Under cover of despatch 3224, April 27, Mr. Murphy transmitted the text of a paper (CORC/P (46) 143, April 17) agreed upon by the Coordinating Committee, establishing quadripartite procedures for restitution to be observed by the zonal commanders in each zone in implementing the agreed definition of restitution, contained in telegram 169, January 19, from Berlin, p. 489. Concerning the eligibility of nations to file claims, it reads: "No nation shall be eligible for restitution unless its territory was occupied in whole or in part by the German armed forces or the forces of her allies and unless it is a United Nation, or shall have been specified by the Allied Control Council." (740.00119 EW/4-2746)

⁶⁵ In a circular telegram dated July 1, the Department changed the periods covering restitution of property as follows: "Property in question was taken from Italy during period of 25 July 1943 to 15 May 1945; from Hungary during period 15 Oct 1944 to 15 May 1945; from Rumania during period 23 Aug 1944 to 15 May 1945 and from Finland during period 2 Sept 1944 to 15 May 1945. Period for Austria remains unchanged, i.e., 12 Mar 1938 to 15 May 1945." (740.00119-EW/7-146)

Subsequently, as reported in War Department's telegram 87749, December 14, from the Joint Chiefs of Staff to General McNarney (not printed); Bulgaria and Albania were added to the list of countries eligible for restitution with the limiting dates September 9, 1944, to May 15, 1945, and July 25, 1943, to May 15, 1945, respectively (SWNCC 204).

Please deliver to govt to which you are accredited memo along following lines:

"Pending agreement on scope of restitution among occupying powers of Germany and Austria the govt of US has instructed the Commanders in Chief of US zones of occupation in Germany and Austria to undertake an interim program of restitution to the govt of (blank) of identifiable property other than gold securities and currencies removed from (blank) during the period from (blank) to (blank).

"Accordingly govt of US invites the (blank) govt to submit to the US govt one or more lists of such property which (blank) govt has reason to believe may be located in US zones of occupation in Germany or Austria. These lists should, so far as possible, refer separately to such property believed to be in Germany and Austria. They should further contain as much description of property as possible and as may be required to enable occupying authorities to identify property and should include all available info as to location of property.

"Following the receipt of these lists, which may be submitted *seriatim* and which may indicate priorities in the urgency of return, it is intended, where necessary, to invite (blank) govt to send a small mission to US zones of occupation in Germany and Austria for purpose of identifying such of the listed property as each of the occupying authorities may have been able to discover in his zone."

Lists received by mission should be transmitted directly to Murphy in Germany or Erhardt in Austria for delivery to US military authorities. Please make available to Dept duplicates of any lists forwarded to Berlin or Vienna. For your info, practice has been for military authorities to extend at appropriate time invitation to govts concerned for missions to proceed to US zone.

BYRNES

740.00119 Control (Germany)/3-1946: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 19, 1946—10 p. m.

URGENT

[Received March 24—8:41 a. m.]

814. Your 645, March 12, 6 p. m., regarding letter from Secretary of War on political discussions in Germany. It is true in my opinion that uncertainty regarding the German western settlement, and also French opposition to central German administrative agencies, national trade unions and national political party activity, provide excellent material for German left propaganda which is not distasteful to our Soviet colleagues. This propaganda includes public criticism by Soviet-sponsored Germans of the conduct of affairs in the western zones. We, however, do not wish to be placed in a position of lending approval to

public criticism by Germans of the policies and objectives of any of the four powers represented on the Control Council. Just as we resent public criticism by the Berlin Communist leaders Pieck⁶⁶ and Ulbricht⁶⁷ of Allied conduct of affairs in the western zone, undoubtedly the French would object to German criticism of French policies emanating from German elements in the US zone. Unless the Potsdam principles are to suffer eclipse and Allied prestige diminish, uniformity of treatment should be insisted upon in the field of popular political discussion.

It is to be hoped that none of the Allies in Germany will find it necessary to resort to the use of German instrumentality to implement criticism of the policies of the others. Under our present policy public meetings and discussions on political matters may be authorized by the Office of Military Government. This rule, it seems to me, gives ample latitude to our MG officers to permit public discussion of whatever issues we may desire.

Again we would point to our regret that so many months have been allowed to pass without implementation of the principle of central German agencies an effect of which, I am convinced, would have been the gradual relaxation of zonal barriers.

During the interval we have witnessed from across the line without opportunity to bring broader democratic influence to bear the installation in the Soviet zone of selected Germans, the vast majority of them Communists, in provincial and local administrations, trades unions, cooperatives and the execution through their media of an extensive program of social reform (land, banks, insurance companies, works councils).

The merger of the SPD and KPD is being forced apace largely detached from the influence of the SPD membership in the western zones.⁶⁸

MURPHY

740.00119 Control (Germany)/2-1846

The Secretary of State to the French Ambassador (Bonnet)

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to acknowledge receipt of the Ambassador's *aide-mémoire* No. 124 of February 18, 1946⁶⁹ in which the desire is expressed that the four Foreign Ministers should as a matter of first urgency discuss the proposal of the French

⁶⁶ Wilhelm Pieck, Chairman, Executive Committee, German Communist Party.

⁶⁷ Walter Ulbricht, member of the Executive Committee, German Communist Party.

⁶⁸ For documentation relating to political developments in Berlin and the Soviet Zone, see pp. 701 ff.

⁶⁹ Not printed; for a summary of its content, see memorandum by the Director of the Office of European Affairs (Matthews), February 28, p. 507.

Government to effect without delay a permanent occupation of the Saar territory.

The Secretary of State has given careful consideration to the *aide-mémoire* in the light of this Government's desire to support in every way possible the efforts of the French Government and of the French people to surmount the difficulties bequeathed by the war. He recognizes the high value which the French Government places on a prompt quadripartite discussion of the question of the Saar. He is aware that this is a question which is of a peculiar interest to France and, at the same time, an integral part of the dispositions to be made, not only with respect to Western Germany but also with respect to the broader problems of immediate and long-range measures essential for Germany as a whole.

The Secretary of State has received disturbing reports of recent developments in Germany, developments which, if left unchecked, can only work to the detriment of French interests no less than to those of the United States and the world at large. These reports have, in his judgment, given such importance to overcoming the chaotic relations existing between the four zones of Germany that he cannot conceal his conviction that the resolution of this problem stands as the most pressing task confronting the Occupying Powers.

The Secretary of State has already expressed to the French Government his grave concern regarding this situation and has sought its cooperation in the measures necessary to meet it. As soon as this situation has been met, the Secretary of State will actively support prompt quadripartite consideration and discussion of the proposal of the French Government regarding the question of the Saar and hopes that the four governments may be able to reach a satisfactory understanding on that subject.

The Secretary of State appreciates the importance which the French Government attaches to this subject and will certainly approach the discussions with a most sympathetic understanding of the French view.

WASHINGTON, March 22, 1946.

862.50/3-2246: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 22, 1946—8 p. m.
[Received March 23—9:25 a. m.]

844. Forty-fifth Special Coordinating Committee Meeting, convened to hear British report and complete discussions on level of industry plan for Germany, ended inconclusively after long debate when British and Russian members locked in difference over British in-

sistence over principle of mandatory revision of plan should any of its fundamental hypotheses eventually prove false, and Russian desire plan remain unchanged until completion of reparation program. Earlier discussion led French member agree to General Clay's compromise proposals reported in my 729, March 8, and at that time it seemed final agreement was near. However, discussion of contents of notification of agreement to Control Council revealed fundamental difference in British and Russian positions.

British member opened debate by stating his Government's new plan must be regarded as whole; it was acceptable on assumption it was drawn on Potsdam principle that in present western boundaries Germany would be treated as economic whole; revision of western frontiers or treatment of Germany other than as unit would necessitate alteration of plan; plan based on premise German population does not exceed 66½ millions, and, exports sufficing to pay for necessary imports, there would be no charge on occupying powers; must be periodic review of plan as operating under elimination of war potential; agriculture and other peaceful industries should be encouraged. British member made clear that sole British conditions to acceptance of plan, including the figures to which he had been unable previously to give final approval, were periodic review and policy of revisions. He would suggest annual review of whole plan, first on January 1, 1947, and pointed out Coordinating Committee had already accepted principle of periodic review for steel.

French member recalled statement of French principles at March 8 meeting of Control Council⁷⁰ and emphasized that [one and] one-half billion [RM] food imports must be maximum to be lowered as soon as possible, and 45 million tons of coal exports a minimum. He concurred with British in thesis that any partial changes of plan must be considered as to effect on whole plan, about periodic review and revision, and that any change of present German frontiers must entail revision of plan.

General Clay said he also understood failure to operate Germany as unit, either through lack of administrative apparatus or further change of frontiers, would make plan subject to revision; that, except as specifically stated in plan, agreed figures do not limit industry in Germany, but will permit reparations and that plan is subject to review.

Soviet member accepted plan under following conditions: any changes in detail can be made only after reparations effected; any modification in German economy must be only at cost of internal

⁷⁰ See telegram 730, March 8, 10 p. m., from Berlin, p. 523.

German resources, can not [be] any cost to occupying powers, and should not violate basic principles of Potsdam protocol.

British member said he had not proposed revision should be at expense of reparations, but did feel drastic alteration of western German frontiers could only take place with consequent adjustment of reparations plan.

After study of Soviet conditions, British and US members asked clarification of the first. Soviet member questioned necessity of now considering potential changes in western frontiers as prerequisite to approval of plan. He said although his first condition did not mean he opposed in principle any change in plan should one prove necessary, no change would be admissible unless reparations plan executed and then only on basis unanimous agreement in quadripartite organs.

British member proposed recommend to Control Council plan be subject to annual review in order that Control Council can decide what adjustments are necessary in case of non-realization of any of fundamental assumptions on which plan based. Soviet member countered with following: "Revision can take place should special reasons arise and on agreement by all four parties."

Soviet member said Coordinating Committee was attempting to agree on acceptance of a plan for 1949, and consequently he could not see need of calling for annual review and revision; annual review of steel and steel products affected only capacities, and reparations are based on capacities. He asked whether colleagues understood any eventual changes should be only within limits of capacities. British member then agreed waive annual review provided his colleagues would agree review should be made, if one of them alleged fundamental changes necessitating alteration in plan. He further said he must reject whole plan unless colleagues accepted principle of mandatory revision on proof of changes or errors in fundamental assumptions of plan.

General Clay said he could not bind Control Council organs to such revision; that Coordinating Committee was attempting to agree now only to consider a revision, were circumstances to alter in such manner as to suggest need of revision.

Debate was long and tedious and, to give members opportunity to study carefully their positions with view to formulating them on basis permitting ultimate attainment of agreement as to review and revision of plan, Soviet chairman proposed and obtained agreement to interrupt discussion until next Coordinating Committee March 26.⁷¹

MURPHY

⁷¹ Reference is to the 47th meeting of the Coordinating Committee, March 26; see telegram 891, March 27, 5 p. m., from Berlin, p. 533.

862.60/3-2546: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, March 25, 1946—10 p. m.

[Received March 27—4: 50 p. m.]

873. Ref W-80934 AGWar signed WarCAD and CC-1763.⁷² The following comments have been prepared by members of my staff.

The record of the last 8 months indicates:

1. Regarding advance deliveries, the American Zone, on October 18, was the first to present in addition to the original specific request made by the Soviets, a list of plants available.⁷³ The US sponsored the program for a rapid appraisal of such plants in order to obtain valuations to speed progress toward allocations. As the result of this action, the first allocation of plants was made possible in November. The US has participated actively in preparing instructions for dismantling and packing plants. On the other hand, the Soviet has delayed sending delegates to inspect the plants and continues to delay in terms of specifying destination of the plants. In many cases, packing depends on type of transportation to be used—especially whether rail or water—and thus American efforts to crate and ship many of the plants has been further postponed.

2. With respect to the failure to meet the 6 months' period requirement, American representatives submitted a plan for the level of German industry in September and a revised plan in January,⁷⁴ whereas the first comparable Soviet plan was not available until early February. From September, the US participated actively in the quadripartite Level of Industry Committee, presented the first paper on valuation of plants, and conducted a survey of existing plant capacity in its own zone in October—considerably before such action was taken in the Soviet Zone. American delegates have pushed activity in the Level of Industry Committee as well as in the determination of industries to be eliminated or restricted to domestic production. American delegates participated in the establishment of mixed commissions to determine plant capacity. Recent progress in the level of industry work was, to considerable extent, the result of the determined efforts of the American delegate at the Coordinating Committee in forcing through an agreement on level of steel production. Initially, the Soviets delayed one month in appointing their representative on the Level of Industry Committee and no meetings could be held until September 18. During October and early No-

⁷² Neither printed here.

⁷³ Not printed.

⁷⁴ Neither printed.

vember, when the American representatives were attempting to obtain action on the level of industry work, Soviet delegates often failed to attend meetings, proposed changes in procedure which resulted in delays, failed to reveal productive capacity to remain in the Soviet Zone, and refused permission of US representatives to enter Soviet Zone in this connection, despite almost unlimited permission for Soviet representatives to inspect plants in the American Zone. Soviet representatives refused to expedite advance deliveries by opposing the proposal that such advance deliveries be based upon highest level of industry figure presented to the Committee. In addition, a considerable part of the lengthy debates on specific industries found the Soviet representative opposing figures on which the other occupying powers were able to reach agreement. Only after considerable delays and substantial compromises has it been possible to obtain unanimous agreements.

3. Thus, quite clearly, the record indicates constant pressure from the American delegation for effective action on both the advance deliveries and the 6-months' deadline. Serious delays were caused by failure to make progress in the fall of 1945. The Soviet delegation bear an important share of the failure to meet the January 2 deadline.

MURPHY

862.50/3-2746 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 27, 1946—5 p. m.
[Received March 29—5:20 p. m.]

891. See my 729, March 8, 10 p. m., and 844, March 22. Forty-Seventh Coordinating Committee meeting March 26 reached agreement on Level of Industry Plan for postwar Germany. Control Council convened in special meeting immediately thereafter and also approved plan. Tele-conference with Dept March 26 transmitted approximation but not agreed English text of Control Council communiqué.⁷⁵ Agreement was reached at outset of meeting on sole remaining point of contention, when Soviet proposed following wording to cover review and revision of plan: "Plan is subject to review as may be agreed by the Control Council in the event that the fundamental assumptions of the plan are bound to be changed". British member thanked his Soviet colleague for proposal and accepted it adding that British delegation considered proposal covered point made in earlier British

⁷⁵ For text of the Allied Control Council's press release containing the Level of Industry Plan, see Department of State *Bulletin*, April 14, 1946, p. 636.

statement (see my 844, March 22). French member asked Soviet colleague to confirm that proposal meant, among other things, that were there any change in western frontiers of Germany, plan would be subject to revision. Soviet member replied that were a change of that character made by some decision, for example, either by quadripartite governments or at peace conference, he assumed Coordinating Committee members would be informed thereof by their governments and instructed concerning appropriate action. French member accepted this assurance and he and his US colleague agreed the plan.

Meeting also instructed Economic Directorate to prepare detailed plan of industrial equipment subject to be removed as reparation and present it for confirmation to Coordinating Committee at very early date, and informally agreed April 20 as target date. General Clay then read a paper⁷⁶ which he said might enable the members to determine whether there were still some differences as to the methods of determining necessary capacities of individual industries, and said that it contained principles which if agreed might be used as standard of measurement for determining capacity. In brief, these principles are:

Least efficient plants would remain after reparations, thereby probably bringing about normal decrease in efficiency as years passed; certain number of shifts would be allowed each industry, generally two shifts actually being computed as a production equivalent of only about 1.8; strictly restricted heavy industry to operate usually three but sometimes two shifts; light industry to be encouraged to maintain export-import balance. Except for a few remarks making reserves as to details, other members agreed to General Clay's principles and meeting decided to instruct Economic Directorate to use them in determining capacity to be left each industry.

Yesterday's meetings culminated the labor of many months. Having participated throughout and observed the conscientious and able manner in which General Clay and the officers of the Economic Division of OMGUS have handled this complex and difficult job, I respectfully suggest that it would not be amiss—provided the Dept approves the plan now presented—to extend a word of commendation to those officers.⁷⁷

MURPHY

⁷⁶ Not printed.

⁷⁷ On April 5, Acting Secretary of State Acheson sent a letter to Secretary of War Patterson extending his congratulations to Generals McNarney and Clay and their staff for their fine work on the Level of Industry Plan; for text, see Department of State *Bulletin*, April 21, 1946, p. 681.

740.00119 Control (Germany)/4-246: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

TOP SECRET

Moscow, April 2, 1946—1 p. m.
[Received April 2—10: 58 a. m.]

1012. From Smith. Dept may be interested in the following impressions gained during my short visit to Germany after 3 months' absence.

I agree with Clay that a reduction in the calory value of the German ration is very likely to have serious results. Obviously the Russians do not intend any corresponding reduction of the ration in their occupational zone, and they will certainly use the food shortage in the western zones to further their political program in Germany. It will be 3 to 4 months before the effect of this season's crop is felt, and meanwhile a further reduction in the ration, already too low for sustained heavy work, may well produce a condition which will justify all of Clay's apprehensions.

I sincerely believe that, except for France, there is no place in the world where we could expend exportable food stuffs to greater advantage, both to ourselves and to the world, than in western Germany.

Everyone with whom I talked seemed to agree that we should proceed toward our announced objective of a central government for Germany by organizing from the bottom up. We might proceed by first forming in each of the three western zones a central governmental agency with a permanent secretariat, as has already been done in the US zone. The next, and intermediate step, would be to form a temporary government for the three western zones with the ultimate idea of combining this with the Soviet sponsored govt of the eastern zone as the central govt of Germany. My personal belief is that this final step may never be taken.

I agree with Kennan's estimate of March 6 (No. 672) that it is probably the Soviet policy to create in eastern Germany an anti-fascist republic as a preliminary to a Soviet socialistic state, or at least a state oriented directly toward Moscow. Undesirable as this is from our point of view, we may be unable to prevent it, and we should adopt a line of action which, while proceeding in the direction of our ideal of a central govt, will on the way produce a western Germany oriented toward western democracy.

Recent information seems to indicate that progress in industrial and economic reorganization in the Soviet zone of occupation is more rapid and effective than in western Germany, presumably because the Russians have no inhibitions whatever in retaining competent Nazis

in key positions as long as their services are required. From the long view this may prove to have been a political mistake, and resistance to Russia's efforts in the direction of a communist-socialist coalition will, I believe, be greater than they anticipate. However, their apparently determined efforts in this direction, and our acceptance of the Oder-Neisse line as the future boundary of Germany in the east confirms the opinion I have held for many months that our immediate objectives should be the integration of the western zones of Germany into a political unit oriented toward western Europe and western democracy. Kennan's message, previously referred to, gives the reasons which brought him to the same conclusions, and needs no elaboration.

[SMITH]

740.00119 Control (Germany)/4-446: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

[Extract]

SECRET

BERLIN, April 4, 1946—5 p. m.

[Received 8:10 p. m.]

951. . . .

Coordinating Committee also considered ⁷⁸ proposal create interim Allied import-export bureau to coordinate import-export programs of all occupation zones and "proceed immediately to prepare and organize a central German Administrative Department for zonal trade, headed by a state secretary". French member expressed strong favor for creation of such bureau to "encourage interzonal trade, limit import, encourage exports and thus create economic unity of Germany, a most important Control Council objective". Stating French Government did not want immediate creation of a German control Administrative agency he indicated he would accept the paper provided all references to creation of such department be deleted. He also said Control Council powers were considering general problem of German central agencies. General Clay said he felt French amendment would prevent proposed bureau doing anything not already done by Allied Control agencies and he, therefore, proposed that the paper be dropped from the agenda. Coordinating Committee agreed this proposal.

Thus French sabotage of the Potsdam decision re the establishment of a German central administration for foreign trade and other

⁷⁸ Reference is to the 48th meeting of the Coordinating Committee, April 2.

similar agencies continues deadlock which does much to nullify US efforts to implement the public declarations so solemnly made by the three powers on August 2. One of the primary effects of this stalemate will certainly be, in the absence of a substantial volume of exports paid for in dollars, an augmentation of US occupation costs. We shall thus succeed in financing reparations—a proposition which as I remember it—we vigorously opposed [last summer].

Sent to Department as 951, repeated to Paris as 93.

MURPHY

862.60/4-946 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Harriman)*

CONFIDENTIAL

WASHINGTON, April 9, 1946—7 p. m.

3071. Dept requests following memo re deconcentration of German industry⁷⁹ be formally presented to FonOff.

“1. In Potsdam Protocol, Aug 1945 (para 12, Art 3)⁸⁰ signatory powers agreed ‘At the earliest practicable date the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements.’

2. In discussions within Coordinating Committee, ACC of terms of law to implement above provision difference became apparent between Brit view and position advanced by US and supported in substance by other members of Council.

3. US proposed certain objective standards as basis for defining excessive concentration economic power and called for mandatory application such standards to particular German enterprises.

4. While minor differences arose among representatives of four powers as to precise standards to be applied, there was agreement among US, French, and USSR members on principle of mandatory application such standards as might finally be agreed upon.

5. UK representative objected in principle to mandatory application of any standards and proposed that application of whatever criteria were agreed upon should be left to discretion of those responsible for administering the law.

6. Since no agreement could be reached in Berlin on this point, American representative informally requested discussions be undertaken on Govt level between UK and US.

7. Accordingly, preliminary discussions on technical level were begun Washington, Dec 1945 between officers of Dept and Brit Emb. Discussions progressed to point where it was believed basis had been established for agreed position.

⁷⁹ For previous documentation on this subject, see *Foreign Relations*, 1945, vol. III, pp. 1559 ff.

⁸⁰ Reference is to the Communiqué of the Potsdam Conference, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1499, 1504.

8. Terms of proposal contemplated mandatory application some objective standard or standards except where, in discretion administrators of law, considerations of technological efficiency advised against deconcentration.

9. In view of fact that basis for agreement now exists, and in view of fact that approximately four months have elapsed since matter was introduced in ACC final resolution of issue would appear in order.

10. Govt of US regards deconcentration of economic power as basic to reorganization of Germany along democratic lines and feels that positive and concerted measures to accomplish this end should not be delayed."

BYRNES

740.00119 Control (Germany)/4-1046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

[Extract]

SECRET
PRIORITY

BERLIN, April 10, 1946—1 p. m.
[Received April 18—10 a. m.]

987. . . .

To terminate long meeting⁸¹ General Clay delivered approximately following statement of position.

I am informed Economic Directorate is discussing paper on common import-export policy, and that views have been expressed there by Soviet member that this is zonal problem, and that it cannot be made effective until Germany has favorable trade balances, or until reparations program is completed. Admitting responsibility of each zone with respect to financing deficits, after all German resources either for export or interior consumption have been used, US delegation must point out that Potsdam protocol called for common import-export policy, and that Level of Industry Plan was based on balanced import-export program. Without such program, the reparation plan has no validity. Delivery of reparations is still in early stage; thus there is time to consider this problem. However, I say now that should we fail to agree on common import-export plan, US delegation shall at suitable time in near future invoke clause requiring balanced import-export program and insist on revision of reparation plan.

Sent Department as 987; London as 158; repeated to Moscow as 91.

MURPHY

⁸¹ Reference is to the 49th meeting of the Coordinating Committee, April 8.

740.00119 Control (Germany)/2-2546

The Secretary of State to the Secretary of War (Patterson)

SECRET

WASHINGTON, April 10, 1946.

MY DEAR MR. SECRETARY: I am grateful for your letter of February 25⁸² with its enlightening information and comment on political developments in Germany. This Department has been following with some concern the tactics of the Soviet Military Government and the Communist Party in Germany. The following information and observations may be of interest to you in this general connection:

The Department of State has been maintaining its pressure on the French Government to recede from its stubborn opposition to the establishment of central German agencies and we have some reason to believe that the French Government is willing to modify its attitude. We have recently informed the French Government that we are prepared to support its aspirations for a permanent control of the Saar region provided that a satisfactory settlement can be reached on the question of central German agencies. The French Government has proposed an early meeting of representatives of France, the U.K., the U.S. and the U.S.S.R. to discuss the question of western Germany and central agencies, and we are hopeful that such a meeting can be arranged in the near future. I shall not fail to keep the War Department informed of developments in this matter.

We agree with you that uncertainty respecting a settlement of Germany's western frontier and French opposition to central German administrative agencies provides excellent material for German Communist propaganda, which is by no means distasteful to the Soviet occupation authorities. This propaganda obviously includes public criticism by Soviet-sponsored Germans of the conduct of affairs in the western zones. However, I doubt if we should yet want to be placed in the position of lending approval to public criticism by Germans of the policies of any of the four powers represented on the Control Council. Under our present policy, public meetings and discussions on political matters may be authorized by the Military Government. It would seem that this rule gives ample latitude to our Military Government authorities to permit public discussion of whatever issues we may desire.

The foregoing comment is, however, only part of the problem. Approximately a year has now passed since the basic American directives for Germany were drafted.⁸³ The State-War-Navy Coordi-

⁸² Not printed, but see telegram 645, March 12, 6 p. m., to Berlin, p. 524.

⁸³ Reference is to JCS 1067, directive to General Eisenhower regarding military government of Germany; for text dated April 26, 1945, see *Foreign Relations*, 1945, vol. III, p. 484; for documentation relating to its drafting, and to certain modifications made in May 1945, see *ibid.*, pp. 369-539. For text of final directive as released to the press in October 1945, see Department of State *Bulletin*, October 21, 1945, pp. 596-607.

nating Committee has now authorized a review of these directives and the State Department proposes to present at an early date recommendations for our future policy in Germany. These recommendations will take fully into account the observations set forth in your letter of February 25.

Sincerely yours,

JAMES F. BYRNES

862.5018/4-1146 : Telegram

The Director of the Office of Military Government of the United States for Germany (Clay) to the Secretary of State and the Secretary of Agriculture (Anderson)

TOP SECRET

BERLIN, 11 April 1946.

URGENT

CC 2931. Action to Sec State Wash DC for Byrnes and Anderson from Fitzgerald⁸⁴ Political Affairs Div OMGUS from Clay sgd McNarney.⁸⁵

Satisfied that it is of paramount importance to implement Potsdam Agreement regarding establishment of German Central Administrative Agencies for Finance, Transportation, Communication, Foreign Trade, and Industry. French have heretofore refused to concur. Recommend French be informed that unless they prepare to concur immediately in establishment such centralized administrative agencies, all shipments of wheat to French zone of Germany will be discontinued, and furthermore shipments wheat to France will also be discontinued if French still unwilling to agree.⁸⁶

⁸⁴ Dennis A. Fitzgerald, U.S. Department of Agriculture.

⁸⁵ Gen. Joseph T. McNarney, Military Governor, U.S. Zone of Occupation in Germany; Commanding General, United States Forces, European Theater; U.S. member, Allied Control Council for Germany.

⁸⁶ In regard to this telegram, Acting Secretary Acheson in a letter to Secretary of War Patterson dated April 24 stated his belief that it would be unwise to exert such direct pressure on the French Government in view of the fact that Germany was to be discussed at the Second Session of the Council of Foreign Ministers beginning on April 25 (862.5018/4-2446). For documentation on the meetings of the Council of Foreign Ministers, see volume II.

Previously, in a memorandum of April 17 to Assistant Secretary of War Peterson, H. Freeman Matthews, Director of the Office of European Affairs, had made the following comments relating to U.S. concern over French reluctance to see German central agencies established:

"Further pressure will be brought to bear on the French Government in the course of the present economic and financial negotiations. The French representatives will be informed that in connection with these negotiations, our attitude on economic assistance will be influenced by the French position on central agencies. In addition to the pressure we have been bringing on the French, as recapitulated above, the responsible officers of the Department continue in their day-to-day contacts with the French Embassy to impress upon the French authorities the grave concern which we feel in the continued delay in the establishment of central agencies. For example, it was made plain to the French Ambassador that the French request for additional grain for their zone in Germany and for more coal for France in the allocation of German coal were intimately linked with the problem of central German agencies and that the French intransigence had led to some of the very shortages of which they were complaining." (740.00119-Control (Germany)/4-1746)

740.00119 Control (Germany)/4-2246

*Memorandum by the Assistant Secretary of State (Clayton) to the
Secretary of State*

[WASHINGTON,] April 22, 1946.

Subject: General Clay's Views on Internationalization of the Ruhr

I am in close agreement with the views expressed by Gen. Clay in his paper "Internationalization of the Ruhr".⁸⁷ They are also, I believe, in line with views developed in the Department in recent weeks.

Gen. Clay is opposed to political detachment of the Ruhr from Germany. He believes that Germany without this area cannot have a self-sustaining economy and that were it detached, we and the other western occupying powers would have to assume a continuing burden of relief in our zones. He believes, further, that the German population of the Ruhr would agitate in perpetuity for reunion with Germany. In short, he considers the proposal to detach the Ruhr from Germany to be inimical both to the economic and political stability of Europe. I agree.

Gen. Clay also rightly opposes as impractical any formula for detaching the Ruhr politically but not economically from Germany. He also opposes detachment of the Palatinate and Baden as serving no useful economic or security purpose. Gen. Clay does not oppose the detachment of the Saar and its incorporation into France. The Saar is intimately allied with the economy of Lorraine, and Gen. Clay notes that the German people are probably reconciled to its incorporation into France.

Gen. Clay believes that for security reasons—and doubtless also to effect a workable compromise with the French position—some form of international control over the coal and steel industries of the Ruhr may be desirable. He suggests that two international corporations might be established to operate the coal and steel industries of the area. The corporations would have two classes of capital stock, viz.: non-voting ownership shares that would be vested with German owners and non-participating common shares, with all voting rights, to be held by the governments participating in the control. During the period of the occupation the Control Council would supervise these corporations and allocate coal between German consumption and export. Ultimately, the supervision of the coal and steel corporations would be taken over by UN. The corporation would not enjoy extra-territorial status but would be generally subject to German sovereignty except on matters reserved to UN surveillance. These recommendations are in the direction of practical compromise but I believe

⁸⁷ Not printed.

their application would be attended by enormous difficulties. They accord closely with Appendix B of the departmental paper on Disposition of the Rhineland-Ruhr.⁸⁹

One further comment on Gen. Clay's paper is in order. Gen. Clay advances his case for economic control over the resources of the Ruhr solely as a matter of security. The French position vis-à-vis the Ruhr is somewhat larger than this. Because of the limitations of their own coal supply, they are interested in assuring an adequate supply of German coal for French industry without becoming economically and politically dependent on Germany. It will be necessary to persuade the French that proposals similar to those set out here are consistent with this larger aim.

862.50/4-2546: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, [April 22, 1946—9 p.m.]⁹⁰

[Received April 25—11:55 p. m.]

1080. For Terrill.⁹¹ 1. Coleman⁹² reports that last quadripartite meeting on deconcentration law held subsequent to receipt of new State Department instructions⁸⁹ sent through AGWar to OMGUS resulted in failure; that British refused to recede from their original position to the effect that a definition of "excess concentration of economic power could not be formulated". Coleman has contacted the British on two occasions since the quadripartite meeting and is of the opinion that the British in Berlin have had the Washington proposal on the deconcentration law referred to them from London, and have refused to go along with it.

Coleman further reports that during his conversation with the British, and making it absolutely clear to them that it was not an official position, asked for the British reaction to the following proposal: "Every enterprise which employs in excess of 20,000 persons shall be deemed to be an excess of concentration of economic power and shall take such action as shall be prescribed by the Economic Directorate or by any other agency authorized by the Control Council to take action in such cases." Added to this he suggested that a list of 35 companies be compiled against which immediate action would be

⁸⁹ Not printed.

⁹⁰ Date of transmission supplied from copy in the files of the U.S. Political Adviser.

⁹¹ Robert P. Terrill, Associate Chief of the International Resources Division.

⁹² Creighton R. Coleman, Acting Chief of the Decartelization Branch, Economic Division, OMGUS.

taken. He states that he pointed out to them that the 20,000 figure was a measure for the future, in as much as only a very few enterprises in Germany now employ that many, the 35 companies possible being a sufficient number of reorganizations for present purposes. Coleman reports that the British officials with whom he was conferring became very interested in this proposal and stated they would try to persuade the British delegation to accept a proposition along these lines; that, however, on the following day he was informed by British with whom he had talked that no definition of "excess of concentration" could be accepted. Coleman carried on these talks with British as Acting Chief Decartelization Branch. He states that he also conferred for approximately two hours with General Draper⁹³ on the Deconcentration Law, during which time General Draper talked at considerable length over the phone with Sir Percy Mills⁹⁴ in an endeavor to find a solution the problem but without success. Coleman is convinced that there is primarily only one man in the British delegation who is blocking the law and that is Sir Percy Mills. As April Chairman of the working party on Deconcentration Law Coleman will have to report disagreement on the law to the Economic Directorate during the week of April 22.⁹⁵

MURPHY

740.00119 Control (Germany)/4-2446 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, April 24, 1946—4 p. m.

URGENT

[Received April 24—2:38 p. m.]

4418. For the Secretary and Dunn. Embtel 4238 to Dept April 17, 55 to Brussels, 145 to Moscow, 345 [344] to Berlin, 36 to The Hague, and 296 to Paris.⁹⁶

Under Secretary Harvey⁹⁷ outlined to us this noon present status

⁹³ Brig. Gen. William H. Draper, Jr., Chief, Economic Division, OMGUS.

⁹⁴ Head of the Economic Division, British Element, Allied Control Council for Germany.

⁹⁵ Subsequently, telegram 4816, May 6, 6 p. m., from London, reported on a note from the Foreign Office, dated May 4, stating that the British Government expressed disappointment at the failure of the Economic Directorate on April 25 to agree to a compromise proposal by the British representative based largely on the Washington understanding, and indicating that the British Government was prepared to accept a law based on that understanding (862.50/5-646).

⁹⁶ This telegram not printed; it reported the nature of a talk, as outlined by Mr. Harvey, between Mr. Bevin and Netherlands Prime Minister William Schermerhorn on April 13, at which the latter expressed his view that the Ruhr should not be separated politically from Germany (740.00119 Control (Germany)/4-1746).

⁹⁷ Oliver Harvey, Deputy Under Secretary of State, British Foreign Office.

of British position on Ruhr. Bevin's own ideas are not fixed other than that the Ruhr should not be separated politically from Germany and that it should be under international economic control. His thinking is along line that Ruhr Industries might well be developed under one or more international consortiums for benefit of Europe as a whole rather than as an arsenal for Germany. TVA was mentioned as an analogy. The idea of economic control, Harvey said, is not particularly tied up in Bevin's mind with prolonged military occupation but he believes that there will be ample time during occupation period firmly to establish such control. His idea is that question of Soviet participation in control of Ruhr should be considered very carefully and slowly and possibly in relation to Soviet willingness or lack of it to have industrial centers in Eastern Europe placed under international control.

Instead of seeking Cabinet approval for any specific proposals on the Ruhr, Bevin has obtained Cabinet approval of the two principles of international economic control but no political separation and wide latitude to explore and exchange ideas with the Secretary, Bidault and Molotov.⁹⁸ His idea is to talk individually with each of these three and to seek informal quadripartite discussion, preferably outside the conference, with a view to seeking agreement at this time only on general principles. If agreement on principles can be obtained, either the deputies or some similar body could in due course endeavor to work out a detailed arrangement. He is fully aware of the difficulties of proceeding far in quadripartite discussion of the problem at this time and does not favor including the Netherlands or Belgians in these discussions.

Harvey says that Spaak's⁹⁹ visit yesterday was primarily for purpose of asking opportunity to present Belgian views on Ruhr before any decisions were reached. Bevin took substantially same position he had taken with Schermerhorn, telling him that he fully realized the importance to Belgian of the disposition of Ruhr and any arrangements for international control of it, that one objective in his mind was to integrate Ruhr Industry with the economies not only of Germany but of France, Belgium and the Netherlands as well; that Spaak would be kept informed of discussions in Paris and that Belgium would certainly be consulted at later stage before any final decisions were reached. Harvey added that Spaak's views on international control of Ruhr without political separation coincided closely with Bevin's and Schermerhorn's.

⁹⁸ Vyacheslav Mikhailovich Molotov, Soviet Minister for Foreign Affairs.

⁹⁹ Paul-Henri Spaak, Belgian Minister for Foreign Affairs.

Sent to Paris as 297; repeated to Dept as 4418; Berlin as 358; Moscow as 146; Brussels as 56 and The Hague as 39.

GALLMAN

[For documentation relating to Germany at the Second Session of the Council of Foreign Ministers in Paris, April 25–May 15 and June 15–July 12, 1946, see volume II.]

740.00119 Control (Germany)/5-246: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 2, 1946—8 p. m.
[Received 9:27 p. m.]

1160. See my 987, April 10, and 1051, April 18.¹ Fifty-first Coordinating Committee meeting 26 April discussed principle in regard to common import-export program.

British member said issue was clear and of great importance. To regard each zone as separate economic entity was a possible way to administer Germany but in direct contradiction to Potsdam Protocol. Its cardinal point is that German assets are essentially for all Germany. British zone probably can export such things as coal and many manufactured articles much easier than can other zones, and thereby at least substantially cover cost of necessary imports of food. However, that would be antithesis of protocol, and British have not yet considered that right way balance deficit. British tax-payers cannot be expected cover deficit, and British delegation must insist upon pooling resources on agreed standard of German consumption. If quadripartite agreement impossible on these two points, British delegation considered Four Powers did not intend execute Berlin Protocol. General Robertson supported thesis of General Clay, namely, that failure agree common import-export program will necessitate revision reparation program; moreover, common sense suggested that even temporary operation on zonal basis called for temporary revision.

French member gave full support to French position taken at Economic Directorate. He said Coordinating Committee could consider Germany only as economic unit in conformity with Potsdam

¹Latter not printed; it reported that the Soviet delegate on the Economic Directorate emphasized the position of his government that, while Germany should be considered as an economic whole, local conditions demanded that foreign trade for Germany be handled on a zonal basis at present (740.00119 Control-(Germany)/4-1846).

Protocol; assets of four zones must be pooled for use throughout Germany; as French zone had very meager resources, it needed aid of other zones; and French Government could not accept unbearable charge for inevitable deficit in its zone, should it attempt self-sufficiency. To Soviet inquiry whether French delegation had not in effect changed view about central administrative organs in Germany, French member said emphatically No, French delegation always having favored economic unity but not central organs.

Soviet member said that since French answer confirmed previous French position, he must give full support to Soviet position at Economic Directorate, which was that, taking Potsdam Protocol as basis and considering Germany as economic whole, common import-export policy must now be formulated. However, while implementing policy, local conditions must receive consideration as also prescribed by Protocol.

Agreeing with General Robertson, General Clay insisted consideration also be given to burden of occupation on U.S. taxpayers; U.S. Government had already invested much capital in occupation regime, and had accepted present boundary its zone, important assets of which were scenic beauties, on understanding that in harmony with Protocol German resources would be available to all zones equitably. Regretting he could not do as his French colleague and accept favorable parts of Protocol, while rejecting less favorable ones, he could not agree Protocol did not also envisage central organs necessary to successful administration of common import-export program. As he felt cleavage of opinion was too wide to be bridged at this time, General Clay proposed, and his British colleague concurred, Coordinating Committee members should report to their respective governments that principles of reparation, import-export program, and central organs were so interrelated that application of the first two must be held in suspense until latter shall have been decided. Should British find it necessary to attempt make British zone self-sustaining, manifestly US zone with its relatively unimportant industries could not yield any of them because he was not ready to burden the US Government with resulting deficit.

Thereupon Soviet member invited attention to article 19 of Potsdam Protocol. In his opinion export and import program must be based solely on productive capacity left in Germany after reparations. Any attempt to link one with other would constitute breach of Protocol.

US member disagreed with Soviet colleague and quoted paragraphs 14, 15 and 16 of Protocol, asking whether colleagues could honestly say that end of one year of occupation those elements of Protocol were

being carried out. He thereupon proposed holding paper over for further consideration at later meeting and that members report to their respective governments. He said he would report Four Powers had reached point in governing Germany where they must decide whether or not Protocol can be applied.

French member said he would report on matters raised by General Clay to his government, but desired to point out that for several months his government has been requesting Soviet, British and US Governments examine all questions concerning Germany. He regarded central German administration as only one means to attain desired objective, and said another was central Allied Import-Export Bureau.

General Clay said he desired emphasis US authorities might now find it necessary to interrupt work of some 16 to 17 thousand persons engaged in dismantling machines for reparation deliveries.

Members agreed to adjourn further consideration of this problem to next meeting.

Foregoing is for Department's strictly confidential information. Repeated to Paris for Matthews.

MURPHY

740.00119 Control (Germany)/5-646: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 6, 1946—1 p. m.
[Received 7:29 p. m.]

1199. See my 1160 May 2. At Fifty-second Coordinating Committee meeting 3 May, further consideration was given controversial question of import-export program, but without reaching agreement.

French member said he had received advices his government had placed entire German problem on agenda Foreign Ministers' Conference, Paris. His Government remained opposed to central organs until settlement Ruhr, Rhine and related questions. It agrees treatment Germany as economic entity now and therefore had accepted British proposal for handling external trade and establishment of Allied Control Bureau. Consequently his Government felt it was not impeding execution reparations program.

Soviet member considered Quadripartite Authorities could solve all difficulties connected with import-export program, and consequently he opposed reference matter to respective governments. Soviet delegation warmly advocated common import-export program for all Germany, based on paragraph 14, Potsdam Protocol. How-

ever, he said that there was little purpose discussing any such program until agreement reached on (1) all plants to be delivered as reparations; (2) which plants (and character their output) are to be left German economy; and (3) which plants shall be destroyed as war potential. Moreover, Soviet delegation felt following would promote success of such program: (1) Early decision on repair of plants to provide export articles; and (2) capability all remaining plants operate capacity by 1949, as foreseen in level-of-industry plan; thus that any import-export program could only be effectual if zone commanders placed all remaining plants in operation.

General Clay replied that he thought Soviets had cart before horse and that, excepting plants on first list, all physical labor on reparations had ceased in US zone; that formulation of reparations plan (as plan only) would continue but would not be implemented until all inter-related questions settled; and US delegation did not propose find self with neither plans nor agreement.

British member felt there was little likelihood members could reach agreement until Paris Conference had concluded deliberations, and that there was no certitude that even that Conference could reach agreement on principle. He then asked Soviet colleague explain "local" impediments which made Soviet delegation believe any import-export program ineffectual now.

As explanation Soviet member only iterated that any useful program must have concrete bases. He said colleague had made clear reparations program interrupted; however, Soviet delegation unable accept responsibility therefor. He emphasized only 25% such reparations allocated Soviet Union.

Thereupon British member asked if General Dratvin² would agree that until matter settled and Germany becomes self-supporting no power may extract reparations from current production or stocks.

When Soviet member failed subscribe to that thesis, General Robertson said British delegation must take Soviet attitude into consideration in operation of British zone. He added that, although Britain had not yet followed General Clay's example of interrupting reparations, he felt General Dratvin's stand obliged him to request instructions to do so.

As Soviet member insisted that his colleagues had not convinced him his attitude was mistaken, Coordinating Committee agreed postpone further discussion *sine die*, and report to Control Council it had been thus far vainly discussing principles of import-export program but intended pursue endeavors reach agreement as soon as possible.

MURPHY

² Lt. Gen. Mikhail Ivanovich Dratvin, Soviet member, Coordinating Committee, Allied Control Council for Germany.

740.00119 Control (Germany)/5-946: Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*³

SECRET

WASHINGTON, May 9, 1946—7 p. m.

U.S. URGENT

2221. For Secretary from Acheson and Hilldring.⁴ Immediately following tel gives background and detailed exposition of plan for your consideration designed as attempt to resolve serious crisis in ACC Germany over relationship of implementation of reparation program to common economic policies and central German agencies. Plan has two features which may be dealt with simultaneously or in any order you consider feasible:

1. Four-Power agreement to negotiate settlement of Ruhr-Rhine-land issue, including perhaps related security problems, on ground not only that French acceptance of full-fledged central German agencies hinges on such settlement, but above all that we cannot indefinitely carry out present drastic reparation removals program without definite knowledge whether or not important resources of Ruhr-Rhine-land will be available to German economy.

2. Provisional continuation or resumption implementation of reparation program during period of 60-90 days on condition (a) that Soviets agree to join with other powers in immediate instructions to ACC to proceed during this period with negotiations on phased plan for adoption and application of common economic policies focussed on adoption of export-import program based on certain pre-agreed principles outlined in subsequent tel and with understanding implementation common policies would be entrusted, pending establishment full-fledged German central agencies, to quadripartite allied bureaus assisted by staffs of German technical experts, and (b) that further implementation of reparation would be immediately suspended if no substantial progress made in this period in negotiations on treatment of Germany as economic unit.

Whole plan is designed to avoid threatened breakup of ACC, to remove principal blocks to reparation program, and above all, to put Soviet protestations of loyalty to Potsdam to final test in order to gauge their willingness to live up to substance as well as letter of Potsdam and fix blame for breach of Potsdam on Soviets in case they fail to meet this test.

Sent to Paris, repeated to USPolAd, Berlin as Dept's 1074. [Acheson and Hilldring.]

ACHESON

³ Secretary Byrnes headed the U.S. delegation to the Council of Foreign Ministers, Paris, April 25-May 15 and June 15-July 12, 1946.

⁴ John H. Hilldring, Assistant Secretary of State.

740.00119 Council/5-946: Telegram

The Acting Secretary of State to the Secretary of State, at Paris

SECRET

WASHINGTON, May 9, 1946—7 p. m.

U.S. URGENT

2222. Secdel 219. Following is background and more detailed exposition of proposals in immediately preceding tel to Sec State from Acheson and Hilldring.

1. We fully endorse Clay's stand on essential interrelationship of reparation plan and treatment of Germany as economic unit. Unless Russians give convincing demonstration they are prepared to adopt and implement common economic policies now, there is no assurance that Germany will be treated as economic unit after 2-year period of reparation removals and that accordingly amount of capital equipment left to Germany will suffice to enable Germany or separate parts of Germany to live on average continental European standard of living without outside assistance, as Potsdam requires. Similarly, early decision on Ruhr-Rhineland issue appears necessary not only to remove French opposition to German central agencies, but above all to enable General Clay to take initiative for drastic revision, if not total abandonment of present reparation plan, in event resources of Ruhr-Rhineland unavailable to German economy. Therefore desirable in our opinion to induce Russians to discuss both Ruhr-Rhineland and program for real implementation of Potsdam provision for treatment of Germany as unit.

2. Current Soviet policy believed to be motivated by one or more of following considerations:

a) Conviction that split of Europe into Eastern and Western oriented blocs is inevitable or desirable and that accordingly it must keep Eastern Germany as well as all of Eastern and Southeastern Europe firmly under Soviet unilateral control;

b) Necessity of retaining or consolidating firm Soviet economic and political control of Soviet zone until time when unification of Germany can take place under conditions most advantageous to Soviets;

c) Fear that application of common economic policies to Germany as a whole would interfere with present Soviet practices of obtaining reparation from own zone, including reparation from current output, without reference to economic plan for all of Germany, and would impose on Soviets, who now have most self-sufficient zone, burden of meeting part of deficits of other less self-sufficient zones.

3. In this connection it is our understanding that US insistence on treatment of Germany as economic unit has been motivated primarily by US interest in preventing permanent division of Germany into two antagonistic halves corresponding to our interest in preventing split of Europe as whole into irreconcilable blocs and definitive fail-

ure of four-power collaboration. This objective fits in with your proposal for four-power 25-year treaty of guaranty and proposal, discussed with you prior to your departure, to establish organized framework for economic collaboration of all continental European countries on basis of equality.

4. Desire to reduce cost of occupation by reducing over-all German trade deficit through pooling of German economic resources and by providing for equitable sharing among all occupying powers of burden of financing this deficit until Germany can be made self-sustaining also motivates US insistence on treatment of Germany as economic unit, but is of secondary importance. We fully agree that cost of occupation of all four powers together would be reduced by adoption of common policies and export-import program for Germany as a whole. However, if Soviet reluctant to share in any substantial measure deficit of other zones, it might be worthwhile in order to achieve treatment of Germany as economic unit for US to suggest that the cost of financing any net import deficit under agreed export-import program might be shared proportionately by occupying powers in such manner as not to impose any substantial increase in relative burden of Soviets.

5. Basic problem is for US Govt to devise a practicable plan which would provide strong support for Clay's stand on integral execution of Potsdam. In our opinion such plan should be designed to force Soviet Union to show its real attitude toward unification of Germany within European framework and to avoid any danger that Soviets might put on us of breaking with Potsdam on US. In this connection it must be borne in mind that while Soviets first insisted in Economic Directorate meeting of April 5 on continued handling of German foreign trade on zonal basis until reparation plan was carried out in full and/or it became possible to achieve a trade balance for Germany as whole, all of which was complete negation of Potsdam, they later retreated from this extreme position and sought to reconcile their position at least with letter of Potsdam. In Economic Directorate meeting April 18, for example, Soviets agreed that Germany should be treated as economic unit and that steps should be taken to devise export-import program for Germany as whole, with proviso that in such program "account shall be taken, where appropriate, of local conditions" according to phraseology of para 14, Section III [II] of Potsdam Protocol and that therefore in immediate future trade should be conducted on zonal basis within net balance of each zone. This stand reiterated by Soviets in Coordinating Committee meeting of April 26. In Coordinating Committee meeting May 3, Russians went on record as endorsing common import-export program but sought delay in discussions until process of selecting all plants surplus

to capacity left to Germany under Level of Industry Agreement and therefore available for reparation was completed and decision was reached on plants to be destroyed as war potential. While these shifting Russian tactics cast serious doubt on Russian willingness to put into effect Potsdam provisions on treatment Germany as economic unit, it is clear that Russians are cleverly seeking to reconcile their position with letter of Potsdam in order to put onus for breaking with Potsdam on other powers. For this reason, we consider it important to confront Russians with a plan which will really put their protestations of loyalty to Potsdam to a test and place onus for failure of Potsdam on them in event they do not meet the test.

6. Essence of such a plan in our opinion would be simultaneous implementation of reparation plan and development and application of program for common policies. In view of failure of Potsdam to stipulate schedule for implementation its provisions, it is difficult to argue that common policies should precede reparation or vice versa. In essence they should march hand in hand. Neither can be accomplished overnight. Indefinite suspension of reparation program may well involve break up of ACC, although it might be possible for brief period to avoid definitive break by continuing, as Clay proposes, paper allocation of plants for reparation and holding up actual deliveries. It may also be mentioned that suspension of reparation would adversely affect reparation claimants other than Soviets and that provisional continuation of reparation deliveries in immediate future would not unduly prejudice our position in view of fact that reparation removals would in any event owing to their volume be spaced over two full years. Suspension of reparation deliveries might also force British into unilateral removals from their zone—action which they have already threatened to take once before in view of delay in carrying out reparation program.

7. In light of above, we present for your consideration and consultation with Clay and Murphy, a plan which, while based on full endorsement of Clay's position on interrelationship of reparation plan and treatment of Germany as economic unit, would provide for continued or resumed implementation of reparation program during a period of 60–90 days on condition that Soviets agree to join with other occupying powers in instructions to ACC to proceed during this period with negotiations on a phased plan for the adoption and implementation of common economic policies focussed on adoption of export-import program which shall be based on:—

- a) pooling of German economic resources through free interzonal trade, thereby reducing import needs for Germany as whole;
- b) allocation of imported and indigenous materials in such a manner as to attain uniform rate of economic recovery in all zones and alloca-

tion of German production as between domestic consumption and exports in such a way as to maintain some fixed differential in rate of German economic recovery and that of rest of continental Europe;

c) explicit understanding that exports from current output and stocks will be used only to pay imports into Germany until all past imports are paid for and Germany can be made self-sustaining. (It must be recognized that Potsdam Protocol does not explicitly rule out reparation from current output as far as Soviet zone is concerned and that this ambiguity should be cleared up.)

d) understanding, if required to obtain Soviet support, that the burden of financing any temporary surplus of imports over exports will be shared by the occupying powers in manner indicated in para 4 above.

Negotiations on common policies should in our opinion also be based on understanding that implementation of such policies should, pending establishment of central German administrative departments, be entrusted to quadripartite allied agencies such as proposed Export-Import Bureau which would be assisted by staff of German technical experts. It is our understanding French would agree to such a proposal. In this connection it might be pointed out that France as non-signatory of Potsdam Protocol, is under no obligation to assent to central German agencies and that central German agencies would in any event be unable to operate successfully without agreed quadripartite control and direction.

Scope of negotiations on common policies might also include efforts to obtain common policies in certain fields in which Soviets profess to have an interest similar to US such as effective action against German combines and trusts called for in para 12, Section III [II] of Potsdam Protocol and efforts to secure agreement on division of large estates and on nationalization of properties of combines, convicted Nazis and war criminals, etc., in order to eliminate classes which supported Nazism and extreme German nationalism in past. By taking initiative in these questions we would avoid the charge that we were seeking to impose a "Western capitalist" orientation on Germany and we would, through vigorous championing of economic and social reforms which would [*sic*] lay basis for economic as well as political democracy. We can certainly also afford to meet the Russian challenge regarding complete disarmament of Germany, particularly total prohibition of manufacture of all armament. While there is evidence that all occupying powers still tolerate manufacture of armament in their zones to varying degrees, the Soviets have apparently been the principal offenders by re-equipping aviation squadrons with jet aircraft and fleet with "schnorkel" submarines produced in Soviet zone; French are also producing some armament; and even US is engaged in some manufacture for experimental purposes in its zone. These facts par-

ticularly relevant to reported Molotov reaction to your proposal for 25-year treaty of guaranty ⁶ and you may accordingly find it advisable to propose inspection of disarmament progress all zones.

Continuation of reparation program during this test period would be subject to explicit understanding that (1) additional removals from Soviet zone shall take into account necessity of capital equipment for Germany as a whole within agreed Level of Industry Plan (In this connection it should be pointed out Soviets are removing sugar beet processing factories from Tangermuende area on Elbe even though plants are not surplus to German requirements as whole and Level of Industry Agreement makes no provision for removal of such plants from Germany), and (2) immediate steps will be taken to activate mixed commissions for task of assessing present industrial capacity in all zones and to apportion among four zones capacity left to Germany under Level of Industry Agreement. Essential part of plan would be immediate suspension further implementation of reparation plan at end of test period if no substantial progress made in negotiations on treatment of Germany as economic unit.

8. Above plan in our judgment has merit of being based squarely on Potsdam, of avoiding any imputation that US is abandoning Potsdam, and of forcing Soviets to reveal whether in fact they will live up to substance as well as letter of Potsdam. Consensus here that if you judge plan feasible, it might be advisable for the sake of bargaining, to broach it to Soviets in way which would indicate to them clearly that, while US is firmly convinced of desirability of treating Germany as an economic unit within framework of European economic system, it would have to consider, in event of failure of other powers to agree on effective implementation of this policy, disagreeable but inevitable alternative of treating Western Germany as economic unit and integrating this unit closely with Western European economy. You may wish to emphasize that US would greatly prefer to maintain Germany as unit under effective quadripartite control and to fit Germany as unit into a framework of organized continental European economic collaboration as proposed in the plan submitted to you prior to your departure, but that unwillingness of Soviets to cooperate would leave US with no choice other than alternative plan.

9. It is suggested that it might also be desirable to link negotiations on common policies under plan outlined above with simultaneous negotiations on Ruhr-Rhineland. Since, as we understand, Soviets have so far refused to have Ruhr-Rhineland placed on conference agenda, it might be pointed out to them that we cannot indefinitely continue

⁶ For Molotov's reaction at the Council of Foreign Ministers meeting in Paris, see memorandum of conversation, April 28, 1946, by Mr. Charles E. Bohlen, and record of meeting of April 29, volume II.

implementation of reparation plan without an early decision on fate of Ruhr-Rhineland. You will recall that both War Dept and Gen Clay have strongly urged necessity of prompt resolution of this issue. Another objective of negotiations would be to remove French opposition to establishment central Germany agencies. Negotiations on Ruhr-Rhineland might be broadened to include whole security issue, including your proposal for 25-year treaty of guaranty and, if you deem wise, plan for European economic collaboration. While it may be impossible to obtain immediate consideration Ruhr-Rhineland issue, we feel that indefinite postponement would be incompatible in the end with continued execution of reparation plan.

Sent to Paris, repeated to USPolAd Berlin as Dept's 1075.

ACHESON

740.00119 Control (Germany)/5-1046

*Memorandum by Mr. George F. Kennan to Mr. Carmel Offie*⁷

SECRET

PARIS, May 10, 1946.

Subject: Russian Policy in Germany

1. What the Russians want in Germany is the dominant power over the life of the country: power both to control internal affairs and to govern Germany's international behavior.

2. It is not of vital importance to Moscow what form this power takes, except that it must be without direct responsibility, beyond what the Russians have already assumed in their zone of occupation. In other words, it must be through puppet agencies of one sort or another. It will be a long time before the Russians will want even a Communist-controlled Germany to be part of the USSR. Meanwhile a "People's Republic", along the lines of Poland or Yugoslavia, would hold out the best prospects.

3. It is idle to ask whether Moscow is seeking this power over Germany for offensive or defensive purposes. The ends to which it would be used, if attained, would depend entirely on circumstances.

4. Moscow can hope to achieve this power only if the German Communists succeed in penetrating, paralyzing and bending to their will the German Social-Democrats and bringing about the suppression of the bourgeois parties.

5. At the moment, the Russians are exploiting the French opposition to central agencies in order to let the Communists pose safely as the champions of German unity, with a view to gaining strength outside the Russian zone. At the same time, they are profiting from the

⁷ Mr. Kennan was at this time returning to the Department for reassignment upon completion of a term of duty as Counselor of Embassy in Moscow. Mr. Offie was on the staff of the U.S. Political Adviser for Germany (Murphy).

occasion to complete political preparations within their own zone and to prepare that zone as a spring-board for a Communist political offensive elsewhere in the Reich. This state of affairs suits them very well.

6. The Russians place tremendous value on Communist success in Germany. To obtain it they would probably be willing, if necessary, to undertake even a revision of the Oder-Neisse line, which—in those circumstances—would probably mean a renewed partition of Poland. But they would not undertake such a revision unless they were sure that it *would* mean Communist victory, and that only in that way could such victory be obtained.

7. I doubt that for us there is any satisfactory approach to the German situation within the framework of the Potsdam agreement. The Oder-Neisse line was a grievous mistake and as long as it stands, the French have a real case for Rhineland and Ruhr. We can hardly assent to dismemberment in the east and oppose it in the west. For this reason, among others, I think that we must declare our independence of the Potsdam agreement. We could find plenty of justification for doing this.

8. My own feeling is that our best move at this time would be to announce that we could no longer be bound by Potsdam and to propose the economic unification of Germany *not only* within the Oder-Neisse boundary but also generally within the old boundaries, excluding East Prussia. This should disarm French objections and put the matter squarely to the Russians. If they accept it, they cut the ground out from under the Polish Communists. If they decline it, they lose the possibility of posing as the champions of a united Germany. And we would then be free to proceed to the organization of western Germany, independently of the Russians, without being pilloried as the opponents of a united Germany.

SWNCC 303 File: Telegram

The Director of the Office of Military Government of the United States for Germany (Clay) to the Chief of the Civil Affairs Division, War Department (Echols)

CONFIDENTIAL

PRIORITY

BERLIN, 23 May 1946.

[Received May 24.]

CC 5635. Personal for Echols. Conclusions of Goldsmith, Colm, Dodge⁸ *et al.* study of inflation and measures to restore financial stability in Germany now received. These conclusions extend well

⁸ OMGUS, *Special Report: A Plan for the Liquidation of War Finances and the Financial Rehabilitation of Germany*, May 20, 1946. The principal authors of the report were Raymond M. Goldsmith, Director, Division of Planning, War Production Board; Gerhard Colm, Assistant Chief, Fiscal Division, Bureau of the Budget; and Joseph M. Dodge, Director, Financial Division, OMGUS.

beyond interim measures contemplated in JCS 1067.⁹ This study was requested as present extent of Reich debt reflected in bank deposits and circulation of currency threatens us with inflation beyond our powers to control at almost any time.

In general the conclusions call for a program three steps. The first step would create a new currency and reduce existing monetary claims and obligations in the ratio of ten present marks to one new mark. It calls for cancellation of existing Reich debt but sufficient amounts of a new debt issue would be assumed by Germany as a whole and allocated to banks, insurance organizations, credit co-operatives, etc. To enable them to meet their reduced obligations roughly speaking, the new debt would be about Germany's prewar debt.

The second step is designed to make the devaluation of currency more equitable to Germany as a whole by imposing mortgages on real estate, plant equipment and inventories in amounts of 50%. Title to these mortgages would be placed in war loss equalization fund which would issue certificates payable as the mortgages are paid off over a long period of time, and would be issued to those people who had suffered losses as a result of war damage and reduction of monetary claims. Certificates representing claims will have an ultimate value depending on the extent and nature of the claims recognized, and receipts from assets of the fund available for redemption. This would of course establish specific budgetary limit to the recognition of claims and would undoubtedly make the devaluation of currency more acceptable to the majority of the population. There would of course be resentment by landowners. However, ownership of real estate should not in itself confer an exceptionally privileged position in any program designed to prevent inflation.

The third step is a progressive capital levy on individuals net worth remaining after taking steps one and two, rates to be determined by total amount of wealth and by increase in war years. This levy ranging from 10 to 90%, would be paid over in a period of 10 years into the war loss equalization fund. An exemption limit would be established which would leave a substantial majority unaffected by the levy.

Other measures deemed essential but not included in the first three steps would limit occupation costs to be paid by Germany to all four powers, require the organization of a central agency of issue and control of currency, and certain technical adjustments in correcting prices and wage levels and tax returns. It further visualizes establishing an international exchange rate for the new mark at around 25 cents.

Our experts believe first step of plan and as much of additional measures as can be agreed upon should be effected this fall. They

⁹ See footnote 83, p. 539.

visualize at least 1 year for completion of step two and perhaps 3 years for completion of step three.

I fully agree in the equity of the plan and in its desirability as a whole. Step one is essential and of immediate urgency. The present availability of currency in Germany is not only making it impossible to hold the line in price and wage control, but is also a severe deterrent to encouraging labor to work and to bringing farm produce and other products into the markets. It is also evidence that the introduction of this measure without steps two or three would make it unpopular with the large majority of the population which would feel that it was bearing undue share of the devaluation load in relationship to the owners of substantial capital to include real estate. On the other hand, the imposition of these measures by military dictate is not entirely consistent with our desire to have responsibility for such measures taken by the German people through their officials. Nor is it entirely consistent with the provisions of JCS 1067 limiting our own actions to those necessary to protect the occupation forces and prohibiting us from measures designed basically to rehabilitate German economy. Nevertheless, we must recognize JCS 1067 did not visualize present conditions in Germany under which 1 year after surrender there exists no responsible German machinery and hence full responsibility for Germany's financial structure rests on Allied Occupying Powers. The question of whether or not any newly established or democratically elected German Govt could long survive if it had to initiate such measures should be recognized. We have placed the plan in the hands of the financial experts of the other three occupying powers for their study and consideration, although we have not as yet formally presented the plan as the recommendation of the US delegation.

It is certain that any measures to control inflation to be fully effective must be part of a comprehensive program as interim and *ad hoc* measures taken throughout Europe have everywhere proved completely ineffective. The plan is drastic as no halfway measures promise success. In view of the urgency of the matter, your comments by cable are requested at earliest date and if possible prior to 1st June, as it is believed most essential for our formal proposals to be placed into the quadripartite machine by that date so that some reaction may be obtained prior to 15th June meeting of Council of Foreign Ministers. Manifestly, common currency control is one of major problems in treatment of Germany as an economic unit and is almost certain to rise in any extended discussion of the German problem.¹⁰

¹⁰ Consideration of the Goldsmith, Colm, Dodge Financial Plan was referred to the State-War-Navy Coordinating Committee. After discussion in that body and approval by the Secretaries of State, War, and Navy, the Plan was accepted in August as the basis for the American position in quadripartite Control Council negotiations (SWNCC 303 file).

740.00119 Control (Germany)/5-2546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 25, 1946—7 p. m.

U.S. URGENT

[Received May 26—4:40 a. m.]

1342. See my 1297, May 20.¹¹ Fifty-sixth Coordinating Committee meeting 23 May discussed preliminary report from Disarmament Commission, but failed reach agreement permitting immediate start of activities.

(Note: Commission reported inability agree scope its activities; its British, French and US members considered inspection war industries essential to worthwhile appraisal demilitarization and disarmament, whereas its Soviet member considered such inspection unnecessary and premature. British member favored simultaneous examinations all zones by specialist teams. French member agreed such procedure to 15 June, but reserved right reconsider for operations subsequently. Soviet member favored special sub-commissions for Navy, Army and Air Force (but not for economic) questions, visiting zones successively. US member accepted Soviet recommendation provided sufficient time allowed sub-commissions for effective work. US and French members would insist on inclusion of economic sub-commission should Soviet method be adopted.)

Soviet member Coordinating Committee said that, for reasons explained by Soviet member of Disarmament Commission, proposal economic investigation now unacceptable under any conditions. He said Soviets did not oppose such investigation because they attached no importance to economic disarmament; but they felt that as practically no such disarmament had been carried out in western zones, it would be futile to send an inspection group there. General Dratvin said Soviets did not intend further delusions in nearby countries that much industrial disarmament had already been effected: "German war potential in form of powerful war industry remains untouched. Soviet Delegation would welcome quadripartite economic commission for all zones when reparation deliveries in form of war industries executed or even well under way".

He urged acceleration reparations deliveries as effectual means destroy German war potential.

French member said he desired verify whether any German plants have been or are turning out war materials.

¹¹ Not printed; it reported the agreement of the Coordinating Committee at its 55th meeting, May 17, to General Clay's proposal for the establishment of a quadripartite commission to investigate disarmament in Germany (740.00119-Control (Germany)/5-2046). According to telegram 1264, May 15, 9 p. m., from Berlin, General Clay had received a request on May 12 from Secretary Byrnes at the Council of Foreign Ministers in Paris to make this proposal (740.00119-Control (Germany)/5-1546).

British member said he would be delighted to have inspections of war plants in British zone. He wondered why Soviet member omitted refer to reparation deliveries from Soviet zone, about which other three members knew nothing. He recognized that not all had been done that should have been done to demilitarize British zone; nevertheless it was not true, as Soviet member had alleged, that nothing had been accomplished in British zone. Actually British were not far behind on their program. He then asked rhetorically whether all output of aviation material, arms and ammunition had ceased everywhere in Germany, as was required? He considered basic purpose of US proposal was to reinforce mutual confidence among four occupying powers, and that persistent refusal participate fully in projected investigations must diminish confidence.

US member said his colleagues knew war requires matériel as well as men. US delegation had proposed examine all aspects of disarmament. Charges had been made that some zones maintained German troops under arms, and that others had allowed production of matériel continue, and thus far no investigation of these charges had been allowed. General Clay said that very large proportion explosive materials industry in US zone had been destroyed, and he wished learn whether that was also true in other zones, or whether plants there were in production. He said that although reasonable freedom had been accorded representatives from other zones to visit plants in US zone, reciprocal liberty had not been accorded US representatives. US delegation believed it was entitled to information. He was annoyed "at being constantly in one-way street where he always had to turn out for others. In football game one child with ball can make rules; however, as we are not children, we should join in writing rules in spirit of compromise." Saying he would inform his Government that Soviet opposition to investigation war industries was blocking way to worthwhile results, General Clay suggested postpone further discussion to next meeting (28 May) by which time he hoped his colleagues would have received instructions from their Governments.

Soviet member agreed to postponement, but said his colleagues had not influenced him to change his mind. He still considered creation now of economic commission would be premature.

MURPHY

[In telegram 5797, May 26, 1946, General Clay gave a comprehensive review of the German situation; for text, see Lucius D. Clay, *Decision in Germany* (Garden City, N.Y., Doubleday and Co., Inc., 1950), page 73.]

740.00119 Control (Germany)/5-2946: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 29, 1946—2 p. m.

[Received May 29—9:18 a. m.]

1372. After today's CORC meeting, Soviet Political Advisor Semenov¹² sought me out for a rather lengthy discussion of current problems affecting Soviet-American relations. He invited attention to Mr. Molotov's statement¹³ and recent Tass dispatches. He said there was serious doubt that Americans understood Soviet viewpoint on European problems. His government regarded with natural suspicion and some resentment our method of agreeing on things with the UK in advance of their presentation to the USSR. Semenov also said there was a growing resentment over recent US efforts to "dictate" on questions relating to various world areas. Semenov said that we were inclined to forget that the Red Army had done the major fighting in Germany and as a result USSR would not receive dictation from anybody. I replied that we recognized the combat contribution of the Red Army but were also reasonably certain that some Soviet authorities had no conception of America's contribution; US air forces had provided the wedge which made it possible for the Red Army to enter Germany while US land forces had captured the bulk of German territory, part of which, Thuringia and Saxony, they had presented to the Soviet High Command on a platter according to prior agreement.¹⁴

He went on to say that we threw out propositions apparently expecting immediate decisions without giving USSR reasonable opportunity to study subject matter. USSR could not operate that way. We had troops stationed over such wide areas and it was only normal, he said, for one to believe that his [*this?*] action was taken "with a view to the next war." Nevertheless, he was not pessimistic about the possibility of solving some of the current problems. He mentioned particularly the Danube and intimated that the USSR is now disposed to find a "reasonable" solution.¹⁵ He thought progress could be made on the German question but the US should make a greater effort to understand the point of view of the USSR.

¹² Vladimir Semenovich Semenov, Political Adviser to the Chief of the Soviet Military Administration in Germany (Sokolovsky).

¹³ Statement to representatives of the Soviet press on the results of the Paris meeting of the Council of Foreign Ministers, May 27, 1946.

¹⁴ See an exchange of messages between President Truman, Prime Minister Churchill, and Marshal Stalin, June 14-16, 1945, *Foreign Relations*, 1945, vol. III, pp. 134-137.

¹⁵ For documentation relating to European waterways, see pp. 223 ff.

Semenov spoke in most conciliatory fashion but he obviously was speaking under some form of directive. Without seeking to be argumentative, I conveyed to Semenov our belief that far from seeking to dictate, the US had done everything in this area to conciliate and to support harmonious quadripartite government in Germany. I pointed out that according to the Secretary the paper presented by him at the Council of Foreign Ministers looking to Four-Power agreement re German disarmament¹⁶ had been discussed months ago with Soviet authorities. Other proposals made by the Secretary at the end of the meeting re Germany had not been discussed in advance with any of the members of the Council. With respect to our troops I said that we had heard a great deal from the Soviet side about the necessity of protecting its lines of communication and that he would undoubtedly understand that with American forces occupying areas in the Pacific and in Europe, the US had valid reason to protect its lines of communication. I inquired what his Government had in mind re the Danube but he refused to go into detail, contenting himself with an optimistic generality that he felt that a solution of this problem was much nearer.

On local matters Semenov said apropos of CORC's discussion of political parties in Berlin, that it was his understanding that the German Communist Party had no intention of operating as a separate entity in view of the recent merger of the German Communist Party with some elements of the German Socialistic Party.¹⁷

Repeated to Moscow as 132 and Vienna as 67.

MURPHY

740.00119 Control (Germany)/6-446: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, June 4, 1946—10 p. m.

[Received June 4—5: 09 p. m.]

1419. My 1376, May 29.¹⁸ At 58th Coordinating Committee meeting 3 June Soviet member again insisted matter of Disarmament Com-

¹⁶ Reference is to the draft treaty on the disarmament and demilitarization of Germany, April 30; for text, see Department of State *Bulletin*, May 12, 1946, p. 815.

¹⁷ For documentation on this subject, see *Foreign Relations*, 1945, vol. III, pp. 1033 ff.

¹⁸ Not printed. This telegram reported on inconclusive discussions at the 57th Coordinating Committee meeting, May 28, during which the positions of the respective members concerning the Disarmament Commission remained substantially as summarized in telegram 1342, May 25, 7 p. m., from Berlin, p. 559. Due to the Coordinating Committee's inability to resolve the problem, General Dratvin suggested that it be referred to the Control Council. (740.00119 Control (Germany)/5-2946)

mission be referred to Control Council, and supported his stand by setting forth argument developed by Ivanov¹⁹ in Political Directorate (see my 1406, June 2²⁰). Debate became protracted on question of issuance of communiqué, formulation of decision for minutes and desire of Soviet member carry matter to Control Council.

At outset Dratvin said communiqué by Coordinating Committee would be useless and subject of Disarmament Commission was far too important to allow it to die there. French, British and US members declared they could see no useful purpose served by referring matter to Control Council unless its members had possibility of acting contrary to orders from their Governments. US member pointed out matter actually was no longer on Coordinating Committee agenda and Soviet delegation was quite free to ask it be placed on agenda of Control Council. He said that only matter on agenda was communiqué and text of conclusion for minutes. Soviet member finally refused agree communiqué by Coordinating Committee.

General Dratvin then developed thesis that if one member wanted to pass a given matter to Control Council it should be done because Coordinating Committee was merely executive body and Control Council was supreme legislative organ in Germany. He objected to what he called attempts to have Coordinating Committee supplant Control Council. He quoted Agreement on Control Machinery dated 5 June 1945²¹ in support of his thesis, and said any attempts give Coordinating Committee other functions than that of executive Control Council decisions were illegal. He emphasized Soviet belief that desire of one member of control authority organ sufficed to carry a matter to an organ of higher competency and vehemently protested against new procedure being adopted in Coordinating Committee. He added that disregarding general principle, he was unable understand why this particular case should be buried in Coordinating Committee.

At this juncture Chairman asked Coordinating Committee whether, in light of quotations made by Soviet member, it would agree reconsider sending Disarmament Commission matter to Control Council. Neither US nor British member found Chairman's proposal acceptable, and General Robertson said ideas just stated by his Soviet col-

¹⁹ Nikolai Ivanovich Ivanov, Deputy Political Adviser to the Chief of the Soviet Military Administration in Germany (Sokolovsky).

²⁰ Not printed; the most pertinent portion reads as follows: "... Ivanov deplored what he called obvious and increasing practice in Coordinating Committee to withdraw papers from agenda as soon as they encountered substantial opposition. He hoped practice would not now spread to Political Directorate, as he considered it constituted incipient breakdown control machinery." (740.00119 Control (Germany)/6-246)

²¹ Reference is to the Statement on Control Machinery in Germany; for text, see Department of State *Bulletin*, June 10, 1945, p. 1054. According to the minutes of the meeting, General Dratvin quoted paragraphs 3 and 5 (740.00119-Control (Germany)/7-146).

league and indeed his entire recent attitude has tended to turn proceedings of Coordinating Committee into travesty. He said that in great majority of cases recently reaching Coordinating Committee it had been practically impossible for Committee to take effective action. He concluded that should Dratvin propose Control Council meet following day with matter of Disarmament Commission on its agenda, he would readily agree.

General Dratvin countered that, as Coordinating Committee had been unable reach agreement, question must be referred to Control Council, that there was no question of any farce, and asked reasons for great hurry to bury matter in Coordinating Committee. He then revealed that he was acting on direct instructions from his Commander-in-Chief (Sokolovsky) and that, moreover, he thought he was acting rightly, his procedure being based on common (5 June 1945) agreement. Dratvin asked whether a question raised in Directorate must be decided there.

General Clay then recalled that at an early Control Council meeting General Eisenhower²² had proposed and obtained unanimous agreement that actions by Coordinating Committee should be considered as equivalent to those by Control Council,²³ and that only laws need go to Control Council. General Clay said that Directorates were not in same position because Soviet delegation had always opposed granting similar authority to Directorates. General Clay then said he would like to associate himself with remarks made by his British colleague to effect that authority of Coordinating Committee was deteriorating markedly; in recent weeks a question failing obtain immediate unanimous agreement was unable to obtain later agreement and went either to Control Council or Directorates. Thereupon, Dratvin said, he agreed with Clay that decisions of Coordinating Committee were as valid as those of Control Council, but only with regard to matters referred to it by Control Council, thus not with regard to questions of principles.

Chairman then proposed passing to next item on agenda and said Soviet member could present Disarmament Commission matter to Control Council. Soviet member protested this seemed like personal decision and said he was forced to conclude there was no longer quadripartite agreement. Chairman said there was none on this particular point. British member explained that when point of order is in question Chairman can rule. He felt General Koeltz had right of support from every other delegation.

²² General of the Army Dwight D. Eisenhower, Chief of Staff, U.S. Army, formerly U.S. member, Allied Control Council for Germany.

²³ See telegram 569, September 20, 1945, from Berlin, *Foreign Relations, 1945*, vol. III, p. 836.

At this point General Dratvin commenced offering what he called compromise proposals for text of conclusion for minutes. However, members were unable agree on all its points. Interposing a veto General Clay said it was first time he realized single member veto had some merit. It was finally agreed General Dratvin should be allowed opportunity reformulate his proposed text of conclusion in light of remarks by his colleagues, and present that text to next Coordinating Committee meeting (June 14).

During final minutes of debate General Dratvin agreed any delegation could withdraw its own proposal and said he desired only clarify own statement that Soviets thought economic examination by Disarmament Commission would be premature. In his draft text General Dratvin had inserted sentence to effect that committee took note Soviets will transmit question to Control Council.

French member said that never at Coordinating Committee meeting had there been any obstacle to withdrawal of paper by its sponsor, and never had one member insisted on reintroducing paper withdrawn by another member.

As stated in my 1376, Soviet motives for insisting on postponement of decision are obscure. However, it does not seem that insistence can any longer be attributed chiefly to desire obtain instructions on best formulation of communiqué. Certainly in that respect Soviet delegation is as well able now to formulate text as it will be after discussion in Control Council.

MURPHY

740.00119 EW/6-646 : Telegram

*The Ambassador in the United Kingdom (Harriman) to the
Secretary of State*

TOP SECRET
U.S. URGENT

LONDON, June 6, 1946—7 p. m.
[Received June 6—3:17 p. m.]

5782. Personal for the Secretary. Bevin asked me to call this afternoon to give me verbally a personal message to you. He hopes that you do not feel he is lacking in support of your German policy by his failure so far to announce the withholding of future shipments of reparations to Russia from the British zone. He has given serious consideration to doing so but has come to the conclusion that it would be wiser for him to wait for the time being. Firstly, he feels announcement would give additional color to the accusation of Anglo-American gang-up; secondly, he is not anxious to bring the matter up for full Cabinet discussion at this time until the whole German situation can be laid before the Cabinet; thirdly, he believes it would be more useful

if he would state his position if or when advisable during the forthcoming Paris Conference.

He wants you to know that he is in full support of your position on Germany and hopes that you will understand his reasons for withholding public announcement at this time. Incidentally, as I understand it, the British are in fact not making any deliveries to the Russians except those coming under the agreement for advance deliveries which we too are continuing to ship.

HARRIMAN

740.00119 Control (Germany)/6-1146: Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET
US URGENT

PARIS, June 11, 1946—7 p. m.
[Received 7:55 p. m.]

2818. In the course of a personal and strictly confidential conversation Chauvel alluded to the coming meeting of the Council of Foreign Ministers, referring particularly to the differences between the Russians vs Anglo-Americans on the German question. He said that while he and the "Quai d'Orsay" hope that agreement on Germany can be reached between the "west and the east" the Quai d'Orsay has serious misgivings that this will be possible. In the latter event he expressed "the personal opinion" that it appeared possible that a political and economic division of Germany might occur with a line of demarcation drawn between the Russian Zone on the one hand and the American and British Zones on the other. Under such circumstances he assumed that the USA and Great Britain would cooperate closely in organizing the overall policies of their two zones. He said that he could understand the necessity for this but that in such an event the French Govt would in all probability find it impossible to go along with us.

He went on to say that while he and other career personnel in the Quai d'Orsay would from both an economic and international viewpoint wish to go along with us, for French internal political reasons he believed that it would be "impossible for any French Govt to adopt an official policy of supporting the Anglo-Saxon powers against the Soviets in Germany." He pointed out that the French Communists would bitterly oppose any such policy with all means at their disposal and that through their control of the CGT they were in a position to make quite impossible the task of any French Govt. He added furthermore that the MRP (which has been the leading advocate of present French Policy) would probably not subscribe to any official policy of joining with the Anglo-Saxon powers in Germany unless satisfaction were given to the MRP thesis for the Ruhr, Rhineland

and Saar. Even in the latter event in view of their responsibility as the largest party they would probably not adopt any policy which would be certain to throw the Communists into the opposition thus creating internal confusion and chaos.

With the foregoing in mind he said that he hoped most earnestly that if, because of lack of agreement, Germany were divided into two zonal (Soviet vs Anglo-Saxon) spheres of influence, we would not press the French to go along with us formally and officially since such pressure on our part might simply force the French Govt (as a result of internal Communist pressure) to take a position of formal refusal. "On the other hand," he said, "in the event of the separation of Germany into two zones the French will for very practical reasons be naturally attracted to the Anglo-Saxon group. If we can commence by dealing with you and trying to reach agreement on individual questions affecting the French and Anglo-Saxon zones as they arise, rather than being pressed to join actively and officially with you I believe that a gradual evolution of the French position will occur and eventually when a definitive French Govt is established there will be a possibility that the isolated arrangements or agreements which we have reached with you as a matter of expediency could be formalized by some real agreement."

In conclusion Chauvel said French have no hope that any definitive solutions for the German problem will be agreed to at the coming meeting of the Foreign Ministers. The Quai d'Orsay hopes, however, that the other three powers will agree to establishing an agenda for discussion of German questions which could be subsequently examined by the Foreign Ministers' Deputies—or in line with Secretary Byrnes' suggestion last month—by a special group of Deputies. He mentioned as possible points to be included, the question of central administrations, the Ruhr and Rhineland, federal status for Germany versus the present concept, the demographic problem, and other inter-related economic and financial questions. "In other words," he said, "the German problem must be treated as a whole rather than piecemeal as heretofore." In reply to my question whether the French would propose such an agenda when the Foreign Ministers reconvene Chauvel replied that Bidault has not as yet made up his mind and that final decision cannot be taken until the new govt has been formed but that Quai d'Orsay officials will urge it.²⁴

Sent Dept 2818, repeated London 406.

CAFFERY

²⁴ On June 22, in telegram 3043, Ambassador Caffery reported on another conversation with M. Chauvel in which the latter indicated his belief that, provided the present deadlock continued, France would inevitably draw closer to the American and British positions on individual German questions, as long as this process did not appear to be part of a definite Western policy of cooperation against the Soviet Union (740.00119 Control (Germany)/6-2246).

740.00119 EW/6-1746 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)*²⁵

SECRET

WASHINGTON, June 17, 1946—10 a. m.

1105. Please present note in following language to USSR:

“Acting upon instruction from my Government, which attaches the highest importance to this matter, I have the honor to bring the following considerations to your attention:

At the Potsdam Conference, the Governments of the USSR, the United Kingdom and the United States of America agreed upon an overall and far-reaching program designed to meet our mutual reparation and security objectives. In the Protocol of that Conference, it was agreed, *inter alia*, that Germany would, during the period of occupation, be treated as a single economic unit; and that the reparation claims of the USSR would be met by removals from the zone of Germany occupied by the USSR and from appropriate German external assets.

Subsequently, and in accordance with procedures envisaged at Potsdam, a conference was held in Paris to discuss distribution of reparation shares to other nations entitled to compensation from the other three zones of Germany, and from appropriate German external assets. In the agreement resulting from that conference, the signatory nations agreed that they would in no way support claims on behalf of themselves or persons entitled to their protection in respect of property received by a reparation-claimant government as reparation ‘with the approval of the Control Council for Germany’. In addition, it was agreed that each signatory nation should have a prior right to claim items declared available for reparation removal when a claimant nation or its nationals had a substantial interest in such property.

Subsequently, the ACC for Germany has established the principle that, in an industry in which reparation removals are to take place, purely German property should be removed before that in which nationals of the United Nations have an interest; and the Level of Industry report, which has been under serious consideration over a considerable period of time, has been agreed.

The United States is informed that certain removals of plants in which nationals of the United States have substantial interests have taken place from the zone of Germany occupied by the USSR. The United States would desire to be informed, at the earliest possible moment, of the cases in which such removals have taken place, of the extent of such removals, and the justification of each. On the question of principle which is involved, the United States would desire to bring the following comments and suggestions to the attention of the Government of the USSR:

1. The United States feels strongly that, in the absence of specific determination on each such case in the ACC, properties in Germany

²⁵ Repeated to Berlin as telegram 1333, and to Paris for the Secretary’s information as telegram 2880 (Secdel 276).

in which nationals of the United Nations have a substantial interest are not properly subject to removal for reparation purposes. For purposes of discussion, the United States would define the term 'substantial interest' as being a shareholding of 48% or more of the outstanding stock of the German corporation or entity directly owning the property in question.

2. The United States believes that all past or future cases of removals from the zone of Germany occupied by the USSR of properties in which nationals of the United Nations have a substantial interest should be identified to the ACC. Only thus can implementation be given to the agreement that Germany is to be treated as an economic unit. Furthermore, this information is essential in order to enable the ACC to pass on an overall basis upon the suitability of such removals as reparations.

3. The United States proposes that the ACC shall be instructed to institute procedures which will make it possible for Germany to provide compensation to the nationals of the United Nations having a substantial interest in properties removed as reparation from Germany. In the view of the United States, these procedures would entail appraisal of the United Nations interest in such property by the ACC, deposit of the appraised value in reichsmark by the ACC to the account of the United Nations owner, and permission by the ACC that the sums so deposited may be used by their owner in the purchase in Germany of similar properties in related industries. The ACC should also be instructed to give favorable consideration to methods of compensating such United Nations owners, where feasible, by transfer of shares of similar enterprises in Germany. The ACC should also be instructed to explore other ways and means of making available to such United Nations owners, as a charge on the Germany economy, compensation for the properties so removed.

4. The United States requests that, pending these steps, any removals which may be contemplated of properties in which nationals of the United Nations have a substantial interest should be discontinued.

5. The United States must state that, where past or future removals do not fall within the category of reparation removals as thus defined by the ACC, the United States reserves its right to claim compensation from the reparation recipient, on behalf of its nationals, in respect of such removals of properties in which such nationals have a substantial interest.

6. In recognition of the needs of economic security, the United States recognizes the right of the occupying powers to effect removals of all plants and equipment falling within those categories which are proscribed under paragraph III B.11 of the Potsdam Protocol.²⁶ The United States reserves its right at a later date, however, to ask reichsmark compensation for its nationals with respect to such removals.

7. The question of minority interests of nationals of the United Nations is expressly reserved in this memorandum.

8. The United States will support proposals in the ACC for Germany designed to implement these principles, and requests an expres-

²⁶ Reference is to the Communiqué of the Potsdam Conference, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1499, 1504.

sion of the views of the Government of the USSR at the earliest opportunity.²⁷ The United States is making similar proposals to the Governments of the other occupying powers.”

ACHESON

740.00119 Council/6-2046: Telegram

The Acting Secretary of State to the Secretary of State, at Paris

SECRET

WASHINGTON, June 20, 1946—7 p. m.

2968. Secdel 313. Fol OMGUS message Nr. CC 6920 of June 14 and reply being sent to General Clay reptd for ur info:²⁸

“We have reported on a number of occasions rumors that the Fr are removing machinery from Fr Zone in Ger without regard to reparations agreements. Fr reps have admitted to removal of approx 5000 machine tools to Fr without going through reparations procedure. Information now available to us indicates that these removals are likewise giving no consideration to the agreed level of industry to be left to Ger and in many cases are removals from plants determined essential to minimum Ger economy. It has come to our attention that 228 machines have been removed from firm of Jetter and Scheerer and that 438 additional machines have been requisitioned for removal. This firm is principal manufacturer of surgical instruments in Ger. The continued manufacture of these instruments is permitted in Level of Industry Plan to provide exports from Ger to meet cost of essential imports. Removal of these machines will obviously increase the financial liabilities for all deficit areas in making Ger self supporting. In addition thereto it will directly affect US Zone in Ger since there is no manufacture of surgical instruments in US Zone which must depend on trade with Fr Zone to secure such instruments. In view of this direct violation of our agreements it is our intent here to advise Fr that we propose to discontinue restitution until this problem is mutually and satisfactorily resolved. Realizing repercussions of such a step we would appreciate ur comment soonest.”

“Re ur CC-6920, 14 June. This Govt agrees with serious view which you take regarding unilateral removals from Fr zone and especially those which are contrary to level of industry agreement. However, it does not appear desirable at this time to halt restitution deliveries to Fr. Pls submit by priority cable, repeating to Paris for Secdel, complete data on all removals of which you have knowledge which adversely affect Level of Industry agreement giving source, dates and other details where available. Based upon this information, it is then proposed that protest will be made to Fr at govtal level. In the meantime you should make informal protest to Fr rep Coordinating Committee, pointing out serious view US Govt takes failure to adhere to quadripartite agreements and obligations to non-occupying

²⁷ The reply of the Soviet Union to this memorandum is contained in telegram 3392, September 4, 11 p. m., from Moscow, p. 600.

²⁸ Reply was dispatched as War Department telegram 92705, June 27, 1946.

powers entitled to reparation. Please report reactions French representative in full.

Foregoing does not mean that this Govt would necessarily continue to approve restitution deliveries to Fr if her actions as regards reparation removals continue to violate Level of Industry Agreement."

Sent to Paris 2968 repton Brussels for Dorr ²⁹ 683.

ACHESON

740.00119 Control (Germany)/6-2146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, June 21, 1946—11 a. m.

[Received June 21—8 a. m.]

1560. 1. Thirty-first meeting of Control Council today held a largely fruitless discussion, particularly on the matters of Quadripartite Disarmament Commission and Soviet failure to report circulation of Allied military marks.

2. On the grounds that Foreign Ministers' Conference had referred question of disarmament inquiry to Allied Control authorities, Soviet member challenged US delegation's right to withdraw proposal from Coordinating Committee. He said Soviets favored full inquiry on German disarmament but that this should start first with tangible matters such as troops and military installations, and that as regards German economic disarmament there was nothing to be examined at present since the Control Council had done practically nothing in this field. (See my 1513, June 15).³⁰ Referring to the still uncompleted reparations program originally called for by February 2, Soviet member suggested Control Council should order formulation of a comprehensive economic disarmament plan for Germany which would specify plants to be destroyed, those to remain and those to be removed for reparations.

French Chairman recalled proposal for inquiry was not officially received from Foreign Ministers' Conference and that General Clay was entitled to withdraw it from Coordinating Committee, as was Soviet member entitled to bring it up before Control Council. US, Britain [*British*] and French members observed that Soviet delegation's position was virtually the same as taken at Coordinating Committee and that its reservation was tantamount to rejection of US

²⁹ Russell H. Dorr, U.S. delegate, Inter-Allied Reparation Agency (IARA).

³⁰ Not printed; this telegram reported on discussion at the 59th Coordinating Committee meeting at which General Dratvin, acting under orders from Marshal Sokolovsky, had repeatedly expressed opposition to examination of the economic industrial phase of disarmament (740.00119 Control (Germany)/6-1546).

proposal. British member remarked that he was not interested in German military organization since he took it for granted that German military units no longer existed in any zone but that he wanted to know if manufacture of war material had stopped. US member observed better progress would be made if all delegations carried out Potsdam decisions and he suggested Control Council instruct all directorates to conform with these decisions in their discussions.

Soviet member desired that lack of agreement in Control Council be referred to Council of Foreign Ministers in Paris but later concurred with decision of the other members that each delegation make separate report to his own Government.³¹

Repeated to Moscow as 151 and to Paris for Matthews as 166.

MURPHY

SWNCC 267 File : Telegram

The Joint Chiefs of Staff to the Commanding General, United States Forces, European Theater (McNarney), and the Director of the Office of Military Government of the United States for Germany (Clay)

SECRET

WASHINGTON, 3 July 1946.

Warx 93543. Book message to McNarney and Clay from Joint Chiefs of Staff. The following, received from the State, War, and Navy Departments, is furnished for your information and guidance in reply to your CC-23313 dated 18 February 1946 and CC-4481 dated 4 May 1946: ³²

"1. Pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the German economy rate of 10 reichsmarks per dollar must be applied to categories of transactions enumerated in paragraph 2 below and to similar transactions. You are authorized and directed to introduce in Allied Control Authority proposal to establish this rate for such transactions. This rate should not be employed in pricing merchandise exports.

³¹ Subsequently, as reported in telegram 2273, September 27, from Berlin, at the 80th meeting of the Coordinating Committee on September 26, agreement was reached on a directive (promulgated as Allied Control Council Directive No. 39) for the liquidation of German war and industrial potential. It provided ". . . for quadripartite compilation of information regarding economic German war potential in four main categories, for liquidation of plants concerned by the zone commanders, and for control of this liquidation by a system of certification by the zone commanders and through quadripartite inspection by inter-Allied commissions." It was hoped that this procedure would accomplish what the Disarmament Commission had been intended to do (740.00119 Control-(Germany)/9-2746).

³² Neither printed.

"2. It is agreed that commercial exchange rate should be established for following purposes:

a. To permit purchases of reichsmarks by American and foreign business firms and individuals, government missions, et cetera, operating in Germany, in order to defray their net reichsmark expenditures incurred outside U.S. Army facilities.

b. To facilitate pricing of services sold to foreigners against foreign exchange, including rail transit charges.

c. To permit benevolent and support remittances to Germany, when and if remittance facilities are established and licenses granted.

"3. Prices of export products should continue to be quoted in foreign exchange and based on world market prices or prices in importing countries. Where such prices are impossible to establish, as in cases of specialty products, suggest as one possibility the pre-war export prices be employed as basis for calculation with whatever adjustment you deem appropriate to take account of changes in prices of similar or related commodities in importing country.

"4. Your points in opposition to use of 10-to-1 rate and in favor of 3-to-1 rate:

A. Agree that internal purchasing power of reichsmark in terms official prices in general exceeds 10 cents. Expect bulk of foreign expenditures to consist of commodities and services purchased at official prices. But any resulting gain to foreigners will be comparatively small since volume transactions will presumably not be large.

B. No conclusive evidence presented that establishment reichsmark exchange rate at 10 cents would substantially diminish foreign exchange accruing to German economy as compared with higher rate such as 3 marks to dollar. Believe dollar value benevolent and support remittances would not vary appreciably with rate since remitters probably determine dollar value of remittances with little reference to reichsmark equivalent. There might be some reduction in foreign exchange proceeds in few cases where demand for reichsmarks relatively insensitive to their cost in foreign exchange such as purchased by foreign missions and businessmen in Germany of German goods and services for consumption in Germany and to lesser extent purchase of transit services in Germany. Believe however that in such cases volume foreign exchange accruing to German economy not significantly affected particularly if account taken of probability serious collection difficulties in collections might be encountered if transit services priced at 3-to-1 rate rather than 10-to-1 rate.

C. Fail to see how use of 10-to-1 rate can impair stability present German price structure so long as rate not reflected in prices of imported or exported commodities. Additional purchasing power resulting from higher reichsmark proceeds to recipients of remittances will have negligible effect on German economy.

D. Comparison prices in Germany and in United States of foods available on ration in Germany not considered sufficiently broad basis for comparison purchasing power of reichsmark and dollar. Although there is no entirely satisfactory basis for calculation purchasing power parities considerably broader range of prices and costs should be included in such calculation.

"5. Factors not taken into account urad CC 4481 militating against establishment 3-to-1 commercial rate and in favor 10-to-1 rate are:

A. U.S. Government opposed as matter of general policy to employment multiple exchange rates. Establishment of 3 reichsmarks per dollar commercial rate without change in troop pay conversion rate might be so construed. Change in troop pay conversion rate would involve serious difficulties.

B. At 3-to-1 rate substantial volume of black market transactions might be expected, especially if troop pay rate remained at 10-to-1.

"6. For your information, the U.S. Forces of Occupation in Austria has proposed to Allied Council for Austria establishment of interim general exchange rate 10 schillings per dollar.

"7. Disposition dollar proceeds of remittances and procedure for making remittances under consideration."

740.00119 Control (Germany)/7-946: Telegram

Mr. Donald R. Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, July 9, 1946—2 p. m.
[Received July 9—11:25 a. m.]

1679. Coordinating Committee meeting July 8 continued discussion of replacement by similar or comparable property of objects of unique nature looted and destroyed or lost by the Germans (see mytel 1651, July 4³³). Soviet member maintained his objection to proposed requirement that an occupying power submitting a claim for replacement must furnish a list of all similar or equivalent German-owned property removed from its zone. As substitute for the elaborate machinery envisaged in paper under consideration, US delegation submitted a brief and greatly simplified project which would limit replacement in general to works of art, historical relics, manuscripts and rare books, and objects of importance to history or science. Only claims for objects of great rarity would be considered, and action on each claim would be based upon the evidence presented and the merits of each case. While forfeiting the opportunity of pressing the Russians and French at this time to disclose what they have taken from

³³ Not printed; it reported inconclusive discussions on this topic which took place at the 62nd meeting of the Coordinating Committee on July 3 (740.00119-Control (Germany)/7-446).

their zones, US paper was intended to break the log-jam and make it possible for legitimate claims to be acted on at an early date.

British delegate first maintained that US substitute proposal evaded issue of procedure required for replacement and inquired concerning Soviet objection to furnishing list of removals. Soviet member insisted it would be impossible to submit such information, for the reason alone that certain areas in Germany had been "occupied by several Allied armies". He accepted US substitute proposal. Replying to the British, US delegate stated that Reparations Deliveries and Restitution Directorate should not be permitted to set up elaborate machinery but should be able to handle replacement claims with existing machinery. US view was that when looted art treasures cannot be located, compensation for their loss is primarily a reparations matter and that replacement in kind should only be considered as rare and special cases.

After some further discussion Coordinating Commission approved US substitute proposal in principle and instructed R D and R directorate to consider necessary measures for its implementation, taking into account existing machinery and agencies.

Repeated Moscow as 173, to Paris for Matthews and Ambassador Murphy as 197, to Brussels for Dorr 82.

HEATH

862.602/7-946 : Telegram

Mr. Donald R. Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

CONFIDENTIAL

BERLIN, July 9, 1946—9 p. m.

[Received July 9—2: 12 p. m.]

1687. There has been forwarded by despatch 4969, July 5,³⁴ text of new Soviet proposal on prohibition of excessive concentration of economic power which goes beyond previous proposals in two essential respects—prohibition of all cartels within the Reich as well as membership by any German enterprise or person in an international cartel. Likewise, it proposes that title be taken to assets of 170 specified firms.

Economic Directorate considered this proposal July 5th and agreed to instruct decartelization working party to use Soviet proposal as basis for consideration in preparing a draft deconcentration law and to include in draft an agreed list of plants which constitute excessive concentration of economic powers. Directorate also agreed that provision for permanent committee on deconcentration should be included in draft law.

Decartelization working party on July 8 attempted to reach agree-

³⁴ Not printed.

ment. However, British members insisted that resulting law must be non-mandatory to obtain British consent; result will be divided working party report. Majority draft supported by US, Soviets and French members, minority report by British.

HEATH

740.00119 Control (Germany)/7-1146: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, July 11, 1946—7 p. m.

[Received July 12—12:32 p. m.]

3413. It is still too soon accurately to judge the reaction of either the French Government or the French people to Molotov's declaration on Germany yesterday³⁵ in which he stated that Moscow opposed dismemberment or political detachment of the Ruhr, and advocated a central German Government with an expansion "within certain limits" of German "peacetime industry". It is certain, however, that the Russian position as stated will come as a blow to many Frenchmen who had been counting on Russian support for the separation of the Ruhr because of the recent stand taken by the French Communist Party ostensibly supporting Bidault's policy.

Discussing Molotov's statement yesterday, several Foreign Office officials dealing with German affairs expressed great concern and said, "This is development of major political importance". They believe that Soviets who have heretofore made no long range policy statement have now decided to pose as the champion of German rehabilitation and nationalism in hope of discrediting the policy of the other three powers and facilitating Communist penetration into the other three zones with the view eventually to establishing a Soviet dominated Germany. At the same time by blocking the designation of deputies and hence a discussion of German problems, Moscow leaves the door open for a different approach to the German problem at some future CFM meeting (presumably 6 or 7 months hence) at which time it will be in a better position to judge the progress of its penetration, its chances of ultimate success and to act accordingly.

These French officials do not believe that Soviet's desire to continue extracting reparations from Germany by moving capital equipment and production to the east is primary reason for Soviet policy decision since stripping of Soviet Zone is very far along. In this connection, they point out that if Soviets had wished, they could have blocked German question in CFM and continued stripping without defining their policy toward Germany. Therefore, they are convinced decision is one of major importance based on long-range Soviet policy

³⁵ See record of the July 10 meeting of the Council of Foreign Ministers, volume II.

toward Germany with important developments anticipated in next 6 months.

By taking a line which in many respects is contrary to that of the French Communist Party, there is little doubt that they have placed Thorez³⁶ and company in a difficult position. The French are speculating on whether this may mean that the Kremlin believes that Germany rather than France is the pivot for Sovietizing Europe. But they feel that it is far too soon to reach any such conclusion—particularly since Moscow has left itself a possible avenue for a change in policy when the German question eventually comes up for discussion before the CFM. We were reliably informed that Molotov saw Thorez yesterday before the meeting and undoubtedly explained the reasons for Soviet German policy. It is also reported that subsequently Thorez saw Bidault and allegedly suggested a postponement of yesterday's CFM meeting until today, possibly to give the French Communists a slightly longer period to trim their sails to Moscow's policy (as late as July 9, *Humanité* was still calling for "the economic and political detachment of the Ruhr").

What exact line the French Communists will now follow remains to be seen. While they can unquestionably—as they always do—find some "logical" explanation for Moscow's latest move, it should be more difficult for them actively to plug it at this time, particularly in view of their apparent previous position supporting Bidault and the violent opposition of the majority of French to a resurgent centralized Germany which retains Ruhr and Rhineland. (For press reaction see my 3411, July 11³⁷).

Sent Dept 3413, repeated to London as 528, Moscow 286, and Berlin as 273.

CAFFERY

740.00119 Council/7-1846: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 18, 1946—3 p. m.

[Received 4:32 p. m.]

1740. Personal for Ben Cohen.³⁸ It is noted that the Secretary is quoted as saying in his July 15 radio broadcast³⁹ that "the French

³⁶ Maurice Thorez, Secretary-General, French Communist Party; Vice-President of the Council of the Provisional Government of the French Republic.

³⁷ Not printed.

³⁸ Benjamin V. Cohen, Counselor of the Department of State; Counselor, U.S. delegation, Council of Foreign Ministers.

³⁹ For text of the Secretary's broadcast reporting on the Paris Council of Foreign Ministers, June 15–July 12, see Department of State *Bulletin*, July 28, 1946, p. 167.

Government, which had previously opposed the establishment of central administrative agencies, indicated its interest to accept our proposal when we suggested that the Saar be excluded from the jurisdiction of these agencies". Neither Clay nor I believe this to be accurate.

Notes made of July 12 meeting⁴⁰ show that Bidault stated that although the French Government had not modified its point of view regarding German central administration and although it linked this problem with its proposals for the future of the Ruhr and Rhineland,⁴¹ it did not object to provisional arrangements for economic unity within the present boundaries of Germany. Hence it was not opposed to the creation of Allied offices with German personnel which under the ACC Berlin would provisionally apply the principles of German economic unity.

The foregoing represents the same position the French have taken throughout the past months. They have been agreeable to the establishment of Allied offices but that is different from what was contemplated at Potsdam, namely, the establishment of German central agencies. I am not certain whether the Secretary has this distinction clearly in mind.

MURPHY

740.00119 Control (Germany)/7-1946: Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, July 19, 1946—5 p. m.

3541. Opening paragraphs War Dept cable July 18 to CG USFET state:

"Accordance publicly announced US policy (SecState speech July 15) and proposal made by SecState in CFM July 11,⁴² you are authorized and requested announce in ACC Berlin as follows:

As no zone in Germany is self-sustaining and as treatment of two zones or more as economic unit would improve situation in zones concerned, US zonal authorities will join with those of any other zone or zones in measures for treatment of their respective zones as economic unit, pending Four Power Agreement for application of Potsdam decision regarding treatment all Germany as single economic unit and attainment of balanced economy throughout Germany. You should further state that you are prepared cooperate with any or all of other three occupying governments in establishing appropriate administrative arrangements to this end. These essential administrative arrangements would be established in such fields as finance, trans-

⁴⁰ For the record of the July 12 meeting of the Council of Foreign Ministers, see volume II.

⁴¹ See memorandum by the French delegation to the Council of Foreign Ministers, April 25, 1946, *ibid.*

⁴² See *ibid.*

portation, communications, industry and foreign trade in such way as to obtain economic unification of zones concerned and to be capable of development, upon adherence all four zones, into central German administrative departments headed by state secretaries provided in Potsdam decision. In making this proposal, it is not US intention to divide Germany but to expedite its treatment as economic unit. Whatever arrangements are made with one government will be open on equal terms to governments of other zones at any time they are prepared to participate. The US Govt believes that Germany cannot continue to be administered in four airtight compartments without free economic interchanges between them and further that continuation of present situation will lead inevitably to economic paralysis in Germany. US Govt is, therefore, not willing to permit this creeping paralysis when it may be possible to attain economic unity between some of zones as prelude to economic unity for Germany as a whole.

If this offer is not accepted by all participating representatives, you are authorized and requested enter into negotiations at once with occupation authorities of any other zone or zones for measures to accomplish principles of preceding paragraph and designed to effect treatment of such zones as economic unit. Respect French zone, you are authorized, accordance statements made by SecState Paris, to negotiate with French representative on basis excluding Saar Territory from any arrangements for economic unity that may be agreed upon. Please keep State and War Depts currently advised course such negotiations and submit any agreed recommendations and plans for approval here."

There follows detailed CFM background already familiar to you.⁴³ Fr Emb here informally advised our plans this connection.

Sent Paris as 3541; rptd London as 5505, Moscow as 1320, USPolAd Berlin as 1555.

BYRNES.

740.00119 Council/7-1846: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, July 19, 1946—7 p. m.

1559. Personal for Murphy from Cohen. Regarding urtel 1740 am conscious there may not be complete meeting of minds between Secretary and Bidault on central agencies. But personally believe effort should be made minimize if not obviate this difference. In a legal or theoretical sense, central German administrative departments may be considered allied offices or instruments of inter-allied control as there is no central German government and under the Potsdam Agreement they will act under the direction of Control Council. While Potsdam Agreement states that departments will be headed by

⁴³ See Clay, *Decision in Germany*, pp. 167-168.

state secretaries, I do not believe that the title of the heads or chiefs of the agencies carries any special significance. Important thing is that these central agencies be given adequate authority, subject to supervision of the Allied Control Council or the combined zonal authorities participating in our proposed scheme to administer Germany as economic unit as provided in Potsdam Agreement. The Secretary hopes that we may find a *modus vivendi* with the French if we avoid clash on verbal differences upon which their political situation may cause them to put exaggerated importance. If we can't agree with them we hope it is clear that the difference is clearly substantive and not a matter of words. [Cohen.]

BYRNES

740.00119 Control (Germany)/7-2046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 20, 1946—9 p. m.
[Received July 20—4: 55 p. m.]

1767. 1. At 34[th] meeting Control Council July 20, General McNarney made announcement cabled him from War Dept authorizing him to join with representatives of any other occupying power or powers in measures for treatment of respective zones as an economic unit, pending quadripartite agreement which would permit application of Potsdam Decision for treatment of Germany as economic unit.

While stating he was not in position to express definite opinion today, British member mentioned that announcement followed very closely Secretary Byrnes' statement regarding which Bevin had said he would seek the urgent consideration of his Government. He inquired whether it was intended that administrative functions should be limited, as in General McNarney's announcement, or be those envisaged in paragraph 9 (4) of Potsdam Agreement.⁴⁴ General McNarney replied that his announcement contemplated all administrative functions necessary for establishment of economic unit.

French member stated that announcement raised completely new matter on which he could give no opinion today.

Soviet chairman made no comment and Control Council postponed discussion to later meeting.

Soviet political adviser, subsequent to meeting, objected to inclusion Control Council in communiqué of reference to US proposal as one designed to establish German economic unity, stating this would be

⁴⁴ See *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1503.

putting evaluation on proposal by Control Council which did not accord with Soviet point of view. He personally doubted that this is way to achieve economic unity.

Sent Dept as 1767, repeated Moscow as 188.

MURPHY

740.00119 Control (Germany)/7-2446: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 24, 1946—6 p. m.

[Received July 24—3 p. m.]

1785. 1. At 66th meeting Coordinating Committee July 23 a lively interchange took place between General Clay and General Kurotchkin⁴⁵ who has taken Dratvin's place at recent meetings, concerning Russian proposal that a better system of listing and safeguarding plants subject to reparation was needed on ground that equipment was missing or stolen from several plants in US and British zones which had been allocated to Soviet Union. Reading from prepared statement Kurotchkin said he raised this question in interest of Western countries as well as Soviet Union. He asserted that certain plants declared available for reparation existed only on paper and that robbery of equipment and its sale to Germans was common. Potsdam and Control Council agreements were thus being violated on two scores: Germany was not being properly demilitarized and reparations deliveries were being circumvented. In US zone ten aviation plants subject to reparations were found to have no equipment whatsoever. Linking these developments with Clay's decision on cessation of deliveries, Kurotchkin said these facts were part of chain of measures breaking down reparations in Western zones and that world public opinion was unable to understand US action. He proposed control authority should place responsibility on zone commanders for inventorying plants available for reparations and for protecting inventoried property and that measures should be taken to trace stolen equipment in order that immediate return to Soviet Union and Western countries be made.

General Clay explained that as had already been reported to Quadripartite Industry Committee certain plants in US zone were found to have less equipment than originally assumed while others constituting war potential had been destroyed. As to charge of looting he

⁴⁵ Col. Gen. Pavel Alekseevich Kurochkin, Soviet member, Coordinating Committee, Allied Control Council for Germany.

said it was below dignity of US to reply to such accusation. Clay then returned attack by skillfully raising basic issues which Soviet delegate was forced to sidestep. He asked whether Soviet proposal contemplated complete inventory of plants in Russian zone subject to reparations. If Soviets would furnish such list he would too. He asserted that Soviets had advantage of at least knowing that aviation plants in US zone do not produce planes while US had no such knowledge as regards Soviet zone. US is equally interested in Potsdam reparations agreement from two standpoints of German demilitarization and maintenance of level of peacetime industry. Clay said that as regards Western nations he would render account at any time but with respect to Soviets US was no longer living on one-way street. He mentioned that while quadripartite evaluation teams were admitted to US zone inter-Allied Committees on Level of Industry were refused entry into Soviet zone and US had no opportunity to examine plants there. Clay asserted that it was as important for US to know what is left for level of industry as [what?] is taken away for reparations. He was willing to refer Soviet proposal to Economic Directorate but would instruct his representative that inventorying of reparations plants before their declaration of availability or removal must apply to all four zones.

British member pointed out that Soviet paper would be unnecessary if Soviets had accepted US proposal for investigation of economic demilitarization. Beyond stating that Soviet commander will act in full accordance with Potsdam reparations decisions Soviet chairman had no further comments and agreed to reference to Economic Directorate of question of inventorying.

Repeated Moscow as 193; Brussels as 88 for Dorr.

MURPHY

740.00119 Control (Germany)/7-2446

The Secretary of State to the French Ambassador (Bonnet)

WASHINGTON, July 24, 1946.

EXCELLENCY: I have the honor to refer to certain policies pursued by the French Government in its zone of occupation in Germany, which have aroused the concern of the United States Government.

Pursuant to the original arrangement made for the quadripartite control of Germany the United States Government has persistently sought international agreement on all matters relating to Germany. It vigorously sought, and in many cases obtained, agreements on the amount of industry to be retained by Germany; the sequestration of

German assets abroad; the distribution of German reparations; the conditions governing restitution of looted property; the exportation of coal from Germany; the liquidation of German cartels and combines etc. In all these and other questions the United States has endeavored to obtain common policies applicable to Germany as a whole. Its efforts have been prompted solely by a desire to maintain quadripartite unity in Germany and to carry out, under agreed procedures, effective measures for the economic and military disarmament of Germany and for a substantial contribution by Germany as a whole to the economic recovery and security of the nations who were victims of Nazi aggression.

The United States Government notes with regret that the French Government appears in many cases to be following policies contrary to those of the United States and to agreed Allied objectives with respect to Germany.

The United States Government, for example, is informed that officials of the French Government have removed large quantities of industrial equipment, stocks of materials and foodstuffs from their zone of Germany, apparently at variance with Allied agreements on the level of industry to be retained in post-war Germany, and with the Final Act of the Conference of Paris on reparations.⁴⁶ The military authorities of the United States in Germany called to the attention of their Government the widespread removals of industrial equipment and other goods from areas of Germany originally conquered and occupied by French troops and later turned over to United States administration. Recently our military authorities have brought to the attention of this Government removals of equipment from industrial plants in the French zone of Germany which had not been declared available for reparations under the level-of-industry agreement of the Allied Control Council but on the contrary were to be retained in Germany by the terms of that agreement.

The United States is further informed that the French Government has adopted a policy of incorporating within the French economy certain sectors of the German economy which France holds directly in trust; and that France has sought to gain commercial advantage from her position as an Occupying Power, even to the extent to [of] seeking to inherit the German position in certain international cartels. This appears to be in contradiction to the principles of commercial policy jointly enunciated by the French and United States Governments in the agreement of May 28, 1946.⁴⁷

⁴⁶ For text, see Department of State, *Treaties and Other International Acts Series No. 1655*, or 61 Stat. (pt. 3) 3157; for documentation on this Conference, see *Foreign Relations*, 1945, vol. III, pp. 1357-1506, *passim*.

⁴⁷ For text, see Department of State, *Treaties and Other International Acts Series No. 1928*, or 61 Stat. (pt. 4) 4175; for related documentation, see *ante*, pp. 399 ff.

Among the actions of these types which have come to the attention of the United States Government are the following:

1. The marketing of German chemicals through French chemical companies, together with various restrictive special arrangements tending to integrate the German chemical industry in the French Zone of Occupation with that of France.

2. The refusal to pool German Rhine barges in the French Zone of Occupation with those of the other Western Zones of Occupation, and, on the contrary, the operation of these barges, together with French barges on the Rhine, by a wholly French company.

3. The operation of the German railways in the French Zone of Occupation directly by a French company after integration with the French railways; the repainting and renumbering of German railway wagons sent into France in the course of normal transport operations; the destruction and removal of railway lines in the French Zone of Occupation which endanger the efficiency of European transport.

4. The marketing of German wines and liquors by and possibly for the benefit of citizens of France in Alsace.

5. The unique refusal of the French representative in the Emergency Economic Committee for Europe to regard timber produced in the French Zone of Germany as part of the general availability for Europe.

These actions by the French authorities lead the American Government to conclude that the French Government is adopting a policy of unilateral exploitation of the economic resources of Germany. This exploitation not only disregards the agreed principle to receive reparations through orderly procedures, agreed upon among the Allies, but is also at the expense of other occupying powers who are thereby compelled to increase their already large outlay for the purpose of sustaining a minimum necessary economy in Germany.

The United States Government appreciates fully the vigorous and gallant efforts of the French Government and people to achieve economic revival and reconstruction in the period since the close of the European war; and it has sought to aid and support that effort. The United States Government is convinced, however, that it is contrary to the common Allied interest which France fully shares that the process of recovery be carried on at variance with agreed principles. The United States Government therefore, requests urgently definite assurances from the Government of France that the above mentioned policies now being pursued in the French Zone of Occupation will promptly be replaced with actions consonant with our agreed objectives.

Accept [etc.]

JAMES F. BYRNES

740.00119 Control (Germany)/7-3046: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, July 30, 1946—9 p. m.

[Received 9:30 p. m.]

1825. See mytel 1767, July 20. 1. At thirty-fifth meeting Control Council July 30 British made known their acceptance in principle of General McNarney's invitation to participate in measures for German economic unity whereas Soviets adopted a position considerably short of acceptance [which] nevertheless may prove to be an advance. French were without instructions to reply.

2. British member stated his Government accepted invitation in principle and said he had instructed his staff to begin discussions with US delegation for joint administration in the fields of agriculture, commerce, industry, finance and transport. He hoped Soviet and French delegations would be authorized to join in arrangements for accomplishment of economic unity to which all delegations were committed by Potsdam. British did not regard their action as a step toward division of Germany but were still resolved that Germany should be treated as an economic whole, hoping thereby to reinforce cooperation rather than diminish it. They particularly wished to see an increase in trade and thought the best way to accomplish this would be to encourage the German administrations to meet and discuss commercial exchanges. British delegation hoped that the Soviet and French would likewise consent to this procedure in the event that they would not also accept General McNarney's offer.

3. Soviet chairman declared that he could not regard General McNarney's invitation, which he had received with great interest, as dealing with economic unity since such unity would not be furthered by the division of Germany into two or more parts based on pronounced autarchy. The offer ignored political unity whereas the Soviet delegation stood for the two principles of German political and economic unity in accordance with the Potsdam decisions. The Soviets always envisaged and were ready to accept all measures to facilitate inter-zonal cooperation conforming with Allied policy. Sokolovsky mentioned that the Soviets had already participated in steps designed to join together various parts of Germany and to ameliorate conditions in them. He referred to the agreements reached by the Control Council on wages, finance, mining, etc., as well as to inter-zonal arrangements such as those made by German businessmen for an exchange of goods between the US and Soviet zones and the Soviet agreement with the British for the use of the Elbe. The Soviet

delegation desired an intensification of inter-zonal trade, without which a distribution of products could not be carried out. Sokolovsky then proposed the creation of a special organ for inter-zonal trade which would remove present obstacles and would concern itself with facilities for transfer, issuance of passes to German businessmen, etc. He suggested the Coordinating Committee and directorates be instructed to adopt measures to improve inter-zonal cooperation as a preliminary step toward the setting up of central administrations envisaged by Potsdam.

4. Noting that the Soviets were not ready to concur fully in his proposal, US member said he naturally accepted their suggestion to stimulate inter-zonal trade by measures which would be consistent with US and British intentions. The US and British staffs will operate within the framework of quadripartite agreement. The US member stated that far from fearing the division of Germany as mentioned by the Soviets, he considered his proposal a first step toward economic unity which would be followed by political unity. He would be pleased to see the Soviets or any other delegation issue an invitation to establish German political unity which he was ready to accept now.

5. Although he was without instructions French member accepted Soviet proposal which was likewise welcomed by British member.

6. Control Council decided to instruct Coordinating Committee to undertake examination of questions bearing on German economic unity such as transport, finance, water communication and in particular commerce and inter-zonal exchange. There was no reference to common export-import program.

Sent Department as 1825, Department please relay to Moscow as 203, to London as 263, to Paris as 222 for Matthews.

MURPHY

740.00119 Control (Germany)/8-246: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, August 2, 1946—9 p. m.

[Received August 2—5:06 p. m.]

1855. Reference my 1754, July 19.⁴⁸ Inter-Divisional Committee's final report on bi-zonal organization took form described in telegram under reference. General Draper refused concurrence on behalf Economic Division, however, on ground he had already begun discus-

⁴⁸ Not printed; this telegram reported on a preliminary plan concerning inter-zonal organization drawn up by the Inter-Divisional Committee on German governmental structure, designed to meet the situation created by Secretary Byrnes' offer at the Paris Council of Foreign Ministers to integrate the economy of the U.S. zone with that of any other (740.00119 Control (Germany)/7-1946).

sions with British along somewhat different lines. General Clay subsequently gave Committee instructions to re-draft paper within following limitations:

(1) Plan for economic integration of zones must exclude any implication of political integration;

(2) present position and powers of *Laenderrat* in US zone must be fully preserved;

(3) following by implication from (1) and (2) there must be no over-all inter-zonal German Council established;

(4) any economic agencies established should be scattered in two or more cities in US and British zones to avoid implication we are establishing western German capital.

Discussion in subsequent Committee meeting brought out view that imposition of inter-zonal organizations on top of present zonal organization will create extremely difficult channels of communication. Another view strongly expressed was that preservation of *Laenderrat* is not consistent with principle hitherto maintained that any step forward should be in direction of abolishing zonal boundaries, and zonal concept of administration. Committee, nevertheless is engaged in attempt to draft plan conforming with principle announced for its guidance.⁴⁹

MURPHY

862.50/8-346 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 3, 1946—8 p. m.

[Received 8:15 p. m.]

1860. Coordinating Committee at 68th meeting, Aug. 2, discussed following two items bearing on German economic unity.

(1) Economic directorate with French delegate sitting as "observer", had submitted a proposal, dated July 5, for the establishment of a central German administrative department for industry. While United States and British presented one text and the Soviets an alternative draft, the proposal provided briefly for a central German department for industry to function as a direct agent of the Allied Control Authority and to handle questions such as industrial statistics, requirements of the *Laender* and provinces, formulation of over-all production programs for internal use and export, allocation of fuel, electricity, raw materials and semi-finished products to the *Laender* and provinces and related functions.

⁴⁹ The Department's reply, contained in telegram 1675, August 7, 8 p. m., to Berlin, indicated its essential agreement with General Clay's new instructions to the Inter-Divisional Committee (740.00119 Control (Germany)/8-246).

At Coordinating Committee meeting U.S. member suggested withdrawal of the paper and its subsequent discussion on a tripartite basis unless the French in the meantime had changed their position. He indicated any tri-zonal arrangement would be open to the French to join. French member said he could not discuss the proposal. Stating his remarks were independent from French position, Soviet member asserted the Potsdam Agreement did not envisage that German central agencies should be integral organs of the ACA, as proposed by Economic Directorate. He also pointed out that the large powers given the suggested industrial department limited the roles of the zone commanders. He regarded the creation of central agencies as a first step toward a central German government, and he remarked the division of Germany into separate parts militates against political unity and German democracy. Russian member continued that while he hoped the French would change their position, he had no objection to further discussion of the proposal in the Economics Directorate with the French sitting in the role of observer. Coordinating Committee agreed to return the proposal to the Economics Directorate for reconsideration and General Clay expressed the hope that the Soviets would make known their views concerning his suggestion for a tri-zonal agency.

(2) With reference to the instructions from the Control Council to consider measures to stimulate interzonal trade (see mytel 1825, July 30) British member opened the discussion by citing the principles stated by Bevin at the Council of Foreign Ministers regarding the equitable distribution of German indigenous resources and the application of surpluses in one zone first to meet deficiencies in other zones and subsequently to help balance German foreign trade.⁵⁰ In the meantime, however, British member was willing to accept Soviet proposal for development of interzonal trade. French member said he supported Soviet proposal since it accorded with French principles of economic unity. U.S. chairman stated that while he did not dare to hope for acceptance at this time he was under obligation to declare that the U.S. was ready to abolish all interzonal barriers immediately.

(3) On chairman's proposal Coordinating Committee agreed to instruct Economics Directorate to recommend measures expediting and facilitating interzonal trade. After consulting I.A. and C. and Transport Directorates with a view to removing present difficulties, Economics Directorate will submit a coordinated report.

Sent Department; repeated Moscow 211; London 269; Paris for Matthews 226.

MURPHY

⁵⁰ For text of the proposal by the United Kingdom delegation, July 11, 1946, C.F.M. (46) 224, see volume II.

740.00119 Control (Germany)/8-1146: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

CONFIDENTIAL

BERLIN, August 11, 1946—2 p. m.

[Received 6:43 p. m.]

1896. Reference Department's telegram No. 1675 of August 7, 1946.⁵¹ Meeting was held August 9, between General Robertson, General Erskine,⁵² Sir William Strang, Sir Percy Mills and others representing British, and General Clay, General Adcock,⁵³ General Draper and myself and others representing US, to discuss further plan for bizonal economic unification.

Meeting found large area of agreement including following principles:

1. Common standard of living, including common ration to be established;

2. In utilizing to common advantage of both zones resources available in both zones, (a) all indigenous resources essential to agreed standard of living will be shared on basis of need, except for commodities subject to quadripartite agreement for allocation, and (b) surplus resources or agreed percentages of other resources will be available for inter-zonal trade or export;

3. Common import policy will be followed, limited to agreed items and quantities necessary to supplement indigenous resources to provide agreed common living standard;

4. Common export policy will be followed, limited to agreed items and quantities;

5. Exports payable in pounds sterling to extent that sterling is required for imports, and otherwise in dollars except for offset exchanges mutually agreed with countries other than US and UK.

Robertson personally agreed, but reserved for his Government's decision, two other principles, namely, (1) each government responsible for imports into its zone to attain agreed common living standard after indigenous resources and imports procured from exports proceeds have been equitably distributed in both zones; (2) proceeds from past exports will be placed in common account and utilized in payment of agreed imports. Any excess in past or future proceeds from exports will be divided between governments in direct proportion to respective imports costs at time of division and will be prior charge over any other occupation costs.

⁵¹ Not printed; it requested information relating to developments concerning discussions on possible economic merger of the United States and British zones in Germany (740.00119 Control (Germany)/8-246).

⁵² Maj. Gen. George Erskine, Deputy to the Deputy Military Governor, British Zone of Occupation in Germany (Robertson).

⁵³ Maj. Gen. Clarence L. Adcock, Assistant Deputy Military Governor, U.S. Zone of Occupation in Germany.

Meeting agreed further that three Germans from US zone selected by *Laenderrat* would meet with Germans from British zone to formulate plan for each of proposed German agencies. Small British-American liaison staff would maintain contact with Berlin. Both British and ourselves indicated satisfaction with present German organizations in respective zones, but it was agreed that orders would be given by Berlin directly to bizonal agencies without interference by other agencies such as *Laenderrat*. Responsibility for planning and policy making is to be placed squarely on Germans. Six-man German advisory committees referred to above will meet at sites selected by Draper and Mills.

British-American liaison staffs will be joint, rather than integrated. Chairmanship will rotate at 2-month intervals.

There will be no unanimity rule for Germans. Recommendations and approval shall be accomplished within 3 weeks except for food and agriculture, where 2 weeks was agreed.

German agencies concerned are Food and Agriculture, Industry, Trade, including Import-Export agency, Finance, Transportation, Communications.

Permanent secretariat is to be established in ACA building, Berlin. Foregoing is for Department's confidential information only.

Repeated to Paris for Matthews as 231.

MURPHY

740.00119 Control (Germany)/8-1146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 11, 1946—4 p. m.

U.S. URGENT

[Received August 11—1: 21 p. m.]

1898. 1. Mytel 1767, July 20. At thirty-sixth meeting Control Council, August 10, French member replied to McNarney's proposal for German economic unity by submitting memorandum and statement⁵⁴ suggesting establishment of Allied agencies.

2. Preamble of memorandum referred to Bidault's declaration in CFM, July 12.⁵⁵ French did not object to setting up allied agencies employing German operating personnel to carry out under ACC control the principles of economic unity within certain definite fields, and in a provisional way, excluding the Saar which should be immediately incorporated into French economic and monetary system. While believing a German central administration should not be allowed to pre-

⁵⁴ Neither printed.

⁵⁵ For a summary of the statement, see telegram 1740, July 18, from Berlin, p. 577.

determine Germany's future political status, French agreed that certain economic problems require immediate implementation in absence of efficient machinery.

Memorandum furnished following details of French plan :

(a) Organization. Each Allied agency to be headed by a managing board of one representative from each four powers. Decisions by majority vote. A single manager, national of one of the four powers, to be appointed as executive by ACC on account of merits and qualifications. Manager to be assisted by staff of assistants and advisors of allied or German nationality. Germans could be employed in either advisory or operating capacity. ACC and its organs would lay down general principles; each managing board would control implementations; manager would be responsible for technical execution.

(b) Responsibilities. Agencies would examine problems and inform ACC and would also have executive authority to implement ACC policy in following fields: transport, communications, banking industry, agriculture, foreign trade, prices.

(c) Relations with allied authorities. Allied agencies would directly instruct local agencies. Each zone commander would be informed but he could not oppose execution of instructions except by appeal to ACC. Memorandum concludes it is not necessary for control powers now to take a position on future political and administrative organization of Germany. Agencies would not overlap existing directorates or committees but would strengthen their authority and means of action. Staff could be recruited from civil servants and experts of occupying powers and other United Nations as well as German personnel.

3. French delegate in statement presenting plan stressed vital principle of maintaining coordinated action by the four occupying powers. (This argument by the French is not without its amusing side because during the past year the French attitude toward this problem in the face of agreement on it by the US, UK, and USSR, has disrupted allied unity). With respect to McNarney's proposal, he feared that any agreement limited to certain zones as established on such a wide basis might ultimately conflict with above-mentioned principle. French confirmed their agreement with Sokolovsky's proposal (mytel 1825, July 30), and were willing to go further by suggesting allied agencies for practical implementation of economic unity. French contended that control powers should not give direct powers of administration to strictly German central department while Allied agreement was still lacking on such vital questions as allocation of raw materials, prices, currency, public debt, external trade and decartelization. Allied direction should remain predominant to prevent Germans from taking advantage of Allied disagreements.

4. Mentioning that French had previously made a similar proposal (presumably in connection with Allied agency for external trade—my-

tel 951, April 4), British delegate said he failed to see what suggested agencies could achieve beyond current operation of ACC directorates but he promised further consideration. Soviet delegate had no comment. US Chairman agreed with British delegate and proposed reference of matter to Coordinating Committee for study and subsequent report to ACC. This was approved.

Repeated to London as 276, and to Paris for Matthews as 233.⁵⁶

Department please relay to AmEmbassy Moscow as Berlin's 216.

MURPHY

740.00119 Control (Germany)/8-1746: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 17, 1946—2 p. m.
[Received August 17—10:46 a. m.]

1955. 1. Mytel 1898, August 11. At seventy-first meeting Coordinating Committee August 17, discussion was opened on French proposal for Allied central agencies.

Soviet member stated he was attentively studying proposal but was not yet in position to discuss it.

British member reiterated statement of British delegate in ACC that proposal was not new and said it was unacceptable in the light of the agreement on control machinery defining the role of the ACC directorate. He then gave the following reasons for the need for German central administrations: Potsdam agreement envisaged that German democracy must rest on German political responsibility. Only the Germans themselves can find the way out from present difficulties. The Germans must execute policy subject to Allied supervision. There would be numerous disagreements in proposed inter-Allied agencies whereas the Germans could produce homogeneous administrations. German economic unity and effectiveness of central administrations would be interdependent. Central administrations would pass their executive decisions down through German channels. They would make possible a decrease of Allied personnel whereas French proposal would mean the reverse. British member then stated that while he rejected French plan as a substitute for Potsdam provisions, he was willing to consider arrangements being made along the lines of the French plan in order to give effect to Soviet suggestion for an organization to increase German internal trade, provided such arrange-

⁵⁶ In telegram 4120, August 20, 8 p. m., from Paris, Ambassador Caffery reported that M. Chauvel had told him that the French memorandum did not constitute a final rejection of General McNarney's proposal. M. Chauvel said that the French Government could go no further at this time in accepting German unification but that after the French elections agreement might be possible on individual questions (740.00119 Control (Germany)/8-2046).

ments would be limited to German internal trade and would not interfere with US-British interzonal measures for economic unity.

US chairman agreed with all of British statement except concluding remark and said he could not commit himself to transitory measures based on expediency. He declared Potsdam decisions and agreement on control machinery furnished adequate framework for control of Germany and that US-British interzonal arrangements were fully in accord with these agreements.

French delegate presented a lengthy and unconvincing extension of General Koenig's argument in ACC, adding nothing new except the thesis that French plan was essentially the same as proposal in US Military Governor's special report on central German agencies published this May. (An amusing sidelight is provided in Noiret's ⁶⁷ remark to me that the French had only discovered this special report a few days ago and since then had been engaged in its intensive study.) According to French member, ACC is government of Germany and must assume whole responsibility, otherwise Germans would take advantage of Allied control. Establishment of central agencies would be premature before reorganization of the German states and a definition of their powers. French delegate claimed that under his plan the actual work would be done by Germans and that no increase of Allied staff need result from the substitution of Allied direction in place of control.

US chairman indicated that further discussion would serve no purpose but that Coordinating Committee should await statement of Soviet views on French plan at a later meeting before making its report to Control Council. He declared US-British interzonal experiment will prove French fears baseless and he reiterated US still hopes arrangements may be extended to include all zones.

Repeated to Moscow 226, London 286, Paris for Matthews 244.

MURPHY

740.00119 Council/8-2446 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, August 24, 1946—5 p. m.

[Received August 24—4:20 p. m.]

4219. DelSec 854. Clay reported to Secretary informal approach by Sokolovsky, as well as at lower level, concerning possible addition current production schedule to German reparations program. While

⁶⁷ Gen. Roger Noiret, Deputy Military Governor, French Zone of Occupation in Germany; French member, Coordinating Committee, Allied Control Council for Germany.

level of industry concept would be maintained, dismantling would be postponed, perhaps as much as 10 years, and current production from such plants taken as reparations. Smith reports such suggestion consistent with Russian indigestion of capital goods obtained as war booty and reparations and great need for current production items. British have heard of this Berlin conversation and have been assured here that the suggestion involved a major modification of Potsdam and could only be considered at CFM level.

Sent Dept as 4219; repeated London as 641 and Berlin as 316.

CAFFERY

740.00119 Control (Germany)/8-2746

The First Secretary of the British Embassy (Ripman) to the Associate Chief of the Division of German and Austrian Economic Affairs (deWilde)

WASHINGTON, 27 August, 1946.

DEAR DEWILDE: I have received a letter from London dated 20th August in which I have certain further information concerning the progress of the discussions about the fusion of our two Zones. The first extract which I think will interest you, runs as follows:

“General Clay in Berlin said that it would be impossible for a German Agency to trade with U.S. citizens without special licence and that in his view this made the proposal for a German Agency to effect procurement and hold banking accounts in U.S.A. an impracticable one. We felt here that although formally we should have less difficulty in getting round this in this country, there would be political and general difficulties about having a German Agency operating here in the near future. We have accordingly told Mills that we are prepared to accept the American view that there will have to be a British/U.S. Agency to undertake procurement and to operate bank accounts in U.S.A. and, for the time being, in U.K. also, although we may be prepared to hand over procurement in the U.K. at any rate to the German body at some later stage. We are still proposing that in all countries other than U.S.A. and U.K. the work shall be done by the German Agency from the start.”

The second point of interest concerns the sharing of financial responsibility. As I understand it, General Clay declined to accept the 50/50 basis and argued that the division of responsibility should be based on the respective populations of the two zones. It appears that it was felt in London that discussion of this point through diplomatic channels might involve considerable delay and that this delay would not be justified by the amount of the difference between the two decisions, particularly if agreement could be reached in Germany to make certain special adjustments to the population basis which appear to have been mentioned in a tentative way by General Clay. My infor-

mation is therefore that an agreement will be reached by Clay and Mills on this point.

I hope that this is not old news to you and I look forward to hearing from you what news you have from Germany on these negotiations.

Yours sincerely,

HUGH RIPMAN

740.00119 Control (Germany)/8-2946: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 29, 1946—5 p. m.
[Received August 29—4: 10 p. m.]

2038. See mytels 2007, August 24, and 2009, August 23.⁵⁸ Soviet delegate and 73rd meeting Coordinating Committee August 28 rejected French proposal for Allied agencies, stating he found no need for addition to present quadripartite control organizations. He said suggested Allied agencies could not replace, but indeed would delay, creation of central administrative agencies envisaged by Potsdam agreement. Soviet delegation now as always favored central administrative agencies as an intermediary step toward central German Government. Soviet member considered that French proposal in any case could not be decided by ACC since it envisaged incorporation of Saar into French economic and finance system which was question that could only be decided on government level.

Expressing regret at rejection of his proposal, French member recapitulated his Government's position adding little new except to say that since Allies have no coordinated policy re Germany, German central bodies would determine policy and escape Allied control in same manner French beguiled Germans during occupation France. He also reverted to alleged similarity between French proposal and OMGUS report of last May on central agencies. US member said he could not admit that US was unable to give orders to Germans and see that they are carried out.

British member stated failure to agree on central agencies had proved principal obstacle to progress and he solemnly warned that whole quadripartite structure may crash if gap preventing agreement were not bridged.

Coordinating Committee decided to transmit report to ACC pointing out US, UK and USSR agreed existing Allied machinery is adequate, that these three delegates consider central German agencies are needed now to permit effective operation German economy as unit and

⁵⁸ Neither printed; these telegrams reported on the 72nd Coordinating Committee meeting, August 22; there was no discussion of the French proposal save for a statement by the Soviet representative that he was awaiting instructions (740.00119 Control (Germany)/8-2446, 8-2346).

that Soviet delegation has indicated that French proposed exclusion of Saar from economic unification should be dealt with on governmental level.

Sent Dept as 2038; repeated London as 301; repeated Moscow as 240, Paris for Matthews as 254.

MURPHY

740.00119 Control (Germany)/8-3046 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, August 30, 1946—noon.

[Received 7:23 p. m.]

4344. A French official dealing with German questions, who is close to Bidault, had an interesting conversation with the latter last evening. Bidault admitted that the French policy on Germany, particularly insistence that the Ruhr should be detached, had been a mistake. He said that he had inherited this policy from De Gaulle and that internal political reasons—the elections and the general popularity of De Gaulle's thesis on separation—had made it impossible for him to reverse this policy. (Bidault, of course, capitalized on the popularity of this policy in the last electoral campaign.) My informant said Bidault told him that while he had modified his own views on the German problem and it was obviously in France's interest to reach an agreement particularly with the Americans and British, it is impossible for him to make any change in policy until after the next elections. After the elections, however, he said he would work for a modification of French policy which would be acceptable to America and Britain.

My informant, who has been opposed to past French policy on Germany, particularly insofar as the Ruhr is concerned, is encouraged and believes Bidault is sincere.

(Should foregoing become known Bidault would be put on spot by Communists in vital pre-electoral period and therefore it should be considered top secret and not be repeated anywhere.)

CAFFERY

740.00119 Control (Germany)/7-2446

The French Ambassador (Bonnet) to the Secretary of State

[Translation]

WASHINGTON, August 30, 1946.

MR. SECRETARY OF STATE: In your letter dated July 24, you were good enough to call my attention to certain aspects of the economic policy followed by the French Government in its zone of occupation

in Germany, which had aroused the concern of the United States Government. Recalling that, faithful to the arrangement adopted in the beginning for the quadripartite control of Germany, the Government of the United States had advocated the conclusion of agreements on the industrial power to be left to Germany, the sequestration of German property abroad, the distribution of reparations, the restitution of stolen property, the exportation of coal, the liquidation of German cartels, you stressed the fact that, in all these fields, the United States had endeavored to have a common policy applied to Germany considered as a whole, and to have the unity of the four zones maintained. You were good enough to call my attention, on that occasion, to some points on which it seemed to you that the French economic policy was not conformable to the objectives that the Allies had set themselves concerning Germany.

I did not fail to transmit your remarks to my Government immediately, and am today in a position to send you the following communication on this subject.

The agreements fixing the level of German industry and the Paris Reparations Agreement, the primary aims of which are the guarantee of security and the delivery of materials as reparations, present such importance for France that they have always constituted the very basis of her German policy. As General Koenig recently explained again to the Control Council in Berlin, France has, moreover, never opposed the principle of the economic unity of Germany.

As regards the various points raised by your letter, I am happy to be able to send you the following information.

1) During the period of military operations and during the first months of the occupation, France transferred to her own territory a certain amount of industrial equipment from her zone of occupation in Germany. Those transfers were undertaken by the armies in operations both on the score of war booty and for the reconstitution of the equipment of French armament factories, for the purpose of contributing to the war effort.

However, it appears that a part of the total of the transfers effected in order to meet certain particularly urgent needs in the first effort to reconstruct French economy does not fall in either of those categories, and that it is susceptible of being charged to German reparations to France. And so an accounting of these different operations is in process. The French Delegate stated to the Control Council in Berlin that he was prepared to furnish any accounting data in this connection, to the extent to which the Allied Governments would present similar information concerning the materials requisitioned in their own zones.

I add that the requisitioning concerned only scattered machines, to the exclusion of complete installations, and concerned those of fac-

tories which had to the greatest extent increased their war potential; they have remained always within the framework of the decisions of the Control Council on the standard of living and are not of a nature to affect noticeably Germany's productive capacity.

2) As for the exportation of raw materials, it has occasioned accounting and payment in foreign exchange since August 1 at the rate of 80%, in conformity with the rules laid down by the Control Council on September 20, 1945.⁵⁹

3) As regards food supplies, the French Government has requisitioned, to feed its troops, meat, butter, cheese, wine, alcohol and potatoes.

On January 31, it informed the American authorities of the amounts requisitioned, which were as follows:

Period from September 1 to December 31, 1945

Meat	8,252 tons
Butter	2,153 "
Cheese	1,663 "
Wine	90,000 hectoliters
Potatoes	20,000 tons
Alcohol	3,300 hectoliters

Period from January 1 to July 1, 1946

Meat	11,769 tons
Butter	2,147 "
Cheese	1,768 "
Wine	202,000 hectoliters
Potatoes	50,000 tons

Thus it appears that the amounts of meat and fats requisitioned in the six months of the second period scarcely exceed those of the four months of the first period. The supplies at the Commissary represented only 5% of the food products placed at the disposal of the German population. Moreover, certain limited quantities of milk and fruit, eminently perishable foodstuffs, were delivered to Alsace and Lorraine as frontier exchanges.

4) No German chemical product has been put on the foreign markets by French producers. The only exception concerns an order of urea placed by the National Industrial Nitrogen Office on behalf of the American Cyanamid Co., and the Embassy of the United States at Paris had given its consent to that transaction.

5) By its note No. 523 of August 20,⁶⁰ the Embassy of France had the honor to inform the Department of State that the French Government was disposed to participate in an American, British and

⁵⁹ See telegram 569, September 20, 1945, from Berlin, *Foreign Relations*, 1945, vol. III, p. 569.

⁶⁰ Not printed, but for the Department's reply, October 3, see p. 271.

French tripartite organization which would have for its mission to assure effective control of German Rhine shipping. The French Government has advocated the holding in Paris of a tripartite conference to examine the conditions for the pooling of German barges requisitioned in the French zone.

The management of the German fleet by the Rhine Exploitation Corporation is only a provisional measure used up to the present time to meet, in the most practical manner, the exploitation needs imposed on France, a riparian power as well as an occupying power. Instructions have recently been sent to the authorities of the French zone with a view to bringing this situation to an end and putting the German fleet into operation by a German company. Such a measure should facilitate the pooling contemplated.

6) The German railroads in the French occupation zone have not been integrated at all with the French railroads. They are merely controlled by a special organization under the jurisdiction of the Military Government of the zone, the "Railroad Occupation Detachment", the personnel of which is furnished by the S.N.C.F. As regards the German railway cars the numbers of which have been changed, it is probable that it is a question of the 75,000 German cars which were in French territory at the time of the armistice. This equipment falls under Article 6 of the Paris Reparations Agreement. Moreover, the French authorities have restored the designations of the S.N.C.F. to the unquestionably French cars which the Germans had camouflaged and which were found again on French territory.

As for the rails, it is true that certain plans for requisitioning have begun to be applied. These removals of equipment are intended for the restoration of the French railway system which suffered severe losses through German seizures and the destruction carried out on behalf of the common war effort. Thus the Fribourg-Offenbourg line has been made single-track over about 60 kms; on July 5, at the International Conference at Speyer, the Swiss authorities admitted that the change to single-track of that section of the line would not interfere with international relations. Other changes to single-track lines between Singen and the Swiss frontier and between Fribourg and Basel are not contemplated.

7) Some Alsatian syndical organizations had been authorized, provisionally, to export to foreign countries limited quantities of wines from the French occupation zone. It was the purpose of these organizations to apply the profits from such transactions to repair of the losses suffered by Alsatian viticulture as a consequence of German occupation.

Although these transactions were the subject of an accounting in dollars, in conformity with the rules established by the Control Council, the French Government has decided to prohibit them in the future.

8) France has not entered lumber on the list of products concerning the exportation of which the Emergency Economic Committee for Europe was called upon to formulate recommendations. The exploitation of the forests in the zone is, in fact, greatly limited by the shortage of existing means. Such exploitation suffers especially from the absence of horses, which are being held in the American and British zones and have not yet been returned. But, considering the state of the German forests, the Military Government of the French zone has never refused permission to any Allied, or even neutral, country to fell timber in the French zone, if it furnished the necessary means for its exploitation.

Your letter added that, from the various facts set forth, the American Government was led to conclude that the French Government had adopted a policy of unilateral exploitation of the economic resources of Germany, and that it considered that this exploitation was being effected at the expense of the other Occupying Powers, who were forced, in order to maintain German economy at the necessary minimum level, to increase their outlay, which was already considerable.

These fears do not appear justified. In fact:

a) The requisitioning of equipment is far from reducing the level of industry below that stipulated by the Berlin Agreements. The total amount thereof is very small. Moreover, as this requisitioning is in process of accounting, in order to charge the amount to reparations, it is not susceptible of injuring the other takers.

b) As regards other goods, all exports have been the object of accounting and payment in exchange, in conformity with the quadripartite decisions of Berlin. The policy of the French Government has been simply to try to obtain equilibrium of the balance of trade in its occupation zone by closely controlling its economy, by limiting consumption, and by assuring the indispensable foreign outlets.

Please accept [etc.]

[HENRI BONNET]

740.00119 EW/9-446 : Telegram

The Chargé in the Soviet Union (Durbrow) to the Secretary of State

SECRET

Moscow, September 4, 1946—11 p. m.

[Received September 5—6:10 a. m.]

3392. There follows Embassy translation text of Soviet note, dated September 1, signed Dekanosov,⁶¹ replying to Embassy's note of June 18 (Deptel 1105, June 17, 10 a.m., repeated Berlin 1333, Paris 880 [2880] for Secdel 276) :

⁶¹ Vladimir Georgyevich Dekanozov, Soviet Deputy Minister for Foreign Affairs.

"In connection with the Ambassador's letter No. 407 of June 18, I am instructed to communicate to you the following:

"1. The Soviet Government does not object in principle to the proposal of the Government of the US of America that the Allied Control Council in Germany examine the question of a compensation procedure for property withdrawn in Germany on reparations account, in which the United Nations or individual citizens thereof have an interest. The Soviet Government considers at the same time that it is more expedient to examine the proposal in question after the Control Council has decided the basic reparations questions.

"The Soviet Government has more than once directed the attention of the Government of the US of America to the fact that the Control Council, as a result of the position taken by the American and English representatives, has not as yet carried out the decisions of the Berlin conference concerning the specified quantity of plant subject to removal from the western zones of Germany and to transfer to the Soviet Union and to other governments having a right to receive reparations. The decision concerning advance delivery has also not been carried out, since even from the first list of factories, of which the equipment was destined for advance delivery account, the Soviet Union up to the present time has received not more than 3.5-4 percent. At the same time, the American military authorities in Germany have issued a stop order on the dismantling of plant. These measures are in manifest contradiction to the decision of the Berlin conference on reparations.

"Of late, facts have become known to the Soviet Government indicating that the equipment of enterprises destined for dismantling for reparations account is being pilfered by German firms or resold to the latter. Thus, for example, the factories numbered 82, 84, 85, 87, 89, 90, 97 and others destined for dismantling for reparations account, prove to be without equipment, since it was transferred to German firms or pilfered by Germans. Reports are also being received concerning the purchase by foreign firms of stocks in armament factories.

"2. The Soviet Government is deprived of the possibility of informing the Control Council concerning cases of dismantling of enterprises in the Soviet zone of occupation in which there was foreign capital, because at the time of carrying out the dismantling the Soviet military authorities did not have at their disposition information regarding the presence of foreign interests in given enterprises. The Soviet military authorities in Germany are prepared, however, to examine, as stated above the claims of citizens of the United Nations regarding their property, located in the Soviet zone of occupation, if the necessary evidence is presented attesting the presence of the interest of those citizens in one or more enterprises.

"3. As regards the proposal for the establishment of the principle of compensation for removed property which belongs to citizens of the United Nations, the Soviet Government has no objection to the examination of the question in the Control Council. The Soviet Government at the same time considers that there ought not to be compensation for citizens of the United Nations having interests in German armament enterprises, the equipment of which might be dismantled for reparation account or destroyed, since such compensa-

tion would appear to be an encouragement to the owners who had aided the arming of Germany for aggressive purposes.

"4. The Soviet Government cannot agree with the declaration that the US of America reserves the right to demand compensation from the recipients of reparations in the name of its citizens for removed property in which these citizens have an important interest. The Soviet Government considers that all claims of citizens of the United Nations in connection with compensation for their property withdrawn from Germany should be directed only against Germany and not against the recipients of reparations."

Sent Berlin 214, Paris 346 for Secdel.

DURBROW

[On September 6, at Stuttgart, Germany, Secretary of State Byrnes delivered an address restating United States policy on Germany; for text, see Department of State *Bulletin*, September 15, 1946, page 496.]

740.00119 EW/9-646: Telegram

The Chargé in the Soviet Union (Durbrow) to the Secretary of State

SECRET

Moscow, September 6, 1946—3 p. m.

[Received September 7—8: 32 a. m.]

3405. Deptel 1552, August 26, 6 p. m.⁶² Sokolovsky's suggestion to Clay that reparations from current production be added to German reparations program and dismantling of plants postponed up to 10 years seems to us logical development in light of present condition of Soviet economy and what appear to be Soviet intentions for Germany. Although it may be principally maneuver to unblock stalemate caused by American stop order on dismantling of German plant, nevertheless, we believe following considerations probably entered into Soviet thinking:

1. Crying need for producers and consumers goods here outweighs Russian urge to bring home immediately as much industrial plant as possible. Relative inefficiency and interminable delay involved in transportation and installation of such machinery in Soviet Union, as contrasted with possibility of more or less immediate operation by skilled German personnel, makes this a most attractive plan. As reported in Embtel 3075, August 2, 9 a. m.⁶³ (repeated Paris 277, Praha 27) we believe this was element in Soviet decision to "give" certain factories to Czechoslovaks which were German by Soviet definition and thus deemed subject to removal from Czechoslovakia.

⁶² Not printed; it transmitted to Moscow the information contained in telegram 4219, August 24, 5 p. m., from Paris, p. 593.

⁶³ Vol. VI, p. 210.

2. Under this plan Russians will receive for 10 years far greater quantity of goods than it could produce with the same machinery and would still retain title to the plants. Effect of this operation would be to give a considerable portion of German industry in the western zones an eastern orientation.

The obligation to provide regular share of current production to Soviet Union would presumably subject the individual industries concerned to measure of Russian interference and control. Far-reaching implications of this aspect as regards labor, management and factories tasks need not be spelled out. The economic tactic would no doubt follow classic Soviet pattern observable in Finland, Central Europe and Balkans. In short it would be powerful lever in support Soviet economic and political position throughout Germany. Sokolovsky's suggestion is probably related to recently revealed Soviet move to tie up economy in its own zone by means of Soviet controlled joint stock companies.

3. At end of 10-year period Soviet Union would have right to remove plants, but it would in fact have alternative possibility of leaving them in place should that prove advantageous. Disposition of plants would at that time constitute most valuable trump to play in support of Soviet political objectives in Germany, just as today Russians appear to hold a similarly valuable card in the possible revision of the Oder-Neisse line.

4. Finally it should be observed that from long term point of view as well, the plants are more productive and valuable in Germany than in Soviet Union. An extension of Soviet political influence into Western Germany during the intervening 10 years sufficient to guarantee output of these factories, would indicate as most practical action from purely economic standpoint, definitive abandonment of any plans for their removal to the east.

Paris for Delsec.

DURBROW

862.50/9-946

Memorandum of Conversation, by the Chief of the Division of German and Austrian Economic Affairs (Kindleberger)

[WASHINGTON,] September 9, 1946.

M. Bérard ⁶⁴ called to explore what the Department envisaged as to possible steps to be taken by the French following the Secretary's speech with respect to the economic unity of Germany. He stated that the reception to the Secretary's speech in France had been extremely

⁶⁴ Armand Bérard, French Minister in Washington.

adverse and that he personally was sorry that no concession to French feelings on security of even a verbal character had been made. He thought that it would be impossible for the French government in view of this reaction to join British-American bizonal unity but wondered what steps, if any, short of joining as a full partner could be taken.

Mr. Kindleberger stated that he hoped that it would be possible to solve all outstanding questions on the economic unity of Germany at the meeting of the Council of Foreign Ministers devoted to the German question and that the sharp reaction in France to the Secretary's speech would have given way by that time to a more receptive attitude. He hoped that the French public was not unaware of the importance to be attached to the Secretary's remarks about our intention to stay with the German problem to its conclusion. Finally, he suggested that short of joining the British-American zones on the basis of a full partnership in our unity, the French government would give serious consideration to—

1. Relaxing barriers to interzonal movement of German persons and German goods.

2. Forming German economic authorities in the French zone who might establish liaison with the German agencies in the US-UK area.

3. Raising consumption standards, particularly in food, to the levels to be maintained in the UK-US area.

M. Bérard renewed his complaint about the unwillingness of the US authorities to consider French proposals for reshaping the French zone to permit the establishment of proper *Land* governments. He also expressed some sadness at the abrupt rejection given to recent French proposals on central agencies, which though they did not go all the way to accepting the OMGUS position, went sufficiently far in his judgment as to have earned them more of a hearing. In conclusion, he felt that it probably would be impossible for the French government to take any positive action designed to draw the French zone nearer to the British and American zones until such time as M. Bidault had talked out the problem with the Secretary, Mr. Bevin and, if possible, Mr. Molotov. He hoped this could be done at the Council of Foreign Ministers on Germany.

740.00119 Control (Germany)/9-1846: Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, September 18, 1946—1 p. m.
[Received September 18—12:03 p. m.]

4682. Discussing Germany, Chauvel said in confidence that the Foreign Ministry feels that prior to the Big Four Discussion on Ger-

many, scheduled for later this year, France should have informal bilateral discussions about Germany with Americans and British with a view to reaching agreement on as many points as possible. Chauvel has already approached the British (Oliver Harvey) on this subject and Chauvel is now preparing a paper setting forth general French views on Germany which will serve as a basis of discussion with the British. He emphasized that the French paper (a copy has been promised us) is by no means a rigid presentation of French views but will serve to indicate the general lines of French thinking.

Among the points which the French wish to discuss and on which the French believe a considerable measure of agreement is possible are the following: Agreement on the number of *Länder* and their geographical delimitation; scope of authority of the *Länder* governments and the precise relationship of such governments to the proposed central government; precise definition of the powers of the Central Government and the exact scope of its action and method of its election; special international economic control system for the Ruhr industry, etc.

Although Chauvel stated frankly that until after the November elections the French Government can take no new stand on German policy, nonetheless he feels strongly that very useful preparatory work can result from informal bilateral Franco-British, Franco-American conversations along above lines, which will facilitate the work of the Big Four meeting on Germany. (Chauvel hopes that Big Four meeting will at least result in naming of deputies to examine German problem and in fixing their terms of reference.)

It was obvious from Chauvel's remarks that the British-American decision to treat their two zones as an economic unit has been the prime factor which has needled French into desire to bring British, American and French ideas into agreement. Officials who share Chauvel's views feel that ultimately French will have to tie up with the American and British and that at present they are being left out of Anglo-American planning which may eventually form the pattern for the treatment of all three zones.

Chauvel did not say where the French envisage holding the informal bilateral Franco-American talks on Germany but emphasized the confidential character of the foregoing and that the French Embassy in Washington has not as yet been brought up to date on this.⁶⁵

Repeated London as 692 and Berlin as 332.

CAFFERY

⁶⁵ The Department's reply contained in telegram 5042, September 24, 11 a. m., to Paris (Secdel 976), reads as follows: "Dept watching with great interest favorable evolution French FonOff views on Germany. Recommend every encouragement Chauvel and like-minded officials looking to eventual informal bilateral discussions before CFM meeting on Germany." (740.00119 Council/9-2446)

862.50/9-2146 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, September 21, 1946—6 p. m.

[Received September 21—3:47 p. m.]

2219. September 17, 1946, British and American elements outlined to Coordinating Committee, ACA, plan and texts of agreements on bi-partite zonal economic integration. Following preliminary meeting August 9 between Deputy Military Governors US and British zones, bi-partite board to implement economic fusion met September 4 and 14, 1946, and agreements signed by appropriate German authorities both zones setting up executive committees for (1) economics; (2) food and agriculture; (3) transport; and (4) a joint committee for finance. (Communications agency in process of negotiation.) Agencies decentralized to avoid appearance of establishing a western capital of Germany: Economic agency located in Minden, Food and Agriculture at Bad Kissingen, Finance at Frankfurt and Transportation at Bielefeld. Each agency made up of two parts, (1) an American-British liaison staff and (2) the German administrative staff, the latter supervised by a secretariat of three Germans from the American zone and three from the British zone. Agencies scheduled to begin functioning about October 1.

Bi-partite board adhered to following basic principles of policy:

(a) Establishment nearly as practicable common standard of living, including common ration;

(b) Utilization resources available both zones to common advantage. All indigenous resources essential to agreed standard of living shared on basis of need among German population of both zones, except for commodities subject to quadripartite agreement for allocations. Surplus resources, or agreed percentages of other resources, to be available for inter-zonal trade, or for export.

(c) Common import policy; imports either zone limited to agreed items and quantities needed to supplement indigenous resources in providing agreed common standard of living.

(d) Common export policy; exports limited to agreed items and quantities.

The first principle adopted by the board was that German authorities in two zones must be charged with practical execution of common policy of military governments subject to policy direction and supervision by Allied (British/US) staffs. German authorities were, moreover, informed that there was no intention to interfere with political structure either zone nor set up unified government.

In presenting memorandum to other members Coordinating Com-

mittee, British and American elements assured Committee that principles of quadripartite policy already agreed upon are being followed: Bi-partite arrangements readily expandable to include one or both other zones; and present arrangements were expedient to implement Potsdam principle of German economic unity. Progress bi-zonal arrangements will be reported to coordinating committee.

Texts of agreements and further comments being forwarded by despatch.⁶⁶

MURPHY

862U.014/9-2446

Memorandum of Conversation, by the Director of the Office of European Affairs (Matthews)

TOP SECRET

[PARIS,] September 24, 1946.

Participants: President Bidault
Mr. Alphand⁶⁷
Secretary Byrnes⁶⁸
Mr. Matthews

The Secretary called on President Bidault at the former's request at 4 p. m. yesterday. There was some preliminary discussion of President Bidault's difficulties in the strike of the Treasury Department employees and the Constitutional problem raised by General de Gaulle. Then followed a brief discussion of today's meeting of the Council of Foreign Ministers, the Secretary's hope that means would be found to speed up the Conference work, and Bidault's pessimistic view that all that would come out of the meeting would be another 14 hours' discussion on procedure which frankly bored and annoyed him.

Bidault, who was in a depressed and agitated frame of mind, then came to the real purpose of his talk. He has the Communists sniping at him from the Left and the unpredictable de Gaulle attacking him on the Right, he said. His position is fast becoming untenable and if his Government falls, he said, he might be succeeded by a Communist Government. (Apparently sensing that this latter development was highly improbable, he promptly added that perhaps he was exaggerating and did not really expect the Communist Party to take over.) For two years now he has been Foreign Minister and has produced no results. This is particularly true with respect to Germany. The

⁶⁶ Despatch 7343, October 11, from Berlin, p. 613.

⁶⁷ Hervé Alphand, Director of Economic, Financial, and Technical Services, French Ministry for Foreign Affairs.

⁶⁸ Secretary of State Byrnes was in Paris as Chairman of the United States delegation to the Paris Peace Conference.

time has come when he feels compelled to act. He therefore proposes to take action unilaterally with regard to the Saar. The United States had publicly expressed its intention to support French claims with regard to the Saar in the Secretary's speech at Stuttgart and he appreciated that support. What he wants now, however, is not support for the Saar but the Saar itself. He must act now, he reiterated. He was not asking Mr. Byrnes to approve his action or to encourage him; he merely wants the United States to refrain from any strong reaction or protest. If a protest is necessary in our view, he hoped it would not be too strong. President Bidault said he was planning to have a similar conversation with Mr. Bevin and emphasized several times the extreme importance of holding his statements in strictest confidence. Mr. Matthews inquired just what action President Bidault proposed to take. Bidault replied, turning the pages of a lengthy memorandum on the subject which he had on his desk, that he proposed to set up a customs barrier between the Saar and Germany and likewise to introduce a French currency into the Saar. During this "first stage" he would continue to maintain a customs barrier also between France and the Saar but it was clear that the latter is a temporary measure designed, I believe, to soften the impact of France's unilateral action on the outside world and prevent any outcry of "annexation" prior to the peace settlement. He said that he would tell Mr. Molotov of his proposed action but apparently not until just before the step is taken. He anticipates a strong Soviet reaction but said that the French Communist Party will support him because they cannot do otherwise in view of popular feeling in France and reiterated that he must have something to show on German policy for his two years in office.

The Secretary again declared his intention to support French claims with regard to the Saar but said M. Bidault's method of procedure presented a very grave problem of unilateral action. He wondered why M. Bidault could not wait until the Council of Foreign Ministers met in November to discuss the German problem, at which time the United States would again back the French position on the Saar. M. Bidault replied that he could not wait, first because it would be too late to have the desired effect on the French elections, and secondly because he had no confidence that the Council of Foreign Ministers' meeting on Germany would produce any results. "The longer we wait", he said, "the more difficult it will be to accomplish what we want in Germany and there are already signs of agitation in the French Zone, particularly in the Saar." He frankly admitted however that his principal motive was to produce some tangible result to present to the French electorate.

The Secretary reiterated that the proposed step if taken unilaterally was a grave one and might well mean the end of four-power collaboration in Germany. Furthermore, the Russians might well place the blame for the breakdown of such collaboration on the Western Powers with consequent harmful effect upon world opinion. Bidault admitted that his proposed move was a serious one and might, in fact, end the pretense of quadripartite collaboration but seemed unmoved by this consideration. The Secretary stated that the United States position was that all such territorial arrangements must be settled at the Peace Conference and this was the position he had taken with regard to Eastern Germany. Mr. Bidault said that he agreed entirely that the final decision should be left to the Peace Conference but said that he knew perfectly well that the Russians had no German customs barriers at Koenigsberg at the present time, so felt they could not properly complain if the French took similar measures with regard to the administration of an area of their zone.

At this point the Secretary remarked that he had never quite understood why President Bidault had not made more political capital at home out of the American proposal for a 25 or 40 year treaty to keep Germany disarmed; he did not see why M. Bidault had not proclaimed to the French public that he had obtained from the United States what Clemenceau had failed to get from Wilson. Bidault hastened to say that he had been the first and only one to give full support to Mr. Byrnes' treaty proposal; but times had changed since the last war and conditions were different.

The Secretary then said he thought the French press had misrepresented his Stuttgart speech in several respects. For one thing, he had not blamed France for holding up the establishment of Central Administrative Agencies though this was of course the fact and no reference to this had appeared. Also, the French press had failed to emphasize that he had promised that American troops would stay in Germany as long as occupation forces were there and that his treaty permitted the retention of such forces and a corps of inspection engineers to prevent any German armament manufacturing. The French press, he continued, likewise seemed disturbed lest the Stuttgart speech meant that we were intending to establish a strong central government in Germany. On the contrary the Secretary had in mind only a loose and highly decentralized federation such as we have in our own 3 *Länder* at the present time.

President Bidault said that he was in no way responsible for what the French press said as anyone could gather from the comments they made about him. As regards the Central Agencies he did not wish to imply that his opposition to their establishment would continue in

the future (i.e. after the elections). When they are established, however, he was confident that they would be the means of Soviet penetration into the Western zones. The Secretary smilingly said that is where they disagreed. President Bidault reiterated that France would make sacrifices and was prepared to compromise but not if the returns to her were zero. It was clear that the only aspect of the German problem he wished to discuss was his proposed move in the Saar.

In conclusion the Secretary said that he was anxious to do what he could at any time to help M. Bidault in his present difficult internal political situation. On the other hand, the probable consequences to four-power collaboration of the unilateral action which M. Bidault was proposing to take were so serious that he felt he must give the question some reflection. He implied that it would be difficult for the United States to acquiesce but said that he would communicate further with Mr. Bidault at an early date. He agreed that he would consider the conversation entirely confidential for the present, as President Bidault requested.

H. FREEMAN MATTHEWS

740.00119 Control (Germany)/9-2546

*The Secretary of State to the President of the Provisional Government
of the French Republic (Bidault)*

TOP SECRET

[PARIS,] September 25, 1946.

MY DEAR MR. PRESIDENT: Since I talked with you on Monday⁶⁹ I have been considering the action you advised me the French Government planned to take with reference to integrating the economy of the Saar with France. I hope that upon further consideration you will determine not to take any unilateral action in this regard.

As you know, the United States Government has announced that it will at the Peace Conference support the claim of France to the Saar territory.

Further, we have stated we would be willing to have the Saar excluded from the jurisdiction of the central German administrative agencies to be set up under the Potsdam Agreement.

But the United States Government feels very strongly that no unilateral action should be taken by the French Government and that the question of separate administration of the Saar pending the Peace Conference ought to be presented to the Council of Foreign Ministers prior to any action.

With assurances [etc.]

JAMES F. BYRNES

⁶⁹ September 23; see memorandum of conversation, *supra*.

740.00119 Council/10-1146 : Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, October 11, 1946.

US URGENT

5498. Secdel 1110. For Cohen and Thorp⁷⁰ and Matthews. You will have seen Brussels tels Oct 9 and 10 re action of IARA assembly deploring slowness reparations deliveries and formally bringing matters attention CFM.⁷¹ Dept appreciates pressure under which you and delegation are working and that you may not have time or wish to consider this subject now. However, it may prove helpful to you to have Dept's thinking in event you have time to consider subject and wish to discuss with Clay and British prior to CFM discussion.

Aside from recent IARA action tels from Dorr and other info reaching Dept indicate continuation present reparation deadlock (1) will focus increasing attacks on US in IARA and may lead to breakup IARA and (2) has caused serious concern to Brit who believe suspension reparation removals unjustly penalizes reparation recipients other than Soviet Union and France and injures UK industrial rehabilitation and export program presently handicapped by serious bottlenecks in machine tools. (See Brussels 1216 Sep 18 to Dept, rptd to Paris for Thorp as 140; 1177 Sep 11 to Dept; 103 Sep 13 to USPolAd rptd Dept as 1197; and 1245 Sep 24, rptd Lisbon for Rubin⁷² and Stockholm.)⁷³ Dept further concerned (3) that reconstruction needs liberated countries will already be scheduled for satisfaction by other means if delay continues much beyond next 9 months, with result that reparation claims cannot be satisfied in ways agreed Potsdam and Paris Act on Reparation but will produce demands for other satisfaction such as reparation from current output including resistance to payment for Ger exports of coal etc; (4) that further substantial delay in removals will lead to accelerated deterioration of machinery which under present conditions cannot be avoided; (5) that continued existence excess capacity in US-UK zones will provide USSR with basis propaganda accusation of western aggressive aims against eastern Europe as well as argument that Ger capacity to pay reparation in current output of steel, machinery etc. exists; and

⁷⁰ Willard L. Thorp, Deputy to the Under Secretary of State (Clayton); member, U.S. delegation, Paris Peace Conference.

⁷¹ Telegrams not printed; IARA's complaints concerning the slowness of deliveries were not fully taken up by the Council of Foreign Ministers until its 4th Session in Moscow, March 10-April 24, 1947. The text of a communication from IARA on this subject to the Council of Foreign Ministers is scheduled to be printed in volume II.

⁷² Seymour J. Rubin, Deputy Director, Office of Economic Security Policy; member, U.S. delegation to negotiate disposition of German assets in Portugal.

⁷³ None printed.

(6) that it is highly undesirable, from the standpoint of stabilizing the Ger economy further to delay the selection and removal of capital equipment eventually to be taken for reparation. It will be particularly unfortunate if such removals are made at a time when industrial activity has been stabilized in the Soviet zone and perhaps when such action might handicap the Western Occupying Powers in their relations with a new or prospective Ger Govt.

Having foregoing in mind, Dept has been seeking some solution which would permit resumption limited reparation removals and at same time would maintain position against deliveries to Soviets and French while they oppose Potsdam economic unity policy. Following suggestion might accomplish purpose:

(1) ACA to complete rapidly determination of surplus capacity under Level of Industry Agreement in each zone and if possible lists of plants eventually to be removed from each zone.

(2) US and UK to agree on partial implementation of Level of Industry Plan on bizonal basis by making available for actual reparation delivery those plants earmarked for reparation on above lists which would be unneeded for agreed standard of living even if UK and US zones alone treated as economic unit. Such plants would presumably include all pure war plants in US-UK zones (from which only general purpose equipment is declared available for reparation) and certain proportions of basic industries such as iron and steel, non-ferrous metals and chemicals which were expanded greatly for war use and would not be required for peaceful uses. (In this connection it should be mentioned that McJunkins of RDR Division OMGUS in informal and possibly personal expression of views to Dorr indicated guarding of 100 war plants in US zone is expensive commitment of which he believed zone commander would like to be freed earliest possible moment.)

(3) US-UK to submit list of such plants to ACA for allocation between USSR (and Poland) and IARA with specific proviso that no actual dismantling and delivery of plants is contemplated by US-UK to powers unwilling to treat Ger as unit. In event ACA failure to agree allocation on this understanding US-UK unilaterally to set aside about 25 per cent for delivery (possibly in each broad category of industry) to Soviets contingent ultimate agreement treatment Ger as economic unit and to turn over remainder to IARA for allocation and removal without delay.

(4) US-UK in making plants available to IARA for distribution to state that delivery of any plants allocated to France contingent on Fr participation US-UK zone unification.

Soviets and French would doubtless not concur in such plan so would have to be put into effect by US and UK jointly. This involves certain possible disadvantages:

(a) Existing stop order has color of excuse that impossible determine surplus industry capacity in absence knowledge as to whether Potsdam economic unity policy will be followed. Would lose benefit such justification if follow above proposal.

(b) It may aggravate relations with French generally and, particularly in light impending elections, may affect position elements domestic Fr politics favorable to western orientation.

(c) Would be impossible exclude Yugo and Czecho since they are IARA countries and not responsible present impasse in Germany. Question arises, however, whether proposal can be considered as opposed to present policy of refusing economic assistance to Czecho and Yugo. Under Paris reparations agreement Czecho and Yugo would be entitled to 4.3 and 9.6 percent of reparation made available through IARA.

Dept believes Secdel in better position to weigh pros and cons on basis atmosphere in Paris. Plan could be implemented either immediately, if British agree, or withheld pending outcome CFM session on Germany. If you deem it wise to withhold implementation until after CFM session you may still consider it desirable, if British agree, for US and UK representatives IARA to make announcement they will carry out such a plan if CFM unable to reach agreement.

Sent Paris as 5498, Secdel 1110, rptd Brussels for Dorr as 1160, USPolAd Berlin as 2091, London as 7159. Dorr shld repeat his 1177 of Sep 11 to Paris, Berlin and London, his 1197 of Sep 13 already rptd to Berlin as 103 to Paris and London, his 1216 of Sep 18, already rptd to Paris as 140 for Thorp, to Berlin and London.

ACHESON

862.50/10-1146

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL
No. 7343

BERLIN, October 11, 1946.
[Received October 25.]

SIR: I have the honor to refer to the Office of Political Affairs' telegram No. 2219 dated September 21, 1946, relating to the establishment of bi-zonal agencies to integrate economic activities in the U.S. and British Zones of Germany, and to forward herewith copies of the texts of agreements⁷⁴ for the establishment of a German Economics Administration, a Joint German Committee for Finance, a German Administration for Food and Agriculture, a German Transport Administration and a German Post and Telecommunications Administration. A proposal for a German Executive Committee on Manpower Subjects is under consideration.

Agreements

The texts of the five agreements are similar in all respects. Five joint committees are being established, each one consisting of Ministers

⁷⁴ Enclosures 1-5, none printed.

from the three *Laender* in the U.S. Zone and three representatives from the British Zone nominated by British Military Government. The agencies are being located in different places in the two zones to avoid the appearance of establishing a western capital. Each agreement specifies in detail the scope and functions of the joint committee. A non-voting chairman will preside over each committee, whose decisions will be made on the basis of a simple majority of votes. In the event that fifty per cent or less of the participants dissent from a proposal, the matter must be referred to the U.S. and British Military Governments before action can be taken. Committees are given fairly wide power in dealing directly with top authorities in the *Laender* and in checking upon the execution of committee decisions. Each committee will establish its own by-laws, and rules of procedures in the conduct of business, and will select German staff officials and other employees required for its work. The *Laenderrat* in the U.S. Zone and the Central German Offices in the British Zone will continue in operation until the various bi-zonal agencies are able to take over their activities. Provisionally, costs of administering the bi-zonal agencies will be borne equally by the two zones. Although not provided for in the various agreements, a small American-British Liaison staff will be attached to each agency to supervise its activities and coordinate contacts between the agency and the Military Governments.

The agreements were approved by the Military Government in the U. S. and British Zones and were signed by authorized German representatives from the two zones. Each agreement specifically provided that other zones were free to join in the bi-zonal arrangements at any time. (See Enclosures 1-5)

Economics

The German Economic Administration is being located at Münden [*Minden*] (British Zone), and will consist of eight departments: (1) basic section, including coordination, reparations, economic organization and administration, and expellees; (2) planning and statistics; (3) basic industries; (4) production goods; (5) consumer goods; (6) foreign and interzonal trade; (7) price-fixing and control; and (8) public utilities. Dr. Rudolph Mueller, formerly Minister of Economics for Greater Hesse, is chairman of the committee. Members are Dr. Victor Agartz, Central Office for Economics, Hamburg; Dr. Ludwig Erhardt, Minister of Economics, Bavaria; Dr. Werner Hilpert, Minister of Economics, Greater Hesse; Dr. Heinrich Koehler, Minister of Economics, Wuerttemberg, Baden; Dr. Hans Kuhnert, Head of Economic Administration, Schleswig, Holstein; and Professor Erick Noelting, Minister of Economics, North Rhine, Westphalia.

The Office of Military Government for Germany (U.S.) is sending a liaison staff of nine men to Minden. In the latter part of September when U.S. officials were making plans to send the liaison staff to Minden, British officials indicated arrangements had not yet been made and that October 1 was considered somewhat premature for beginning operations. One short preliminary meeting was held in Minden on October 1, but the administration is not expected to begin operations until about October 11, at which time plans for exports and allocations, particularly for coal, will be discussed. General organization plans will also be discussed with the object of setting target dates for assumption of operational responsibility by various units of the committee staff.

Progress in working out details of the joint Economic Administration has been complicated by the fact that goods have been purchased from the Germans by U.S. authorities for export, sale and use in industry, whereas a system of requisitions has been used in the British Zone. Furthermore, control of economic activities in the British Zone has been concentrated in London whereas in the U.S. Zone operations have been managed from Berlin. Many differences in policy and practice remain to be ironed out between the two zonal authorities before the German economic administration can hope to suggest an organization to accomplish joint U.S.-British aims without too many complications arising out of uncoordinated U.S. and British approach.

Finance

The Joint German Committee for Finance is being located at or near Frankfurt (U.S. Zone). The present organizational structure provides for departments dealing with taxes and custom duties, budget questions, money and credit, and insurance. Dr. Hulse, presently with the Central Office for Finance, Hamburg, has been selected to be Chairman of the Committee, although British authorities have not as yet formally approved his release from his present duties. Members are those Finance Ministers from the U.S. Zone, Dr. Terhalle, Bavaria, Dr. Cahn-Garnier, Wuerttemberg, Baden, and Dr. Mattes, Greater Hesse; and three British Military Government appointees, Dr. Hulze, Dr. Krust and Dr. Hopker-Aschoff. One U.S. and one British officer are to serve as the Allied liaison staff. Operations began on September 25, 1946.

Insofar as finance problems are concerned, the area that is not covered by necessity for quadripartite action is somewhat limited. Proposals now before the Allied Control Authority would provide for decentralization of the banking structure and the establishment of an Allied Finance Board in Berlin, and OMGUS Finance tends to favor

moving slowly with bi-zonal arrangements in hope of achieving quadripartite agreement. Activities performed by the *Laenderrat* and the Central Office for Finance will be taken over gradually.

Initially, the committee is expected to consider problems connected with the internal financing of the export-import fund; the elimination of double taxation, and the unification of the civil service organization. Common tax collection policies and practices will be among the last questions to be discussed in the Committee because of the obvious desirability of four-zonal over bi-zonal agreement.

It will be noted that the administrative budgets of bi-zonal agencies are to be submitted to the Finance Committee, a power to which the Economics Committee has objected if it is interpreted to include the authority to approve or disapprove budgets of other committees. Similarly with respect to the function of the Finance Committee in considering financial aspects of proposals affecting interzonal institutions, the Economics Committee has stated its position that the mechanics of operating the Export-Import Fund may properly be the concern of the Finance Committee but the determination of policy related thereto remains a function of the Economics Committee.

Food and Agriculture

The German Administration for food and agriculture is located provisionally at Bad Kissingen (U.S. Zone). Initially, the organizational structure provides for a staff department on food production; other staff departments will be formed as progress is made and as circumstances may require, the general nature of which is indicated in the text agreement. Dr. Hermann Dietrich, formerly Food Commissioner for the U.S. Zone, is Chairman of the Executive Committee for food and agriculture. Members are Dr. Josef Baumgartner, Minister of Food and Agriculture, Bavaria; Dr. Helmut Eisenmann, Deputy for the State Director, Wuerttemberg, Baden, and George Haering, Minister of Food and Agriculture, Greater Hesse; and Dr. August Bloch, Minister of Food and Agriculture, Hannover; Dr. Herman Heukamp, Minister of Food and Agriculture, Dusseldorf; and Dr. Carl Wilhelm Passarge, State Secretary, Central Office for Food and Agriculture, Hamburg. The Allied Liaison Staff includes an American and a British group each consisting of an officer in charge assisted by one officer responsible for food programs and one for agricultural programs. Preliminary operations began on September 24 but it is expected to be three to six months before bi-zonal food and agriculture arrangements are completed and a German Staff is assembled.

In accordance with one of the basic principles underlying the bi-zonal economic integration plan, it has been announced that similar

levels of food rations will come into effect with the 94th rationing period beginning October 14, under which the normal consumer will receive rations equivalent to 1550 calories daily.

Transportation

The German Transport Administrations are being located at Bielefeld (British Zone) except for the General Administration for Maritime Ports and Coastal Shipping which is in Hamburg. The organizational structure provides for Administrations for Railroads, Highways and Highway Transport, Inland Waterways and Inland Water Transport, and Maritime Ports and Coastal Shipping, each headed by a Director-General. Mr. Ludwig Homberger, a U.S. citizen, was named Chairman of the Executive Committee for Transport, but this selection was later deemed inappropriate. A new chairman had not been named as of October 5, 1946. Members are Michael Helmerick, Transport Minister, Bavaria; Otto Steinmayer, Transport Minister, Wuerttemberg, Baden; and Dr. Walter Strauss, State Minister, Greater Hesse; and three British Military Government appointees, Dr. Fritz Busch, Dr. Otto C. Offen, and Dr. Von Freedom.

It should be noted that all three members of the committee from the British Zone have been nominated for senior positions in the General Administration, a situation not paralleled in any of the other bi-zonal economic agencies. While inclusion of technical officers on the Executive Committee would insure that technical considerations were kept fully before the committee, it might however result in technical aspects overbalancing geographic political and other considerations. The question of dual responsibilities was referred to higher authority for decision and at the third meeting of the Bipartite Board on October 4, the British representative stated they had arranged that members of the Executive Committee should not also occupy executive operating positions.

The Bi-partite Control Group consists of two representatives from each of the U. S. and the British Transport Divisions. Operations began on October 1.

Activities to date have been confined to arranging details of housing and office space, appointment of personnel, organizing the secretariat, etc. A preliminary outline of the administration of railroads has been prepared, and will be considered as the first and most important order of business for the committee.

Post and Telecommunications

The German Post and Telecommunications Administration is being located at or near Frankfurt, (U.S. Zone). The Executive will assume responsibility for all civil communication and postal services in

the two zones, with reservation of certain actions subject to prior approval of military government. The committee will cooperate with the Executive Committee for Finance on specific matters set forth in the text agreement. Names of committee representatives are not presently available.

The first meeting of the Executive Committee is scheduled for October 10, 1946, and November 1, has been set as a target date for establishment of Post and Telecommunications Administration.

Manpower

Formation of a German Central Executive Committee on Manpower Subjects is under consideration. At the third Bi-partite Board meeting on October 4, the British view favored setting up an agency to handle manpower problems, but the U.S. opinion was that establishment of central machinery for handling manpower problems was limited by terms of the Potsdam agreement and that such actions would lead to amalgamation of trade unions and might infringe on quadripartite action. A final decision was deferred pending reference by the U. S. representative to his government.

Discussion and Negotiation of Agreements

The agreements are the result of considerable discussion and negotiation between the U.S. and British and German authorities representing the two zones.

Preliminary Discussions

In a letter to General Lucius D. Clay on July 26, General Sir Brian H. Robertson indicated that official British approval of previous informal discussions on economic integration of the two zones would be forthcoming shortly, and suggested that policy should be handled at the highest U.S.-British level and that operations should be in the hands of joint German administrations. On the British side, this meant that executive power would have to be given to certain purely administrative bodies in the British Zone, and steps were immediately taken to transfer executive powers and responsibilities in the economic field. By way of example, Military Government in the U.S. Zone consists of approximately 6,300 persons at the present time, whereas it numbers about 26,000 in the British Zone. In the U.S. Zone a great deal of the actual administration of military government has been in the hands of the Germans for a long time, and policy decisions have been received from U.S. Military Government personnel. In the British Zone, however, very little use has been made of German personnel other than on an advisory basis; practically all of the detailed administration and execution of policy has been carried on by British personnel.

General Robertson also suggested that the joint machinery might take the form of a bi-partite counterpart to the Coordinating Committee and the Directorates of the Allied Control Authority, though smaller in size. The resulting organization essentially follows this pattern.

Informal Meeting August 9, 1946

An informal meeting of U.S. and British Military Government authorities representing the several fields of activity to be integrated met on August 9.⁷⁵ The decision was made to concentrate on working out bi-zonal arrangements covering food and agriculture, trade and commerce and industry (separately or together whichever seemed more satisfactory) and transport.

The question of sharing deficits on the export-import budget was first raised at the August 9 meeting. The British proposed sharing on a 50-50 basis on the grounds that both occupying powers would presumably benefit under the unification plan; whereas, the U.S. proposed that the deficit be prorated between the two zones on the basis of populations—57 percent for the British and 43 percent for the U.S. Zone. The British regarded the 57-43 proposal did not take into account the fact that the British Zone will produce exports accruing to the advantage of both zones, but the production of which will entail extra outlays of food and money by the British Zone, and suggested an alternative 52-48 arrangement. On the other hand, U.S. representatives felt that the 50-50 proposal was too loose an approximation for sharing the deficit, and that without unification the deficit would have to be borne essentially on the basis of population. Moreover, the partnership principle would hardly be applicable if the French or Soviet authorities later decided to join the unification program. Adoption of the population principle would be particularly inviting to the French who have such a small population in their Zone, whereas the partnership principle would not. After consideration, the Bi-partite Board agreed on September 14 to accept the revised U.S. proposal for 53-47 as a basis for sharing deficits, subject to approval by the British Government. Approval had not been received up to October 4, according to a statement made at the third meeting of the Bi-partite Board.

On the question of the status of existing agencies in the zones, the U.S. position was that German representatives from the U.S. Zone would have to be responsible to the *Laenderrat*, a situation which seemed to cause some concern among the British group on the grounds that other German organizations would be interposed between Berlin

⁷⁵ See telegram 1896, August 11, from Berlin, p. 589.

and the Germans. Agreements on the position of the *Laender* and existing zonal economic agencies are summarized in the second paragraph of this despatch.

In the discussion of membership in the German Joint Committees, the U.S. representative urged equal representation by geographical groupings to insure full protection of minority views, citing the case of Bavaria, as an example, having less in common with Wuerttemberg-Baden and Greater Hesse who would be inclined to side with the Ruhr and Rhineland areas on many questions. According to the terms of the various agreements, U.S. Zone membership on each Joint Committee consists of one representative of each *Laender*, and the principle of geographic representation has been observed by and large in the selection of committee members from the British Zone.

The relative advantages of a completely integrated staff versus a joint staff for the small Allied liaison staff attached to each bi-zonal agency was discussed at length, with the British favoring full integration and the U.S. representatives feeling that completely integrated staff would not be operationally possible because of the present form of organization in Berlin. For the time being at least, the Allied representatives will work as a joint staff with rotating chairmanship.

From the outset emphasis has been laid on the fact that the bi-zonal unification arrangements were only economic and in no way political in their objectives. The various agencies were purposely scattered throughout the two zones, sometimes not without disadvantages from an operating point of view, to avoid the appearance of setting up a Western capital. (The location of the German Economics Administration was chosen by flip of a coin). General Robertson touched on another aspect of this point when, speaking on the question of consultation with U.S. authorities prior to taking over industries in the British Zone, he affirmed willingness to talk over technical ramifications but asked not to be pressed for political coordination—although he regarded consultation from time to time as necessary and cited land reform as a specific example of a question more political than economic about which he felt it was proper for U.S.-British consultation.

Meetings of Bi-partite Board

The Bi-partite Board made up of 10-12 representatives each of the U.S. and British Military Governments has met three times. The principal order of business has been the consideration of agreements for the five bi-zonal agencies. Progress reports have also been received from the various bi-zonal agencies.

In addition the Board has discussed related questions presented to it covering prices and subsidies, the Soviet refusal to treat Germany as an economic unit, plans for fuel for German families, and fusion

of the U.S. and British Sectors, but no decisions were taken on these matters.

The Board has also outlined the bi-partite organization and has made available copies of the text agreements on the five bi-zonal agencies to the D.C.A. [A.C.A.] Coordinating Committee for information of French and Soviet authorities.

Copies of minutes of meetings and documents issued by the Bi-partite Board are enclosed herewith for record. (Enclosures 6-23).⁷⁶

Respectfully yours,

ROBERT MURPHY

862.014/10-1146

*The Secretary of State to the President of the Provisional Government
of the French Republic (Bidault)*

PARIS, October 14, 1946.

MY DEAR MR. PRESIDENT: I have received your letter of October 11 with further reference to the question of the Saar and the French Government's views with respect thereto.⁷⁷

I am gratified to learn that you have decided to refer the question of the treatment of the Saar to the Council of Foreign Ministers before taking any action. Provided it does not delay the consideration of the final texts of the peace treaties which have formed the subject of our present conference here, I am in agreement that the question of the Saar be discussed at an early meeting of the Council of Foreign Ministers, and I shall be happy to support the position of the French Government that certain immediate steps be taken toward integrating the economy of the Saar with France.

With assurances [etc.]

[File copy not signed]

740.00119 EW/10-1446

*The United States Political Adviser for Germany (Murphy) to the
Director of the Office of European Affairs (Matthews)*

SECRET

BERLIN, October 14, 1946.

PERSONAL

DEAR DOC: I thought you might be interested in the following substance of a personal telegram from General Echols⁷⁸ to General Clay on the question of reparations from current German production.

⁷⁶ None printed here.

⁷⁷ In his letter of October 11 (not printed), President Bidault agreed to refer the Saar question to the Council of Foreign Ministers, although insisting that it be considered and acted upon at the next session. He said that further delays would cause a change in attitude which would obstruct implementation of his proposal which was at present generally accepted (862.014/10-1146).

⁷⁸ Maj. Gen. Oliver P. Echols, Assistant Deputy Military Governor, U.S. Zone of Occupation in Germany.

According to this telegram, while General Clay was requested to review this matter with the Assistant Secretary of War, Mr. Petersen, who is now in Berlin, General Echols pointed out that this appears to be "another subject which was discussed by General Draper with high officials of the State Department without knowledge of the War Department". General Echols said that he understood this to be a matter of high policy which should have received SWNCC consideration before being taken up with top officials of the State Department.

General Clay has now replied to Echols along the following lines: Secretary of State Byrnes indicated in discussion that there was no objection to our endeavoring to find possible compromise basis concerning Russian desire for reparations from current production provided total amount was not too large. Accordingly Draper has been discussing this matter with Koval and Kolpakov of the Economic Directorate, and Kolpakov has personally drafted proposal along following lines which we consider reasonable basis for discussion:

1. The amount of reparations in current output to be divided between the Soviet Union (including Poland) and IARA nations would take into account the value of German assets owned abroad and the capital removals going to each.
2. Recipient nations would furnish raw materials for the production of reparations until a favorable balance of trade permitted the German economy to furnish raw materials.
3. Central German administrative departments would be established, in particular a department with responsibility for implementing the agreement on reparations from current output.
4. Zone Commanders would retain responsibility for the capital removal program; otherwise, economic zonal boundaries would be entirely removed.
5. A balanced import-export program for Germany as a whole would be agreed to eliminate the burden on the occupying powers.
6. Ban on dismantling reparations plants would be lifted.
7. Reparations from current output from Germany as a whole is provided in amounts agreed by Control Council and the level of industry and capital removal program are correspondingly revised.

We (General Clay) recognize need for limitation of total amount of reparations including reparations from current production and/or time limit on latter. Kolpakov's proposal leaves open question occupation costs and division of responsibility for past and future deficits which will need further discussion. We hope to have something more definite before meeting Council of Foreign Ministers. (End of paraphrase of General Clay's telegram which began in third paragraph of this letter).

Bill Draper tells me that the only time he discussed the above with Will Clayton General Echols was with him.

The Russians have submitted a paper which is now being discussed. Both General Clay and General Draper tell me that they have never

had any intention of making commitments on this subject without full consultation but that General Clay did understand from Mr. Byrnes that there was no objection to exploring the matter and feeling out the Russians in order that we might be better prepared to discuss it if the subject comes up at the Council of Foreign Ministers.

Undoubtedly at that time we shall want to tie in whatever agreement is made on this subject with political considerations. The Russian need for commodities out of German production is so urgent and apparent that we would be well-advised to use the opportunity to obtain very definite commitments from them on the subject of the introduction into the Soviet zone of occupation of our form of democratic methods.

Yours ever,

ROBERT MURPHY

740.00119 EW/10-1646 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 16, 1946—6 p. m.

URGENT

[Received October 16—4:30 p. m.]

2392. Your 2901 [2091], October 11.⁷⁹ I do not concur in Department's proposals, although we are fully cognizant of undesirable aspects of current status of reparations removals. However, we are convinced there are bigger issues at stake than (1) accommodating IARA, (2) increasing flow of machine tools, et cetera, to Britain (we assume Britain has already moved from its zone tools of the type most urgently needed), (3) possibility of some reparations payments to liberated countries out of current output, (4) possible further deterioration of machinery, (5) Soviet accusations (which in any event will become bitter and more valid in the event the Department's suggestions were followed), and (6) an attempt at stabilizing the German economy prior to the time that we even know the political boundaries of the territory under consideration.

The main reason for stopping dismantling was that Potsdam also contained provisions other than reparations which were not being lived up to and it was felt that capital equipment was a strong bargaining tool to achieve compliance with these other provisions. Further removals were stopped because in the absence of economic unity and a final determination of boundaries, it was altogether impossible to determine what industries should be left in Germany to allow a potentially self-sustaining economy. By arranging increased

⁷⁹ Same as telegram 5498, October 11, to Paris, p. 611.

removals to claimants other than Soviet and French, we would largely destroy the validity of that argument which incidentally appears perfectly valid today.

It now appears that the entire reparations question must be reviewed to break the present stalemate and to consider Soviet demands for reparations from current production. Rather than overhaul the plan twice—now temporarily to satisfy IARA and later to consider current production—it is thought most desirable to combine the two into one broad and definitive review and change. Furthermore, the impracticability of determining a bi-zonal level of industry should be considered.

I might add that IARA now has eight odd non-ferrous metal plants on which allocations have not been made and on which deliveries will follow immediately after allocations. In addition, General Clay has stated in session of Coordinating Committee and not for publication that the American Zone will lift its embargo on deliveries of general-purpose equipment in war plants in its zone.⁸⁰ There are already approximately 30,000 pieces of general equipment which have been inventoried and valued at over 100,000,000 reichsmarks. These, and presumably even larger amounts from the British Zone, are now available for allocation and delivery.

I believe that we should maintain our bargaining position on reparations removals until such time as we are able to obtain compliance with other highly important Potsdam provisions. Economic objectives should include establishment of central agencies, free interzonal trade and travel, financial reform of the type envisaged in the Colm-Goldsmith report,⁸¹ and a centralized budget for reparations and occupation costs.

A second aspect of the reparations problem is raised by the new Soviet request for reparations out of current production, which goes beyond Potsdam and therefore gives us the opportunity to demand that certain political conditions be met as a *quid pro quo*. As the Department is aware, preliminary discussions regarding this subject have been taking place here with Soviet representatives. These discussions have to date been limited to economic and certain financial considerations. It is our impression that the Soviets may be in such urgent

⁸⁰ As reported in telegram 2332, October 9, from Berlin, General Clay offered to retract his stop order on such reparations deliveries and suggested that a lump inventory be made by consolidating the United States zone list with those in the other two western zones. This proposal, made at the 82nd Coordinating Committee meeting, October 7, was approved and the Economic Directorate was charged with drawing up the inventory subject to approval by the Coordinating Committee. (740.00119 Control (Germany)/10-946)

⁸¹ For a summary of the report see War Department's telegram CC-5635, May 23, p. 556.

need of German current production (especially hard consumer goods) that they would consider granting an important measure of political freedom to the German population in their zone in addition to steps toward economic and financial unity. Minimum political conditions to be demanded from Soviets in return for reparations out of current production would be granting of basic civil liberties and political equality. For example, a genuinely free German press limited only to prevent Nazi, militarist, or anti-Allied propaganda, free interchange of newspapers with other zones, equality of opportunity for all democratic political parties including Social Democratic Party, freedom of movement, freedom from arbitrary arrest, and right to fair and public trial. Thus, in addition to economic and financial unity, we should try to obtain equally important political objectives. This may be our last opportunity to use such a potent bargaining position in Germany for this purpose.

Repeated to Paris for Secdel as 339; to London as 350, to Moscow as 324, to Brussels for Dorr as 113.

MURPHY

800.515/10-1846 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 18, 1946—6 p. m.
[Received October 18—3:25 p. m.]

2402. Disagreement developed at 84th meeting Coordinating Committee October 17 on two important items of finance and questions were referred to next meeting Control Council.

1. Coordinating Committee had before it United States proposal⁶² on elimination of excessive banking concentration which provided for liquidation of national head offices of large German banks and restriction of the activities of such banks to the limits of one state or province. Soviet delegate in Finance Directorate had reluctantly accepted this solution, reserving right to insist in future on "complete liquidation of German bank monopolies". The second part of proposal provided for a "commission of central *Laender* banks" under supervision of Allied Banking Board. Soviet delegate in Finance Directorate favored establishment central banking agencies in Germany but maintained suggested central banking machinery be taken up as part of study being made of future German financial system.

Arguments of Soviet member in Coordinating Committee followed same lines, namely, that decentralization part of proposal should be immediately adopted and that central banking agency be studied fur-

⁶² Not printed.

ther in Finance Directorate. He claimed bank monopolies still existed in Western Zones whereas Soviets had closed big scale banks and had stopped their payments. He insisted provision for Allied Banking Board and central *Laender* bank commission was identical with French proposal for Allied agencies which had been rejected by Control Council. He favored immediate setting up of central German finance department.

United States and British delegates pointed out the chain of big five German banks had been broken and that local branches had no connection with head offices. They favored adoption of both parts of Finance Directorate's plan, pointing out differences in banking practices militated against economic unity. French member suggested merging Allied board with central *Laender* bank commission.

2. On considering United States plan for financial reform,⁸⁸ Finance Directorate considered 8 months would be required to produce any new approved currency and suggested preliminary steps be immediately taken for its production. United States, British, and French proposed printing should be done by state printing office in Berlin, whereas Soviet delegate reserved right to print Soviet zone supply of currency within Soviet zone subject to control of issue by a central agency.

In Coordinating Committee, Soviet member desired reference back to Finance Directorate of currency production proposal for presentation later in connection with completed finance reform plan. He claimed necessary currency could be produced in one month in several places. United States, British, and French members disagreed and British member stated that in view of Soviet attitude and Soviet's failure to report total issue of Allied military marks he could only conclude that they have no intention of treating Germany as an economic or political unit for a long time. Soviet member retorted he assumed that British member's remark was a personal opinion.

Sent Department as 2402; repeated Moscow as 325, Paris as 340, London as 351.

MURPHY

800.515/10-2246 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 22, 1946—6 p. m.

[Received 10:55 p. m.]

2423. My telegram 2402, October 18. 1. Questions of banking and currency production transmitted from Coordinating Committee failed

⁸⁸ Not printed.

of agreement against continued Soviet opposition in 44th meeting Control Council October 21, which engaged in recriminations regarding responsibility for breakdown economic unity principle. Kurochkin substituted for Marshal Sokolovsky.

2. Soviet member perceived no connection between decentralization features of banking plan and proposal for establishment central *Laender* banks which he considered new attempt to save monopolies from liquidation. In Soviet zone decentralization was completed in May 1945 and only provincial banks existed; Soviet member claimed reorganization had favored reconstruction of paralyzed peacetime industries. British member asserted Soviets should apologize instead of taking credit for unilateral action and stressed that establishment of sound banking system was imperative and urgent need of financial reform. According to Soviet member zonal measures conformed fully with Potsdam Agreement and he said he could bring up many matters under this agreement for which British should apologize. United States member mentioned Soviets were mistaken as to existence of banking monopoly in United States zone and he pointed out that in Soviet zone there was completely controlled government monopoly of banking. He continued he might accept Soviet proposal for banking decentralization if there were any assurance that German financial structure would be resolved in near future; he had noted no progress within past year toward economic unity and therefore considered that long time would elapse before this goal could be reached by quadripartite agreement. Control Council decided item should be withdrawn from agenda and that delegates should inform their respective governments, each delegation retaining its freedom of action.

3. Soviet member still opposed production of new German currency in anticipation of completed program of financial reform, asking in whose name such currency would be issued. British member stated present farcical system must cease whereby each zone commander issues currency, taking current proposal as important test case he fully indorsed. British member's remarks in Coordinating Committee that British delegation could only conclude that Soviets had no intention of treating Germany as an economic or political unit for long time. Soviet member maintained economic unity depended on execution of reparations program and liquidation of German economic war potential, he said Soviets do not take part in bilateral decisions which ignore these matters. He still maintained currency production was linked with financial reform plan which was being debated in Finance Directorate and also in public press notwithstanding pledge of secrecy. Soviet administration did not unilaterally change price levels in contradiction of Potsdam decisions as had been done in other zones and with respect to absence of report on Allied marks, Kurochkin said

Soviet administration had not abused its rights since no issue of currency has taken place. United States member recommended that printing of new currency be started now simply to assure adequate supply in time. With respect to larger issues discussed, he believed many problems of quadripartite government cannot be settled until certain policies are determined by four Governments. He referred to French policy regarding Saar, Rhineland and Ruhr as fully understood by everybody but described Soviet position as somewhat of mystery.

Soviet member endeavored to refer currency printing plan back to Finance Directorate but item was simply withdrawn from agenda on insistence of British delegate who pointed out Directorate would be free to consider it again in connection with financial reform.

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Repeated to Moscow as 331; to Paris as 345; to London as 359.

MURPHY

740.00119 EW/10-2346 : Telegram

The Chargé in the Soviet Union (Durbrow) to the Secretary of State

SECRET

Moscow, October 23, 1946—4 p. m.

[Received 4:23 p. m.]

3944. Berlin's 2392, October 16, 8 p. m. to Department; repeated Moscow 324 penultimate paragraph. While we fully share Murphy's view that American bargaining position, vis-à-vis Russians on German reparations removals is a valuable asset which should be used to utmost advantage, we feel we should express our earnest doubts regarding possibility of obtaining any lasting political concessions from them in Germany in return for economic ones (last paragraph reftel).

It is characteristic of Kremlin practice to sacrifice an economic position rather than a political one whenever faced with necessity of making such a choice. An equally important consideration in our view is fact that in American relations with Soviet Government there has yet to be experienced phenomenon of Russian implementation of a political agreement involving a third state which even approached objectives of the undertaking. Whether this fact reflects differences of interpretation or purposeful evasion or a combination of both is in last analysis only of relative importance since results in any case constitute non-fulfilment. We believe recent experience of American endeavors to aid establishment of "free and democratic" regimes in eastern Europe and Balkans under specific agreement with Soviet Government is instructive in this connection.

We do not mean that Soviet MG might not for tactical reasons permit short period of relative political freedoms in its zone, but

there could be no assurance of permanence. They would be withdrawn overtly or covertly, as circumstances indicated, the moment Soviet long term strategy required.

Finally as a general consideration, we would urge that any agreement with Russians based on an exchange of concessions in Germany, whether economic or political, be played in such a manner as to preclude giving away our hand only to be faced with non-fulfilment by the other party. Soviet political stakes in Germany are high and there is nothing in Leninist-Stalinist book to justify a hope that Kremlin might approach this problem with other than its well established and proven revolutionary technique.

DURBROW

740.00119 Control (Germany)/10-2546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 25, 1946—5 p. m.
[Received October 26—6:30 a. m.]

2451. 1. Shortsightedness and inconsistency of French opposition to German political unity was illustrated at 85th meeting Coordinating Committee October 24 where French position on this score blocked adoption of regulations on uniform treatment of trade unions and political parties. French were keenly interested in both these important matters but their formal objections provided Soviets with opportunity of withholding approval.

2. Preamble to draft law⁸⁴ on trade unions suggested by British member provided that with consent of military authorities workers and employees may establish local trade union organizations in accordance with their constitution, including Germanywide federations. (Paragraph 2 my telegram 2405, October 18.⁸⁴) French member could not approve of inter-zonal federations which might entail nationwide federation. Soviet member claimed law was useless without preamble because otherwise it went no further than directive 31.⁸⁵ While agreeable to deletion of paragraph United States member considered federation essential and stated that without prejudice to economic unity principle and after informing Coordination Committee, he would in any event soon request British authorities to agree to fusion of unions in United States and British zones. French member mentioned he would concur in wider expansion of unions provided these were decided

⁸⁴ Not printed.

⁸⁵ Reference is to Principles Concerning the Establishment of Federations of Trade Unions, June 3, 1946; for text, see *Official Gazette of the Control Council for Germany*, No. 8 (July 1, 1946), p. 160. This Control Council directive dealt with intra-zonal activity of trade unions.

by Control Council itself. Clay then suggested national conference of union leaders for drafting of provisions regarding federation which would be submitted for Control Council approval. French regarded this impractical and insisted separate applications for federation must be referred to Control Council. Pointing out that inter-zonal amalgamations were permitted now, Clay said he would never sign law enabling French to impose veto on zonal matter. While deletion of paragraph in preamble was acceptable to other delegations, Soviets insisted on provision for Germanywide federation and, on Clay's proposal, paper was withdrawn from agenda.

3. Coordinating Committee considered Political Directorate paper⁸⁶ laying down rules for uniform treatment of political parties "pending decision of question of amalgamation of parties on national basis". (Mytel 2414, October 21.⁸⁶) Soviet member withdrew approval from cited formula and said he would sign only if political parties now were permitted to amalgamate on all Germany basis. French member claimed that, leaving aside question of inter-zonal amalgamations, directive was urgently necessary since it was first paper on political parties. Soviet member asserted paper was linked with question of creation of German Government and that time had come to give this thought. Clay pointed out that parties *de facto* were already operating on national basis and that it would be better they do this with permission than without it. French member requested postponement to later meeting to which he would attempt to present acceptable formula.

MURPHY

740.00119 Control (Germany)/10-2546: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

CONFIDENTIAL

BERLIN, October 25, 1946—9 p. m.

[Received 11:40 p. m.]

2454. My despatch 7210, October 1.⁸⁷ Protracted discussion has taken place in 84th and 85th meetings Coordinating Committee regarding reparations progress report. In last meeting October 24 Soviet member considered report unsatisfactory since agreed lists of plants had not yet been presented for allocation. He proposed (1)

⁸⁶ Not printed.

⁸⁷ Not printed; in this despatch the Soviet representative on the Economic Directorate complained that of the 2,000 to 2,500 plants to be removed from the western zones, 675 had so far been offered, 114 evaluated, and only 5 dismantled. Of the estimated 3 million tons which were to be shipped, only 1 percent had been sent. The United States member said that the total number of plants would be closer to 1,850. (740.0019 EW/10-146)

all plants declared available be immediately allocated between USSR and IARA without prior notification; (2) Economic Directorate be instructed to allocate all evaluated plants and allocation be made at least twice month as evaluations proceed; (3) evaluation of all plants declared available be accelerated and report of evaluated plants be made by Economic Directorate every 2 weeks so that allocations could be made. With respect to (1) United States member suggested substitution of phrase "48 hours after economic unification" instead of "immediately". In response to French complaint that delays had left IARA with little work to do, Clay pointed out French had submitted reservations against many evaluated plants. He was willing to proceed with any list of plants against which no reservations had been made but he insisted that plants be classified industry by industry since it was essential to know which plants would leave Germany for reparations and which would be left for peacetime economy. The only exception from this rule would comprise general equipment in war plants which he had already suggested be made available in bulk. British member could not agree to allocation prior to evaluation and he maintained his reservation that British administration might have to retain certain plants to make good deficit to zone resulting from failure to apply economic unity. Soviet member observed that Clay was still pursuing his "illegal policy" in stopping reparations which were part of question of economic unity. He said allocation of general equipment from war plants was only small part of reparations problem. Clay reported that he would maintain his position as long as Soviets put "illegal obstacles" in way of economic unity and that he did not like Soviet member's choice of language. Conclusion of debate was that Economic Directorate be instructed to proceed as soon as possible with drafting lists of plants against which no reservations had been submitted.

Sent Department as 2454; repeated Moscow as 337; Paris as 348 and Brussels for Dorr as 115.

MURPHY

740.00119 EW/10-2546: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 25, 1946—10 p. m.

[Received 11:30 p. m.]

2456. Reference Moscow's 244, October 23.⁸⁸ We do not doubt validity of Durbrow's views on need for extreme caution in making agreements with USSR looking towards exchange of economic for

⁸⁸ Same as telegram 3944, October 23, 4 p. m., from Moscow, p. 628.

political concessions. We also agree that odds may well be against Russians accepting political conditions in partial exchange for economic concessions. However, assuming that we do not just make economic concessions without a *quid pro quo*, we believe that there is nothing to be lost in participating in negotiations along lines of our telegram. In addition there are several points in current German situation which require special examination.

First, we would stress that "concessions" that we propose attempting to gain along both economic and political lines are nothing more in our view than an honest implementation of Potsdam Agreement *in toto*, i.e., something to which USSR is already committed. We consider this continuous attempt to be one of our major functions here and even though we acknowledge serious obstacles which we have steadily pointed out to Department and Moscow Embassy, we still feel we can point to some cases of limited success. For example, Berlin election October 20 was carried out in democratic manner.⁸⁹ These elections, results of which constitute heavy blow to Soviet aims and prestige, did not just happen to occur in free and orderly fashion. They were preceded by many months of difficult negotiations during which Western powers put up all effective proposals and forced reluctant Russian authorities to agree to them.

Second, agreement to reparations out of current production in exchange for compliance with political provisions of Potsdam would by its very nature not "give away our hand only to be faced with nonfulfillment by other parties". We would be in a position to cut off such reparations from our zone whenever convinced that Soviets were not living up to their part of agreement. Admittedly, this would require vigilance and rapid decisions on our part to avoid giving away something for nothing.

Third, while we agree that Soviet actions elsewhere in Europe are of significance and relevance to problems here, we believe too close parallel should not be drawn between our position in Germany and that in eastern Europe. We are part of occupation of Germany and intend to continue such participation. Thus we are in position within Germany in which our views cannot be ignored and where we can take direct action along certain lines when necessary.

In addition to above we would stress dynamic aspects of our position in Germany. American policy has been to press for economic and political unification of Germany and not to be satisfied with unification of western zones. At some time test will come for all Germany and thus we are forced to gamble on whole rather than to fall back to defensive position in western zones alone. Accordingly, we believe

⁸⁹ For pertinent documentation, see pp. 701 ff.

that we must attempt to exploit any and all possibilities of opening up Soviet zones.

Sent Department; repeated Moscow 338; Paris as 349; London as 362 and Brussels for Dorr as 116.

MURPHY

SWNCC 267 Series : Telegram

The Director of the Office of Military Government of the United States for Germany (Clay) to the Joint Chiefs of Staff

SECRET

BERLIN, 2 November 1946.

PRIORITY

CC 6672. Reurad WX 93543.

1. Receipt acknowledged of your instructions to propose for quadripartite approval establishment of a commercial rate of exchange for specific purposes at \$.10 equal 1 mark.

2. While we realize that your instructions closely restrict purposes to which commercial rate is to be applied, and while in all other cases world market prices are to remain governing, we find ourselves compelled to raise objections to the establishment of a commercial rate at this level for any purpose.

3. Your instructions constitute directive to sell certain German exports at price far below world prices and equally far below the price at which they could be sold. With reference to your instructions to us to price transit freight services on the basis of present mark tariffs multiplied by \$.10, we call your attention to the fact that the Czechoslovakian Government, who are one of the principal buyers of these services, in an *aide-mémoire* dated 15 May,⁹⁰ prepared for presentation to the Allied Control Council and the four occupying powers, have proposed pricing these services on the basis of approximately \$.20 equal 1 mark. We understand that contents of this *aide-mémoire* were transmitted to State Department in note of 16 May referred to urad June W 92781.⁹⁰

4. We are, however, less concerned with the question of possible monetary loss than with the harmful effect of proposed action on long range military government objectives.

5. Our primary objection to your instructions is that conformity to these instructions will, in our opinion, seriously prejudice if not make impossible the ultimate establishment of rate of exchange for the mark at any higher than \$.10 equal 1 mark.

⁹⁰ Not printed.

6. We offer for your most serious consideration our conviction that action at this time which seriously prejudices, if it does not render impossible, the fixing of the ultimate rate for the mark at any level higher than \$.10 is action inimical to what we understand to be basic US political objectives in Germany for the following reasons:

a. That economic class in Germany on which we most depend for the accomplishment of our objectives of bringing into existence a peaceful and democratic Germany is that class of small fixed income receivers and small savers who tend to be law abiding and who will suffer the most, comparatively, from any disorderly rise in legal prices.

b. An ultimate rate for the mark of not higher than \$.10 will mean, even without any further rise in world prices expressed in dollars, an ultimate price level in Germany approximately three times present legal prices.

c. Hence when action is taken now which makes it almost a certainty that the ultimate rate for the mark will be not higher than \$.10, and which thereby makes it equally almost a certainty that ultimate legal prices will have to be at least three times higher than they are today, price control of an orderly movement of legal prices to such level, under conditions as they exist in Germany today, is rendered in practice impossible.

7. We therefore reiterate our previously expressed opinion that:

a. The use of \$.10 rate should not be extended beyond the strictly military purpose for which it was created, and

b. An interim commercial rate presently established should be no less than \$.30 equal 1 mark.

8. We invite your attention to the nature of the relationship between a present interim rate and the general problem of currency reform as covered by our cable CC 5635.⁹²

9. The plan contained in CC 5635 is predicated on the present existence of Germany's present internal price structure and the possibility of maintaining that internal price structure through the proposed currency reform with a general rise, through upward adjustment of separate items of no more than, say 20%, which would make precisely appropriate a change from an interim rate of \$.30 to the proposed rate of \$.25.

10. It is in view of the circumstances enumerated above that we feel compelled to recommend that we be permitted to propose for quadripartite approval the establishment of an interim rate, for certain specific and closely restricted uses, of \$.30 equal 1 mark.

11. If you cannot agree to an interim commercial rate of \$.30 co-existently with the present military rate of \$.10, we then recommend that you discuss with the governments of other occupying powers or

⁹² Dated May 23, p. 556.

authorize us to discuss quadripartitely here the readjustment of the troop pay rate to the rate of \$.30 equal 1 mark.

12. USFET has given specific concurrence to paras 10 and 11 above.

13. We would propose that purchases by US Occupying Forces from the German economy through post exchanges or similar Army installations would have no direct relation to the rate of exchange since such goods would be priced in US dollars on the basis of US or world prices less intervening charges such as transportation costs, customs duties et cetera, which would not arise through a sale of the merchandise abroad.

[For documentation relating to discussions on Germany at the Third Session of the Council of Foreign Ministers in New York, November 4–December 12, see volume II.]

740.00119 Control (Germany)/11-1446

*Memorandum by the Assistant Secretary of State (Hilldring) to the Secretary of State*⁹³

SECRET

[WASHINGTON,] November 14, 1946.

MR. SECRETARY: The first meeting of the Conference on Economic Unification of the British and American Zones was held at 2 p. m. November 13, 1946.⁹⁴

Acting Secretary of State Acheson opened the conference with a greeting to the British Delegation. He also reiterated the purpose of the Conference, emphasizing that its purpose was to settle those questions relating to the fusion of the United States and the United Kingdom Zones that could not be settled in Berlin. Mr. Acheson then turned the chair over to Assistant Secretary Hilldring.

The agenda for the conference informally agreed upon last week was officially approved by the conference without debate. The Chairman then invited the British to make the opening statement on the first item of the agenda, namely the "Division of Financial and Procurement Responsibility for Civilian Supply". Mr. Hall-Patch,⁹⁵

⁹³ Secretary of State Byrnes was in New York as head of the United States delegation, Third Session of the Council of Foreign Ministers, November 4–December 11, 1946.

⁹⁴ The Conference had been called to establish financial responsibilities for implementation of the economic agreements arranged between the United States and British zones in September; see despatch 7343, October 11, from Berlin, p. 613.

⁹⁵ Edmund Leo Hall-Patch, Deputy Under-Secretary of State, British Foreign Office.

the Senior Member of the British Delegation, read a brief prepared statement, substantially as follows:

"It was necessary in the British view to achieve the speediest restoration of Germany to a position which, by her own efforts, she could pay her own way. It is, therefore, in this general context that the problem of fusion of the two Zones in Germany must be placed, and it is in that context that we shall continue these discussions. We are partners in a joint enterprise for a common purpose and will work with you in good faith to bring this enterprise to a successful conclusion as soon as possible. *We are prepared to make our contribution, but the division of financial responsibility must necessarily in our view be in relation to the respective resources of the two partners in the enterprise.*"

Mr. Hall-Patch then turned the further discussion over to Sir David Waley, the British Treasury representative. Sir David stated that the suggestion made at Berlin for a 50-50 split or something in that neighborhood was a very fair and equitable suggestion, looked at in the light of the problem in general and having regard to the population and resources of the two Zones and other factors which were relevant to the scope of the conversation which took place in Germany. Sir David commented, however, that there were, in the judgment of his Government, factors outside the frontiers of Germany, that weighed heavily in a proper determination of the division of financial responsibility between the two countries in their German joint enterprise. It was quite apparent from Sir David Waley's remarks that the purpose in bringing the discussions to Washington was to get consideration by the United States Government of a division of financial responsibility more favorable to the British than the one discussed and agreed upon in Berlin.

The Chairman, speaking for the United States Delegation, informed the conference that the negotiations carried out by General Clay in Berlin were based upon an exhaustive consideration in Washington of all factors involved in the distribution of financial cost, and it was the feeling of the United States Government that all factors, including those Sir David Waley raised, had been thoroughly and sympathetically considered by this Government in arriving at the formula presented by General Clay in his Berlin discussions.

It then became apparent that no further discussion in the Plenary Session of the Conference would be availing in the solution of this problem. After a brief recess, it was agreed by the heads of the two delegations to adjourn the session and to convene a small group of the Delegation leaders for further discussion of the question raised by the British.

Present at the Committee meeting which convened immediately were:

of the two Zones under the terms of reference of this conference. The American and most of the British conferees agreed.

Discussion then developed the fact that the British were adding to the funds that had already been used in the prevention of disease and unrest the other appropriated funds that must henceforth be utilized by the United Kingdom in revitalizing German economy. While it was admitted on both sides that these additional costs were valid and must be forthcoming on both sides in the future, if the purpose of our unification is to be achieved, it was pointed out by the United States that these additional costs cannot properly be charged to fusion.

General Clay explained how the funds of the RFC would be used to meet the needs in the US Zone. He pointed out that this is a problem separate from that of the prevention of disease and unrest, is a self-liquidating and revolving fund, and that while it is an additional expense to the United States, it has not been brought about by the fusion of the two Zones. It was thereupon agreed to divide the cost in Germany into two parts, first, the funds necessary for the prevention of disease and unrest, and second, the additional funds necessary for the importation of raw materials necessary to reactivate and achieve a minimum economy in Germany.

General Clay then raised the issue as to whether or not the British would be willing to contribute to the common fund the receipts from exports from their Zone that have already been amassed. He stated that he had heard informal reports that these funds were now in such a category that they could not be unfrozen and returned to the common export fund in Germany. Mr. Hall-Patch stated emphatically that the United Kingdom Government had agreed to the pooling of export funds and that the United Kingdom would live up to its agreement. There apparently was some basis for the report that General Clay referred to because Mr. Hall-Patch stated that there might be some difficulty and delay in unfreezing these funds. He reiterated, however, that with patience on our part, the funds would in due course be made available.

Mr. Hall-Patch then suggested that a group of experts prepare a budget of the two categories of funds that would be needed in the years until Germany became self-sufficient, and that further discussion of division of responsibility be postponed until these agreed Anglo-American budgets had been prepared. General Robertson and General Clay agreed that they would be able to prepare such budgets by 10 o'clock the following morning. It was thereupon agreed to reconvene at 11 a. m. November 14th.

J. H. HILLDRING

740.00119 Control (Germany)/11-1546

The Assistant Secretary of State (Hilldring) to the Secretary of State

SECRET

[WASHINGTON,] November 15, 1946.

MR. SECRETARY: The conferees on the economic unification of the British and American Zones reconvened at 2:30 p. m. November 14, 1946.

Present at the meeting were:

General Hilldring
 Mr. Petersen
 General Clay
 Mr. Murphy
 Mr. Riddleberger for the United States,
 and

Mr. Hall-Patch
 Mr. Makins
 Sir David Waley
 Sir William Strang
 General Robertson for Great Britain.

The meeting opened with a report from Generals Clay and Robertson regarding the budgets which they had been requested to prepare in the preceding meeting of the Committee. Their report entitled "Import Export Plan" is attached as an exhibit.⁹⁷ Essentially, it provides for a three-year financial and economic program that will make the two zones self-supporting by the end of the calendar year 1949. It envisages a 50 per cent increase in coal production in the calendar year 1947, and an 1800 calorie ration as soon as the world food situation warrants an increase of food consumption to that level.

It was pointed out to the British that an even division of the cost of the disease and unrest imports under this program would, in a three-year period, transfer \$248,000,000 from the British budget to the United States budget. General Hilldring pointed out that under the even division of financial costs resulting from fusion, the United States would be unable to accept a responsibility greater than an equal division of the cost and that, in view of the benefits accruing to Great Britain from such an arrangement, it was the feeling of the United States Government that its proposal dealt fairly, even generously with the United Kingdom.

General Clay explained a bi-zonal machinery for external trade had been agreed upon in Berlin between him and General Robertson, and the conferees agreed to accept that agreement in principle. Gen-

⁹⁷ Not printed.

erals Robertson and Clay were instructed to reduce the agreement to exact language and when the exact wording of the agreement was submitted to the conferees, they would take final action on this question.

It was agreed by the conferees that the bi-zonal arrangements should be put into effect at the earliest possible moment, but that the exact date should be left to the Military Governors in Germany. General Robertson believed that if the conferees could reach a decision on all the questions in the near future, the bi-zonal arrangement could be effectuated on the first of January.

The conferees agreed to meet again at 10:00 a. m. November 15.⁹⁸
J. H. HILLDRING

740.00119 Control (Germany)/12-3046

Memorandum by the United States Political Adviser for Germany
(Murphy)⁹⁹

SECRET

[NEW YORK,] November 20, 1946.

General Clay and I reported to Mr. Byrnes at 10:30 a. m. General Clay outlined our understanding of (a) the financial aspects of the Anglo-American bizonal economic arrangement in Germany, and (b) the food requirements of the U.K. Zone. The Secretary expressed concern over the amount of the additional financial contribution which the U.S. would be required to make in order to promote sufficient economic recovery in the western zones to make them self-sustaining after a period of about 3 years thus cutting the outlay by the U.S. and U.K. over a longer period. The Secretary visualized difficulty in obtaining funds for this purpose.

The Secretary referred also to Mr. Bevin's insistence on an immediate loan of 50,000 tons of wheat from stocks now in U.S. Zone to avoid for the Nov. 24 ration period an announcement that the U.K. authorities were obliged to reduce the ration in their zone of occupation under the present 1550-calorie rate. General Clay pointed out that he had insisted that if the loan were made the repayment date be established as 1 February (in the past we have made several loans); otherwise in the absence of visible additional supplies the U.S. Zone would be required to reduce its present authorized ration of 1550 calories. The Secretary indicated a desire to cooperate with the British in this regard if it were possible. General Clay and I agreed that the German civilian

⁹⁸ Memorandum on this meeting not printed.

⁹⁹ This memorandum for the file was transmitted by Mr. Murphy from Berlin with a letter, not printed, to H. Freeman Matthews dated December 30, 1946. In the letter Mr. Murphy indicated that the memorandum, which covers the meeting between Mr. Byrnes and Mr. Bevin on November 20, was written up following his return to Berlin from New York in December.

population in the U.K. Zone should be treated as well as those in the U.S. Zone if our objectives in Germany were to be achieved. General Clay also expressed a certain indignation that there should be an ample surplus of food available in the U.S. and that we are unable to lay it down in Germany where we want and need it. He informed the Secretary of our Washington conversations with General Hilldring, and Mr. Petersen and the proposal that consideration be given to setting up governmental machinery to organize the transportation of food to Europe. Transportation rather than food is the bottleneck. The Secretary promised vigorous support of the proposal.

At 11:30 the Secretary, General Clay and I met with Mr. Bevin, Mr. Hall-Patch and Sir David Waley.

Mr. Bevin described the financial predicament of the U.K., saying in effect that the British were running so far behind so fast being faced with an estimated expenditure in Germany of approximately one billion dollars annually of which on a 50-50 basis the U.K. would be called on to contribute \$500,000,000 in 1947 and also in 1948—their two most difficult years. This was an impossible situation since they were dipping heavily for general purposes into the loan obtained from the U.S. The U.K. could not stand up to an empty exchequer on such a proposition, and, under the circumstances, might find it necessary to withdraw entirely from Germany. He would deplore such an eventuality which would leave open the door in Central Europe to communism.

Mr. Bevin proposed a 60-40 basis.

The Secretary expressed sympathy and understanding of the British position but also described generally the U.S. situation regarding future appropriations of public funds, driving home his opinion that anything more unfavorable to the U.S. than a 50-50 basis of sharing the costs of operation of the joint zones would fail before Congressional appropriation committees. The Secretary outlined the growing economy wave and the statements made by Mr. Taber and others.

Mr. Bevin, it seemed to me, was impressed and the Secretary remained firm. General Clay and I added some remarks to demonstrate the advantages and economies which would flow to the U.K. under the 50-50 plan. The Secretary assured Mr. Bevin that we did not believe for a minute that the U.K. had any intention of abandoning its zone of occupation in Germany nor could it afford to do so.

Mr. Bevin asked that further discussion of this question be postponed until tomorrow.

On the subject of food after a brief discussion of the current situation it was agreed that the U.S. would authorize an immediate loan of 50,000 tons of wheat from stocks on hand in U.S. Zone to avoid an immediate reduction of the current 1550-calorie rate in the U.K. Zone.

This leaves sufficient in U.S. Zone to maintain the 1550-calorie rate until February 1 but Mr. Bevin was unable to promise repayment as of any given date because he didn't know where the grain would come from. There was a review of the U.S. inland transport problem as well as a vivid description by Mr. Bevin of the acute food situation in England and the impossibility for urgent political reasons of further reducing the current inadequate British ration.

Under all the circumstances it was agreed that General Clay would telegraph authorization to make the loan of 50,000 tons of wheat without specifying a date of repayment.

ROBERT MURPHY

862.602/11-2346 : Telegram

Mr. Donald Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, November 23, 1946—11 a. m.

URGENT

[Received November 23—7:18 a. m.]

2708. Personal for Ambassador Murphy only for possible communication to Thorp, Vernon,¹ and Terrill.

I understand that General Draper will shortly send wire to General Clay giving details of proposal made by Sir Cecil Weir² for common decartelization policy in the two zones. The substance of these conversations and issues raised are, I understand, as follows:

Conversation between Draper and Sir Cecil Weir concerned possibility of agreement to decartelization law for both zones. Weir agreed to inclusion of express prohibition of cartel practices including all definitions contained in tripartite and US unilateral drafts. He agreed to declaration that all economic enterprises employing, directly or indirectly, more than ten thousand persons are excessive concentrations of economic power and to prohibition of German participation in international cartels in same terms as tripartite and US unilateral drafts.

Principal point of difference is that British would insist upon exemption of enterprises already taken into control by British military govt, viz., the coal industry and iron and steel industry and presumably such other industries as might be taken under control in line with Bevin's statement of October 22.³

¹ Raymond Vernon, Assistant Chief, International Resources Division.

² President, Economic Sub-Commission, British Element, Allied Control Council for Germany.

³ *Parliamentary Debates*, House of Commons, 5th series, vol. 427, col. 1515.

This raises three policy questions on which presumably Washington advice would be needed:

1. What would be the effect of adoption by parallel action in British and US zones for bi-zonal application of law which is indistinguishable in essential respects from that already agreed in quadripartite discussions by US, France, and Soviet representative: Weir stated directly that British objection to quadripartite draft was not actually to mandatory standards or anti-trust prohibitions but lack of confidence that Soviets would abide by quadripartite decisions if quadripartite law passed. Says that British will not agree to quadripartite law without economic unification of Germany and Soviet divestiture of legal title to plants they have taken through Soviet A.G.⁴ in Russian zone. His explanation of difference between Soviet seizure and British seizure is that British have put title in British zone commander and intend this to be temporary and do not intend to take title in the British Govt.

2. Second question is whether agreement would be proper in view of British insistence upon exception of their previous unilateral seizure of industries which Weir stated was necessary because British Govt might order nationalization of these industries. If this exemption of industries seized or later to be seized by British action for possible nationalization was recognized by US, would this not to a great extent nullify effectiveness of decartelization program? Would not bi-zonal agreement with above exemption tie action in US zone to those procedures which would be agreed upon for both zones while at same time British were not tied to bi-zonal agreement before undertaking nationalization measures? Weir has made no indication that he would subject possible nationalization to bi-zonal agreement but has indicated if it came it would be governmental order over which British authorities here would have no control.

3. A third question was raised by British draft proposal but not pressed by British representatives, viz., the question of making the law a bi-zonal law with execution controlled by joint military govt board.

There is another observation to be made both with respect to Weir's proposals and our own unilateral draft law. Neither contain the list of firms presumptively subject to deconcentration which was a feature of the proposed quadripartite law. Without such a list and with only the 10,000 rule on size, very few firms now operating in Germany would be presently covered by the law, especially if exemption of iron, steel of iron, steel and coal firms in British zone were upheld.

Final draft of cable sent to Clay may not raise these issues in detail and may be delayed. Hence this telegram for advance confidential information of yourself and possible officers in Department working on decartelization problem.

HEATH

⁴ Soviet Industrial Corporations or Trusts, abbreviated as SAG (Sovietische Aktien-Gesellschaften).

740.00119 Control (Germany)/11-2946

Memorandum of Conversation, by the Chief of the Division of Central European Affairs (Riddleberger)

SECRET

[WASHINGTON,] November 29, 1946.

Subject: Financial Aspects of Fusion of UK-US Zones in Germany.

Participants:

For the U.K.

Mr. Hall-Patch, Foreign Office
 Sir David Waley, Treasury
 Mr. Roger Makins, British Embassy
 Sir Mark Turner, Control Office ⁵
 Mr. Playfair, Control Office ⁶

For the U.S.

Mr. Clayton, State
 Mr. Petersen, War
 Mr. Riddleberger, State
 Mr. deWilde, State
 Mr. Heneman, State ⁷
 Mr. McGhee, State ⁸

Mr. Hall-Patch opened the discussion in stating that the U.K. does not wish to enter into an agreement which it cannot fulfill or one that will threaten other agreements of greater importance. The U.K. Cabinet sees in the present fusion plan a further drain on British dollar resources and has requested the U.K. Delegation to see if some way out of the difficulty can be found. He would leave it to Sir David Waley, who has just returned from London, to explain the broader financial considerations which are of concern to the British Cabinet. Sir David Waley explained that while in London he had consulted both with the Chancellor of the Exchequer ⁹ and the Cabinet. In the next three years the Cabinet was convinced that there will be a "financial battle of Britain" in which dollars will be as important as Spitfires were in 1940 and that it is essential to limit the dollar and hard currency commitments of the U.K. which should not exceed \$300,000,000 during the next three years. Sir David Waley then presented an amendment to the pending agreement, a copy of which is attached hereto.

After reading the U.K. proposal, Mr. Clayton stated that he did not see how the U.S. could accept this proposal without going to Congress and remarked that it would change the 50-50 ratio now tentatively agreed to. Waley then pointed out that the U.S. could provide less money if the U.K. was compelled to stay under the \$300,000,000 and that the 50-50 ratio would not necessarily be altered. Mr. Clayton responded that the U.S. and the U.K. would be partners in an enormous enterprise and we would certainly try to direct exports from Germany

⁵ Under Secretary, British Control Office for Germany and Austria.

⁶ E. W. Playfair, British Control Office for Germany and Austria.

⁷ Harlow J. Heneman, Special Assistant to the Assistant Secretary of State (Hilddring).

⁸ George C. McGhee, Special Assistant to the Under Secretary of State (Clayton).

⁹ Hugh Dalton.

so as to assist the U.K. and to make a minimum drain on its dollar resources. We furthermore had a time element which was of the greatest importance if German economy was to be placed on a self-sustaining basis and the U.S. could not accept a proposal which would change the 50-50 ratio. Mr. Petersen said that he fully agreed with all of Mr. Clayton's remarks and that while the U.S. was desirous in directing imports and exports to areas beneficial to the U.K., there were limits to this that would be determined by supply considerations. However, by suggesting a top limit for U.K. expenditures, the British Delegation is effectively changing the 50-50 ratio, and if the U.S. should make a corresponding reduction this would merely drag out the economic rehabilitation of Germany and in effect would materially change the three-year plan.

Mr. Clayton thereupon reviewed the world dollar position and emphasized that since the end of the war vast amounts of dollars have been made available, largely through loans, to a number of countries; furthermore more dollars will become available as the U.S. imports increase and as tourist traffic is resumed. For ten years the U.S. has not increased its productive facilities for consumer goods (with the exception of food), although it has made large increases in production of capital goods. The U.S. will therefore have vast demands for imports of consumer goods when other countries can furnish these goods. This will make dollars all the more available in the capital markets.

Sir David Waley replied that this may be true but that most countries expect a U.S. comeback faster than the rest of the world. Also, he was doubtful if German coal exports could be increased as rapidly as planned. To this Mr. Petersen replied that the U.K. Cabinet should certainly realize that the proposed fusion agreement will cut down the amount of U.K. dollar requirements. Sir David replied that this was true but the Cabinet was doubtful about meeting the complete British commitment under the plan.

Mr. Clayton and Mr. Petersen thereupon stated once again that the proposed British amendment would not, in their judgment, be acceptable to Congress. Mr. Petersen also observed that in the minds of many Republican Representatives the British loan had settled the U.K. dollar position and that the present proposal would certainly cast doubt upon the wisdom of the British loan.¹⁰ Equal partnership in Germany is the only way the present agreement can be sold to Congress, particularly as the U.S. must get present cash against future promises.

Sir David Waley replied that all that was no doubt true but that the U.K. likewise has political difficulties, arising primarily from its food position, and that his amendment to the agreement is the only

¹⁰ For documentation relating to the extension of credit to the United Kingdom, see *Foreign Relations*, 1945, vol. vi, pp. 1 ff., *passim*.

way the U.K. Cabinet thinks it can put the agreement through the British Parliament. Therefore, he was under instructions to press for this amendment and Mr. Bevin likewise had the same instructions to take up the matter with Mr. Byrnes. Mr. Clayton replied that we are still attempting to assist the U.K. and there will be some new developments to report very shortly on the Plan A ¹¹ settlement. However, he believed that the two Governments must stick to the 50-50 ratio and that both Governments will have to take some risks. He was personally convinced that the fusion agreement as drafted by the negotiators will not turn out to be a great burden on the U.K.

Sir David Waley then inquired if there was any objection to Mr. Bevin discussing his instructions with Mr. Byrnes, to which Mr. Clayton replied there was not. Sir David then inquired if the U.S. could accept paragraph 2 of the attached amendment. Mr. Petersen answered that this would change the language of the agreement with reference to utilizing the most economical sources of supply and that we should not annul language already agreed upon. However, in his opinion, paragraph 2 does represent the spirit of our ideas to assist the U.K. and satisfactory language could be worked out. Messrs. Clayton, Petersen and Riddleberger pointed out that the last sentence should be eliminated, particularly as the U.S. could not afford to give the Congress the impression that it was presenting a three-year plan when the agreement contained language that would make it effectively a one-year plan. The question of review was already provided for in the agreement as drafted and, in addition, the U.K. would have a constant review in the Joint Import-Export Agency.

Mr. Hall-Patch then stated that the British negotiators would go to New York this afternoon to talk to Mr. Bevin. If he and Mr. Byrnes could agree upon a settlement of the major problem, the U.K. Delegation hoped that agreement could be reached over the weekend. They would present to Mr. Bevin the various U.S. considerations that had been developed in this discussion. The U.K. members hoped that this agreement could be initialed before the CFM discussions on Germany commenced. All present agreed that this aim was a desirable one.

[Annex]

British Draft Amendment to the Proposed Memorandum of Agreement on Economic Fusion of the British and American Zones in Germany

1. The net contribution made by the United Kingdom Government under this Agreement will, to the extent of 300 million dollars, be

¹¹ A joint project by the United States, the United Kingdom, and Canada to provide supplies for liberated areas.

available for expenditure in any currency area. The balance will be available for expenditure in the U.K. or such other countries as the U.K. Government agrees.

2. In deciding sources of supply of imports into the area, the two Governments and the Joint Export-Import Agency will select as far as possible those sources which

(a) will enable the proceeds of exports from the area to be used to pay for imports into the area to the maximum extent, and

(b) will enable the fullest use to be made of the contribution by the Government of the U.K.

On the occasion of the annual review referred to in paragraph 12, any necessary steps will be taken to give effect to the above provisions.

[For text of the Memorandum of Agreement Between the Governments of the United Kingdom and the United States on the Economic Fusion of Their Respective Zones of Occupation in Germany, December 2, 1946, see Department of State, Treaties and Other International Acts Series No. 1575, or 61 Stat. (pt. 3) 2475.]

CFM Files

Memorandum for the Record, by the Director of the Office of European Affairs (Matthews) and the British Deputy Under-Secretary of State for Foreign Affairs (Hall-Patch)

[NEW YORK,] December 2, 1946.

In arriving at the agreement of 2 December, 1946, the representatives of the U. S. and the U. K. accepted the following points of detail:

1. Subject to the provisions of paragraphs 3 and 4 below, the sum of \$29,300,000 to be made available to the Joint Export-Import Agency under the provisions of paragraph 6 (d) (i) of the main agreement shall be regarded by the Government of the United States as being in full settlement of all claims which they may have against the Government of the United Kingdom under the understanding reached in September 1945 for the pooling of the proceeds of exports from their two zones of Germany.

2. On or after 1st January, 1947, the Government of the United Kingdom shall pay to the credit of the Joint Export-Import Agency, as may be agreed, the said sum of \$29,300,000 with full payment to be effected by 1st April, 1947.

3. The whole of any sum which the Government of the United Kingdom may receive from the Government of France for transportation charges on coal exported from Germany through the French Zone before the 1st April, 1946, shall be assigned by the Government of the United Kingdom to the Joint Export-Import Agency, over and above the sum of \$29,300,000 referred to in paragraph 1 above.

4. The following provisions shall govern the settlement of accounts for coal and electric power between Germany and Austria:—

(a) The whole of any sum which the Government of the United Kingdom may receive for coal exported to Austria from the United Kingdom Zone of Germany prior to 1st April, 1946, shall be assigned by the Government of the United Kingdom to the Joint Export-Import Agency, over and above the sum of \$29,300,000 referred to in paragraph 1 above.

(b) The cost of coal imported from the United Kingdom Zone in Germany into Austria for the consumption of the occupying forces shall be paid by the occupying Powers.

(c) The cost of coal imported from the United Kingdom Zone in Germany into Austria for civilian consumption in the period May 1945 to December 1946 inclusive shall be regarded as a charge on the Austrian Government.

(d) The proceeds of electric power exported from Austria to Germany in the period May 1945 to December 1946 inclusive shall be applied to the payment of coal imported for civilian consumption in that period. The remaining coal debt shall be collected as and when Austria is capable of discharging it over the calendar years 1947, 1948 and 1949.

5. Trade and commerce between the area and Austria will be a responsibility in Germany of the Joint Export-Import Agency which will negotiate with appropriate agencies in Austria. Imports into and exports from the area will be treated as a common responsibility. However, the Joint Export-Import Agency will not undertake indirect financial assistance to the Austrian economy at the expense of the German economy.

6. In implementation of sub-paragraph 6(d) (iv) of the main agreement the Government of the United Kingdom will make available to the Joint Export-Import Agency the equivalent of their share in United States dollars at the same time and to the same amount as the corresponding contribution in kroner by the United States is made available.

H. FREEMAN MATTHEWS
E. L. HALL-PATCH

740.00119 Control (Germany)/12-446 : Telegram

Mr. Donald Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

BERLIN, December 4, 1946.

[Received December 4—7:40 a. m.]

2795. French position on Saar regarding bi-zonal agreements on inter-zonal exchange of publications and correspondence in Germany.

The Chargé de Mission and Chief of the Division of Information in the French Zone of Occupation, November 15, notified Director Information Control of Germany as follows:

"In fulfillment of the agreement reached by us relative to French-United States zonal exchange of newspapers, periodicals, books and other publications, and in furtherance of our verbal commitments, I have the honor to inform you that due to the special administrative situation obtaining in the Saar, the working out of our agreement should not infringe upon the peculiar responsibilities of the French administrator of the Saar about which I spoke to you.

"It remains, then, agreed between ourselves that this important functionary is not bound by our own stipulation, it being nevertheless understood that instructions will be given him that at least one permanent correspondent of a licensed agency in the United States zone may carry on his normal activities in the Saar."

United States Information Control authorities inform us French position insist Saar under separate administration with even French newspapers from French zone Germany being kept out of Saar. Agreement reached between United States and French authorities contained no reference to Saar by specific mention.

Our understanding is that while certain statements were made by the Secretary of State at Stuttgart reference Saar, no final peace settlement exists and therefore arrangements entered into on bi-zonal basis in Germany between United States and French regarding inter-zonal exchange of publications and correspondents would presently apply to Saar. Unrecognizing French claim to special position for Saar at this time. Department's view[s] are requested.¹²

HEATH

862.5018/12-946 : Telegram

Mr. Donald Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

FRANKFURT, December 9, 1946—11 a. m.

[Received 1:10 p. m.]

585. From Mayer,¹³ Baden-Baden, No. 2, December 7, noon. During the past week, several French officials have intimated that they feel American authorities are putting pressure on French Government, by

¹² The Department's reply, contained in telegram 2412, December 6, 8 p. m., to Berlin, reads as follows: "Dept considers unilateral French action in Saar before definitive quadripartite agreement on all problems involving French acquisition most unwise and a regrettable precedent. You should discuss with General Clay whether upon appropriate occasion it might be well so to inform French adding that their independent procedures may embarrass us in support of their claims in future quadripartite negotiations." (740.00119 Control (Germany)/12-446)

¹³ Ernest Mayer, U.S. Consul at Baden-Baden.

not making available food supplies needed for French zone and French sector, Berlin to agree to economic unification of French zone with American and British zones. They have told me further cutting bread ration is unavoidable if wheat and flour supplies are not forthcoming soon. Being completely uninformed about representations made by French Government and American authorities' response, it has been difficult for me to discuss matter intelligently.

While no change in French attitude toward economic unification can be expected before installation of new government in January and possibility of change then will depend on character of government, I am inclined to believe that even if government were amenable to principle of unification, it would be politically impossible for it to agree to unification if burden on French tax-payer resulted. French officials here have express[ed] surprise at willingness of British and American Governments to underwrite recently concluded program for British and American zones.

Contrary to British-American zones, administration of French is resulting in a favorable rather than unfavorable trade balance. Exports from zone this year will amount to some 50 million dollars. While I do not know value of imports, I doubt if they exceed 30 to 35 millions. I hope to be able to submit further information on subject in near future.

Sent Department as 585, repeated Berlin as 80, to Paris as 63. [Mayer.]

HEATH

740.00119 EW/12-1146: Telegram

Mr. Donald Heath, Counselor of Mission in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

TOP SECRET

BERLIN, December 11, 1946—9 p. m.
[Received December 11—2:31 p. m.]

2873. Without being informed of position British may have taken regarding reparations from current production in any recent Anglo-US discussions, following remarks of a high British official in Berlin with whom we have enjoyed relations of confidence are reported as of interest.

According to this officer, British are disturbed about possibility that reparations from current production may be accepted as a basis for economic unity, since they believed Soviets will in effect take out of Germany as much as US and Britain will be required to put in. As he put it, the Soviets will simply milk the cow which the US and

British are feeding. As regards possible political concessions in return for current production, British officer thought these would be of a purely formal nature and would not be honored by Soviets in the long run, since he considered any basic revision of international Communist aims in Germany excluded. He acknowledged that authorization of Social Democrats in Soviet zone might occur as a consequence of progress toward political and economic unity which may result from next CFM, but he thought SPD would probably be treated in same manner as democratic parties in Soviet dominated Balkan countries. British official considered Soviet aim is maintenance of difficult if not chaotic conditions in Germany and that unity principles would be misused for these ends as long as any future Central Administration or National Govt remained in hands of German elements not Communist-controlled.

Repeated Moscow as 411.

HEATH

862.5018/12-1646 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, December 16, 1946—11 p. m.
[Received December 16—7:47 p. m.]

2913. For Mayer, Baden-Baden. Reurtel 80, December 9¹⁴ about French intimation of US pressure for economic unification French zone by withholding food supplies French zone and French sector Berlin. Following are facts as requested.

1. With object economizing transportation, standing US-French arrangement here provided for US to meet French food commitments Berlin with simultaneous delivery equivalent amounts by French to US zone.

2. Under arrangements advances were made French, some for use French zone, some Berlin, but French replacements lagged. June 11 French account amounted 9,700 tons wheat most for Berlin account. Discussions ensued with decision French would settle from coming harvest. October came with no settlement, meanwhile additional 33,000 tons had been advanced French of which 24,000 tons repaid. (Virtually all repayments were ship diversions of grain purchased by France from US for French account.) When asked for repayment 9,700 tons out of harvest, French conveniently pleaded misunderstanding but promised look into situation. Came up with proposal at great sacrifice to deliver 10,000 tons rye from France and seemed crest-

¹⁴ Same as telegram 585, December 9, 11 a. m., from Berlin, p. 649.

fallen when reminded that like loaves and fishes, same rye had been promised British in settlement French-British account as well as to Berlin for French account in event Americans ceased meeting French commitments.

3. Americans have repeatedly talked with French, Berlin, with little result other than French apologetic explanation that French, Berlin, cannot act on own authority but refers to higher headquarters Baden-Baden and Paris. In fairness, Berlin French have urged headquarters by letter seen here that settlement be made at expense French zone or France and have pointed out "nonfulfillment commitments to US will have future most regrettable repercussions on regular supplies to French zone".

4. November 22 Americans wrote particularly strong letter asking for positive statement when repayment could be expected. Result another conference on food and agriculture branch level with French, Berlin, agreeing to ask Baden-Baden officials come Berlin for settlement whole question but with French also indicating possibility of seeing Gen. Draper on economic division level re "amicable understanding" meaning further extension.

5. Draper has felt some time that situation has been allowed to go far too long and has reproved US food and agriculture officials therefor. At meeting with him French reiterated difficulties, suggested delivering part of debt if US would continue supplying French Berlin requirements for few more months and finally hinted they might be forced withdraw from Berlin, whereupon Draper very effectively countered "that would not be at all necessary, what you should do is to join economic unification program". Conclusion of meeting Draper gave French previously prepared letter December 7 addressed Deboysson, Economic Division French MG, outlining facts in case and US position, stating further advances cannot continue, insisting upon immediate repayment and concluding after referring to French Berlin inability to act, "I ask you to look into this embarrassing situation and request Layaillon (when coming from Baden-Baden to Berlin) to take definitive action for prompt settlement".

6. Presently US furnishing only coffee on French Berlin commitments, have stopped delivery flour, dried milk and potatoes formerly delivered. December 10 French account arrears to US (tons) 19,137 wheat, 510 dry skim milk, 133 natural coffee, 898 ersatz coffee. Likelihood coffee may stop shortly because wine received exchange under separate agreement not export quality and not selling well to army. Addition French owe British 11,076 tons wheat and some fats and meat according our latest information October 25.

7. French now trying bring in rye from France for French Berlin commitments but even if completed arrangements will take time.

Meanwhile French sector will continue receiving supplies as do other sectors from Berlin magistrate to whom all food brought Berlin is turned over for distribution. Situation will appear in December and January Berlin accounts showing distribution to French sector but no corresponding contributions by French to magistrate stocks. According past experience, Soviets would be first to raise issue non-fulfillment.

8. All last year French Berlin appeared almost weekly at OMGUS asking help on food problem. Assistance was given not without difficulties. French failure to deliver repayments to US zone is one contributing factor in serious Wuerttemberg-Baden food crisis reported our telegram 2751, November 28.¹⁵

Sent Frankfurt as 55; repeated Department as 2913.

MURPHY

862.5018/12-946: Telegram

*The Secretary of State to the United States Political Adviser for Germany (Murphy)*¹⁶

SECRET

WASHINGTON, December 18, 1946—7 p. m.

431. For Mayer, Baden-Baden. Reur A-4 Nov 20¹⁵ and urtel 585 Dec 9. Allocation from US last qr 1946 included nothing for French Zone since considered French able meet emergency needs from French harvest or from wheat and coarse grains shipped to France last half 1946, largely from Argentina.

French Emb presented memo Oct 28¹⁷ requesting 150,000 tons wheat for their zone before end year with follow-up memo via Council FonMin Nov 13 urging shipment 100,000 tons. Dept replied Nov 22;¹⁵ pointed out large 4th qr allocation of breadgrains for all areas announced Oct 3; mentioned that at that time amount considered maximum possible to be shipped before end year with existing large carryover from 3rd qr; emphasized that maritime and coal strikes were impeding movement; stressed inland transportation as principal limiting factor; referred to ODT estimate that impossible move to port by Dec 31 more than 60% programmed current qr; Dept concluded regretting inability supply French Zone with needed wheat.

Actual screened import requirement for France itself placed at 415,000 tons crop year July 1 46-June 30 47. This figure adopted by IEF Cereals Committee after thorough study but subject review. Figure already exceeded by shipments to France first half year.

¹⁵ Not printed.

¹⁶ Transmitted to Mr. Murphy at Frankfurt.

IEFC screened requirements French Zone 405,000 tons crop year. This figure includes reimbursement to US and UK zones. This considered sufficient place French Zone about same basis consumption as those UK and US. US export program Jan includes 25,500 wheat and corn for French Zone. A flour quota for first three mos 1947 of 640,000 cwt has also been set up for French Zone. One-third this or about 13,220 tons wheat equivalent could be considered as an allocation for Jan. Considered France should be able to meet part need Jan-June from other sources, notably Argentina.

Sent Frankfort repeated Berlin and Paris.

BYRNES

740.00119 Control (Germany)/12-2146 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, December 21, 1946—9 p. m.
[Received December 21—1:39 p. m.]

2971. Mytel 2956, December 20.¹⁹ Coordinating Committee at 96th meeting December 21 dealt solely with assignments of various directorates in preparation of ACC report to CFM. French expressed view that report should concern itself mainly with progress of work accomplished by ACC and with particular reference to subject of central administrations, stated they had no instructions to make recommendations and mentioned that French position had not changed. Clay said in that case each delegation might as well submit four separate reports, thus admitting complete failure of quadripartite government. It was decided Political Directorate should prepare history of question of central administrations and that thereafter Coordinating Committee itself should discuss recommendations which any delegation might care to offer.

Completed reports of directorates called for by first week in February for submission to Coordinating Committee and ACC before transmission of final report to CFM by February 25. Schedule of topics will be despatched by mail.

Attitude of Soviet Delegation was unusually trying and meticulous

¹⁹ Not printed; this telegram reported on the 50th Meeting of the Allied Control Council at which the Coordinating Committee was directed to submit by January 10, 1947, a plan for the report which the Council of Foreign Ministers had requested of the Allied Control Council by February 25 (740.00119 Control (Germany)/12-2046). The report was to cover the work of the Control Council on such matters as demilitarization, denazification, democratization, economic problems, reparations, the establishment of central administrations, and liquidation of Prussia. The proposal for a report from the Control Council was based on a memorandum, December 6, submitted to the Council of Foreign Ministers by the United States delegation, volume II.

regarding details affecting preparation of this report for CFM. We interpret their approach to this task as indicating desire to use report as vehicle of criticism of policies and accomplishments in western zones of Germany and we believe Soviet representatives will endeavor to slant it in their favor in order to provide basis most favorable to USSR during March discussions.

It was understanding of this CORC meeting that each delegation would be permitted to voice its views on several topics to be included in report in event unanimity of view is not attainable.

Sent Dept as 2971, repeated Moscow as 425, London as 423 and Paris as 409.

MURPHY

740.00119 Control (Germany)/12-2446: Telegram

The Secretary of State to the United States Deputy Military Governor for Germany (Clay)

SECRET

WASHINGTON, December 24, 1946—2 p. m.

U.S. URGENT

3037. Personal from the Secretary to General Clay. There seems to be some misunderstanding regarding our position on Saar if reports morning papers are accurate.²⁰ In private conversation with Bidault during peace conference session in Paris I assured him US would support French position for immediate administrative action on Saar and that I would raise no objection to such measures including customs controls provided the French first informed the CFM.

Later on Oct 14 in response to personal letter from Bidault I informed him as follows:

[Here follows text of the second paragraph of Byrnes' letter to Bidault dated October 14, printed on page 621.]

You will recall in New York French made statement on Dec 9²¹ that certain measures in the Saar of administrative and conservatory character would be required because of food and currency situations which required institution of controls. French indicated none of these economic or financial measures would prejudice future CFM decisions on frontiers or reparations nor would they affect decisions regarding Saar coal. I made no objection to this statement nor did Molotov or Bevin.

In view of foregoing I do not believe we can protest measures French are taking to treat Saar as separate administrative unit. However, we certainly do have grounds protesting unilateral actions

²⁰ Reference is to protests by General Clay against French unilateral action in establishing a custom barrier between the Saar and the rest of Germany.

²¹ See volume II.

affecting reparations and level of industry agreements such as removal of Bosch plant. At your suggestion strong note regarding Bosch case being presented to French Ambassador here (re OMGUS telegram CC 7391 Dec 17 to War ²²).

Trust foregoing will clarify situation.

BYRNES

740.00119 Control (Germany)/12-2746: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, December 27, 1946—9 p. m.

[Received 11:20 p. m.]

2998. Personal for the Secretary. Reurtel 3037, December 24. General Clay has asked me to transmit the following:

"I have been in misunderstanding of United States position relative to the Saar. While I knew that you were prepared to support French position, I understood you were opposed strongly to unilateral French action until quadripartite agreement was reached. Moreover, State Department Number 2412 dated December 6 ²³ stated unilateral French action on Saar most unwise and regrettable precedent and suggested that I protest. Also, I had understood your agreement for separate administration of Saar area was conditioned on French acceptance of invitation for economic unification of remainder of their zone with our zone. While I was present when Couve de Murville ²⁴ announced proposed French action, ²⁵ I did not understand that the proposal was accepted by the Council of Foreign Ministers. The proposed French action was never presented to the Allied Control Council, although its individual members were advised by telegrams that the French were taking this action on the same date telegrams were dispatched. In any event, I did not understand that we had

²² Telegram not printed. On December 27, the Secretary of State addressed a note to the French Ambassador (not printed) protesting removal of the Robert Bosch plant from Southern Wuerttemberg in the French zone to the Saar. The Secretary stated that this removal violated quadripartite agreements on the determination of plants which were to be removed as reparations and also affected figures of the Level of Industry Plan. He concluded by submitting that the removal was not a matter for French unilateral action and asked the French Government to provide full information within a short time.

The reply came in a note from the French Embassy dated January 2, 1947 (not printed), explaining that the transfer of the plant had been requested by the owners and did not relate to French action on the Saar. In the event of possible detachment of the Saar from Germany, France was prepared to see the plant's value added to its reparations account. It was also pointed out that the factory was to be declared available for reparations and hence its transfer could not affect the industrial standard to be allowed in Germany. (740.00119-EW/12-2746)

²³ See footnote 12, p. 649.

²⁴ Maurice Couve de Murville, Director General of Political Affairs, French Ministry for Foreign Affairs; Deputy to the French Foreign Minister, Council of Foreign Ministers.

²⁵ On December 9; see volume II.

accepted French administrative action which incorporated some 600 additional square kilometers into the Saar area which is now included in the area placed under French customs control.

"In response to press inquiries, I did state that I had no comment to make except that French action was unilateral and had not been presented to the Allied Control Council for consideration. When asked if I proposed to protest action in spite of cablegram of December 6, I replied that I did not intend to take any action without further instructions from my Government. While my personal opinion was that the French method of taking this action was another example of French contempt and disregard of Allied Control Authority which defeats the purpose of quadripartite government, I avoided purposely any public expression of either personal or official opinion. Please advise if my press replies are inconsistent with United States position.

"I assume from your cable that if the question is raised in Allied Control Council by any other power, we must take the position that it is a matter now for the Council of Foreign Ministers and therefore not subject to consideration in the Allied Control Council. I do fear it will form a dangerous precedent for all kinds of unilateral actions unless it can be assumed that the action was accepted by the Council of Foreign Ministers. The Allied Control Council has received no instructions from the Council of Foreign Ministers and therefore is in a difficult position if it fails to take cognizance of an apparent unilateral action of such importance within the Germany it is proposed to govern.

"As the record stands, the French action was taken after giving notice of intent but without awaiting consideration either by the Council of Foreign Ministers or by the Allied Control Council acting under instructions of the Council of Foreign Ministers. Even though the American delegation would have supported the French proposal, it has contended consistently that the Allied Control Council should not condone the taking of action by one of its members affecting Germany as a whole until such action has at least been considered by the Allied Control Council or at government level. For this reason, my proposed position should the question arise in Allied Control Authority [*Council?*] is inconsistent."

MURPHY

740.00119 Control (Germany)/12-2746 : Telegram

*The Secretary of State to the United States Deputy Military Governor
for Germany (Clay)*

SECRET

WASHINGTON, December 30, 1946—1 p. m.

U.S. URGENT

3063. Personal for General Clay from Secretary Byrnes. Reurtel 2998, Dec. 27. I am distressed that the misunderstanding as to the Saar should cause you embarrassment. I realize the misunderstanding is in large part due to my failure to inform you of my commitments to Bidault in conversation and in my letter of October 14. At that time he had proposed to take certain administrative measures in the

Saar without advising the Council of Foreign Ministers. I told him that while I had no objection to steps then proposed, I would earnestly protest if such steps were taken without first advising the Council of French intention.

Later Bidault wrote me he would not take action until he advised the Council.²⁶ There followed my letter to him of October 14, quoted to you in my message December 24. You should have been advised of my statements. In view of my commitments, I did not feel called upon to make any statement when the French representative made his statement of intention to the Council on December 9.

I understand that the French contend that the silence that greeted their presentation of the proposals signifies the assent of the Council. But if the representative of any one of the four governments takes the position there was no agreement, I have to concur in that position.

In view of my statement to Bidault that I would support his action if the Council was first advised, I feel we are not in position to protest their action.

From press reports it appears the USSR takes the position the French action was not expressly authorized. With this position I have to agree. I assume the matter will be discussed at CFM in Moscow in March. If question is raised in Control Council in meantime, I think, as suggested in your 2998, you should take the position that while action was not expressly authorized, notice of intention was given without objection being raised and therefore it is best to leave the matter for settlement by CFM.

Department's 2412 of December 6²⁷ was sent while you and I were in New York and was not seen by me. The Department considered that developments in CFM December 9 automatically superseded Department's 2412. It is now clear that after December 9 the telegram of December 6 should have been formally canceled. I am very sorry it was not done.

Your statement to the press that the proposal had not been presented to Control Council and that you would have to ask for instructions from your Govt was an absolutely correct statement of fact and certainly is not inconsistent with position of US. The incident has attracted little attention here but if any question is asked of me I certainly will see that your position is correctly presented. I am disturbed about it chiefly because you are the one person I would not want to embarrass in any way.

BYRNES

²⁶ Letter dated October 11 (not printed) ; see footnote 77, p. 621.

²⁷ See footnote 12, p. 649.

740.00119 EW/12-3146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

RESTRICTED

BERLIN, December 31, 1946—10 p. m.
[Received December 31—3 p. m.]

3028. ReDeptel 3009, of December 19,²⁸ which contained summary French *aide-mémoire* dated December 11 protesting American attempt to establish cut-off dates restitutions program. Matter was discussed with General Clay who asks that Dept be advised that OMGUS is not advocating a closing date for restitution program but rather a cut-off date for receiving claims. OMGUS feels that it is unnecessary to receive claims over an extended period at considerable expense but is willing to carry on restitution program as long as necessary.

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MURPHY

**DEVELOPMENTS RELATING TO THE UNITED STATES ZONE OF
OCCUPATION IN GERMANY²⁹**

740.00119 Control (Germany)/1-1146

The Director of the Civil Affairs Division of the War Department (Hilddring) to the Acting Secretary of State

TOP SECRET

WASHINGTON, 11 January 1946.

DEAR MR. ACHESON: At the suggestion of Secretary Byrnes, General Eisenhower³⁰ transmitted to the Secretary of War³¹ the draft statement of principles²⁸ regarding policy-making for and the administration of Germany, prepared by the Secretary of State after his meeting of 2 January 1946 with General Eisenhower.

The Secretary of War has replied that while he accedes to the proposal of transferring the overall policy direction in Germany to the State-War-Navy Coordinating Committee he believes the plan suggested in General Eisenhower's letter of 26 October 1945,³² and indorsed by the President, is the most satisfactory from the national point of view and regrets that it cannot be made effective now.

²⁸ Not printed.²⁹ For previous documentation, see *Foreign Relations*, 1945, vol. III, pp. 925 ff.³⁰ General of the Army Dwight D. Eisenhower, Chief of Staff, U.S. Army; formerly Military Governor, U.S. Zone of Occupation in Germany, and Commanding General, United States Forces, European Theater.³¹ Robert P. Patterson.³² In this letter, General Eisenhower had expressed the hope that responsibility for the occupation could be turned over to civilian control by June 1, 1946; see *Foreign Relations*, 1945, vol. III, p. 996, footnote 40. For text of General Eisenhower's letter, see Department of State *Bulletin*, November 4, 1945, p. 711.

In his mind some question still exists as to whether the change of policy making from the State Department to SWNCC will be an improvement over the present arrangement. In any event, he feels that General Clay³⁴ is already in a very important and most active post and therefore is not able to accept the proposal that Clay be assigned to the Department of State.³⁵ Since responsibility for executing the policy will remain with the War Department he assumes that any commissioner who may be appointed should be selected by the War Department with the consent of the Department of State and the approval of the President.

With respect to paragraph 1 of the proposed statement, Secretary Patterson desires to recommend that if the State-War-Navy Coordinating Committee is to be entrusted with the overall policy direction, any member of the Committee should be authorized to initiate consultation with other governmental departments rather than leaving this entirely to the discretion of the Chairman. He suggests further that paragraph 3 relative to assistance from other governmental departments be strengthened to assure greater cooperation of the agencies in obtaining essential personnel.

Except for the assignment of General Clay, it appears that in general Secretary Byrnes' proposal is acceptable to Secretary Patterson. In view of the fact that no fundamental, time-consuming change is to be made in the existing administrative set-up here in Washington, it is suggested that the revision of the memorandum for the President³⁶ be postponed until the two Secretaries have an opportunity to confer in London or Washington, or at least until General Eisenhower returns from Canada.³⁷

Sincerely,

J. H. HILLDRING
Major General

³⁴ Lt. Gen. Lucius D. Clay, Deputy Military Governor, U.S. Zone of Occupation in Germany; Director, Office of Military Government of the United States for Germany (OMGUS).

³⁵ The proposal concerning General Clay is not contained in the Draft Statement of Principles, but is mentioned in a draft memorandum to Secretary of War Patterson by General Eisenhower concerning the latter's conversation with Secretary Byrnes on January 2 (740.00119 Control (Germany)/1-246). According to this plan, General Clay was to become head of the SWNCC Directorate dealing with policy formation for occupied areas.

³⁶ Reference is to the Draft Statement of Principles, not printed.

³⁷ In his reply, January 15, Mr. Acheson indicated that he had transmitted to Secretary Byrnes (who was in London for the General Assembly of the United Nations) General Hilldring's suggestion that a decision on the submission of a memorandum to the President be temporarily postponed (740.00119 Control (Germany)/1-1146).

740.00119 Control (Germany)/2-1846: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, February 18, 1946—4 p. m.
[Received February 18—1:01 p. m.]

538. War Department has requested USFET to comment on a further request from the French for the inclusion of Karlsruhe and Mannheim in the French zone of occupation.³⁸ OMGUS has recommended that USFET include the following comment in its reply to the War Department:

“Military Government has organized United States zone of occupation into these units. The separation of any further territory to include Karlsruhe and Mannheim at this time would indicate lack of stability of our state boundaries. If and when central administrative machinery is established, it should be possible to fix permanently state boundaries within Germany. When this is accomplished and state governments are functioning uniformly under a federalized structure, the origin of occupation troops becomes less important. Moreover, existing difficulties in communications between zones would increase greatly with loss of Karlsruhe and Mannheim and importation of civil needs into the United States zone would be made more difficult with our Rhine imports under French jurisdiction. Also, would be removing industrial area which would make United States zone even less independent economically than at present. Prestige of American Military Government necessitates the holding of present boundaries until the future governmental structures of Germany is agreed by the Four occupying powers. Otherwise, execution of our Military Government mission will be made most difficult.”

Sent to Department as 538; repeated to Frankfurt as 18.

MURPHY

740.00119 Control (Germany)/2-1846: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, February 18, 1946—9 p. m.
[Received February 19—9:47 a. m.]

549. Twenty-third Political Directorate meeting February 14 dealt with two papers to remove Nazi and militarist literature from circulation in Germany. That from military directorate orders surrender and destruction of all documentary matter, printed or photographic, and any other material, if published after 1914 and usable in military instruction. That from unofficial information control committee pro-

³⁸ For earlier documentation on this subject, see telegram 211, December 29, 1945, from Frankfurt, *Foreign Relations*, 1945, vol. III, p. 1025.

poses prohibit sale, loan or distribution of any publication tainted in any manner by Naziism or by specified ideas. Because papers overlap, Political Directorate referred them to sub-committee for transformation into one new paper.

Military Directorate paper also proposes punish any responsible person failing within given time surrender prescribed material. Mayors and local autonomous agencies must enforce surrender, also prohibition publication similar material. Confiscated material will be either destroyed or utilized as paper pulp. In execution of Control Council Law 8 (chiefly its Article (7) but also (1)) and dependent for enforcement on penalty clause in that law,³⁹ information Control Committee paper proposes ban from circulation those documents: published by or under auspices of Nazis or sympathizers; written by or for known Nazi leaders or active supporters; extolling Nazi, Fascist or German military leaders, or containing extracts designed support Nazi, Fascist or related anti-democratic ideas, propagating, supporting or seeking justify Naziism, Fascism or related anti-democratic ideas or giving Nazi or Fascist interpretation law, economics, govt, history, philosophy, art or science; designed create divisions between United Nations, or teach disrespect or animosity towards other nations or people; propagating Nazi or related race or culture theories or racial hatred; propagating militaristic ideas, pan-Germanism, imperialism, geopolitics or chauvinism, or teaching theoretical or applied military science.

Such measures would fail to attract substantial popular favor for application in countries of democratic tradition. And there many people also no doubt are convinced that to inaugurate them even in conquered Germany in whose people we try to inculcate democratic principles would be reprehensible if not impolitic. However, Articles (1) and (7) of Control Council Law 8 already prescribe sweeping prohibitions of general character. Furthermore, during early stages of occupation when Germans are exposed to democratic way of life which many of them still regard as alien and with which many others

³⁹ For text of Control Council Law No. 8, Elimination and Prohibition of Military Training, see *Official Gazette of the Control Council for Germany* (Berlin, Allied Secretariat) No. 2 (November 30, 1945), p. 33. The sections referred to, Articles I, VII, and VIII (the penalty clause), read as follows:

"Article I. All activity of any organisation, group of persons or individual which teaches directly or indirectly the theory, principles, technique or mechanics of war or prepares the participants for any war activity is hereby prohibited and declared illegal."

"Article VII. Any propaganda or agitation, whether conducted in writing or orally or by any other method, which is aimed at keeping alive, reviving or promoting the military or Nazi spirit and institutions, or to glorify war, is prohibited."

"Article VIII. Any person violating any provision of this law shall be liable to criminal prosecution."

are unfamiliar, a wisely drawn paper giving more precise content to Law 8 and perhaps also incorporating provisions curbing possible abuses of police power in matter of restraint of public expression, might be beneficial.

Sub-committee expects convene February 25. Dept might desire to instruct me whether it favors additional legislation of this type, and, if so, also make suggestions for incorporation in or omission from new paper.

MURPHY

740.00119 Control (Germany)/2-1846: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, February 25, 1946—1 p. m.

503. Urtel 549 Feb 18. Dept is concerned lest a program for suppression of allegedly noxious printed material lead to grave abuses reminiscent of Nazi book burnings and similar acts of violence to the intellect. It wishes therefore to study text of subcommittee's paper before final concurrence of OMGUS. Dept is prepared to endorse a reasoned proposal to give more precision to Control Council Law 8 as law envisages restraint on active propagation of Nazi and militarist ideas but fears that the present law is unnecessarily sweeping and unduly restrictive. While recognizing need for carefully weighed measures to prevent literary campaigns for revival of National Socialism and militarism, Dept is persuaded that fundamental change of German outlook must come from positive program of democratic teaching and democratic example rather than from attempting to suppress the extended categories of materials described in the information control paper. As Dept understands this program it appears to be not only impossible of enforcement without excessive police methods but also psychologically unsound.

BYRNES

862.00/2-2546

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

RESTRICTED
No. 2058

BERLIN, February 25, 1946.

[Received March 20.]

SIR: I have the honor to refer to my despatch No. 1713, dated January 21, 1946,⁴⁰ and to previous reports on the meetings of the *Laender-rat* in Stuttgart and to enclose a copy of a memorandum dated Febru-

⁴⁰ Not printed.

ary 5⁴¹ reporting the meeting of General Clay with the three Ministers-President of the U.S. Zone on February 5. There is also enclosed a copy of the telegram⁴¹ from the Regional Government Coordinating Office to General Clay reporting the varied activities of the *Laenderrat* at this meeting. This telegram gives an indication of the nature and scope of the matters considered at this session of the *Laenderrat*.

My representative to the Regional Government Coordinating Office at Stuttgart reports that that organization has now pretty well crystallized as one of the most important links in our whole Military Government chain in Germany. I quote the following comments that Mr. Brewster H. Morris makes in this regard:

“The organization stage of the *Laenderrat* and its supervisory organization, the Regional Government Coordinating Office, may be regarded as past. This combination of German and American offices has developed into a vital and useful link in the chain of Military Government command and administration in the American occupation zone.

“By far the greater part of the work of the *Laenderrat* is now accomplished in the numerous Committees and Sub-Committees which have been established in various functional fields, particularly economic. At the moment, 13 Committees and 18 Sub-Committees are in operation. These are primarily bodies, representing the three Laender of the zone, for the discussion of problems of common interest in the particular field. OMGUS and other appropriate American authorities are invited to appear and outline policy, answer questions, et cetera. In accordance with the current stage of overall policy, in which *operations* are being turned over to the Germans, the usual practice is to outline American policy to the Germans in rather general terms, inviting them to work out detailed operation plans, which are then, of course, carefully checked to ensure that they meet the full requirements of Allied and American objectives.

“The work of the *Laenderrat* has grown to such an extent that at the last monthly meeting of the Minister Presidents (held the first Tuesday in each month) there were more than 70 subjects on the agenda. As a result, the monthly meeting—which may properly be described as the meeting of the *Laenderrat* itself—has become largely an official meeting to which the work of the Committees and Sub-Committees during the preceding month is presented for brief discussion and transmission to the American authorities for approval or other action, and at which recent decisions of Military Government may be discussed by the Minister Presidents. In other words, the practical relation of the Committees and Sub-Committees to the *Laenderrat* itself resembles that of the various Directorates of the Allied Control Council to the Council and its Coordinating Committee.

“At the same time, the *Laenderrat* has worked out, mainly on its own initiative, a practical and efficient machinery for organizing and regulating the work of the Committees, and preparing for the monthly *Laenderrat* meeting. The latter is as follows. A few days before the meeting, the Secretary General of the *Laenderrat* goes over the

⁴¹ Enclosure not printed.

agenda with the permanent representatives of the *Land* Minister Presidents who are on duty at the *Laenderrat*, following which these representatives proceed to their *Land* capitals to discuss the agenda with their Minister Presidents. The latter thus have an opportunity of studying with their local functional Ministers and other advisers any particular question included in the agenda of the coming *Laenderrat* meeting. Thus while the agenda may be large and the meeting consist largely of giving official approval to Committee decisions and other matters to be referred to Military Government, the monthly meeting may and does also include serious discussions by the Minister Presidents of topical controversial issues, for reference to the American authorities or to the *Laenderrat* Committees.

"The Regional Government Coordinating Office has been set up as the American body which supervises the work of the *Laenderrat* and its Committees. Dr. James K. Pollock, a member of the staff of OMGUS and Professor from the University of Michigan, deserves great credit for the able manner in which he has organized this body, and at the same time influenced the whole development and practice of the *Laenderrat*. The Coordinating Office is intentionally a small one. Apart from Dr. Pollock and the administrative staff, it consists of a small group of Americans who supervise the work of the individual *Laenderrat* Committees. In the main they act as a sort of "chaperone" to see that the Committee functions properly, encouraging the Germans to think and plan for themselves (always within the framework of our objectives), holding back over-zealous OMGUS officials who try to do too much themselves, and acting when necessary as interpreters for the OMGUS officials who so often speak no German. Among other things, it is obvious that a tremendous saving in American personnel and time has been made possible by funneling so much through the *Laenderrat* and the Coordinating Office which was formerly taken care of by the Military Government Detachments acting in each *Land* separately, and then forwarded in writing to or from the higher authorities at OMGUS. In this connection, the Committee method of discussion and planning not only saves much time and paper work, but also facilitates the task of turning over operations to the Germans.

"As indicated in General Clay's directive of December 20, 1945⁴² (a copy of which was transmitted to the Department in Ambassador Murphy's despatch no. 1698 dated January 19 [18], 1946⁴³), the *Laenderrat* and Regional Government Coordinating Office have become the key link between the top American Military Government authorities in Germany and the German administrations in our zone. This link has now been established as the normal one for matters which affect more than one *Land*. In practice almost everything is of this nature. Among other things, the above directive pretty effectively liquidated the remaining ties between USFET G-5 (i.e. Office of Military Government for Germany (U.S. Zone)) and the *Land* MG detachments, though to be sure at a time when the remaining functions of the former were being gradually transferred to OMGUS.

⁴² Printed in James K. Pollock and James H. Meisel (eds.), *Germany Under Occupation* (Ann Arbor, Michigan, George Wahr Publishing Co., 1947), p. 128.

⁴³ *Foreign Relations*, 1945, vol. III, p. 1029. This despatch reported on the meeting of the *Laenderrat* which took place December 4, 1945.

"A minor but not unimportant problem which has arisen as a result of adding the *Laenderrat* and the Coordinating Office to the MG picture is the following. German *Laenderrat* Committee members frequently receive instructions from OMGUS functional officials and return to their *Laender*, where they tell their MG functional 'opposite numbers' that the OMGUS authorities have told them 'so and so' before the *Land* MG detachments receive this same information from Berlin. This is of course a problem of improving coordination on the American side, i.e. particularly that between OMGUS and the three *Laender* detachments. The Coordinating Office is endeavoring to rectify this situation by insisting that OMGUS officials appearing before the *Laenderrat* Committees should weigh their words carefully, by suggesting that any new policy or other instructions which they give the Germans here should at the same time or beforehand be communicated to the *Land* detachments, by outlining *Laenderrat* developments every week to special liaison officers from the detachments to the Coordinating Office, and by transmitting to the *Land* detachment functional offices prompt summaries of Committee meetings of the *Laenderrat*.

"On the whole, I believe, the *Laenderrat* and Coordinating Office have developed well with a view to meeting the requirements of the present situation. The basic elements of a zonal administration have been established, without however, impairing the administrative independence of the *Laender* or implying the formal setting up of a zonal administration. This is particularly true in the field of Food and Agriculture, in which there is a permanent and relatively large working staff under the *Laenderrat*, and in which we have probably gone furthest in turning over operating responsibility to the Germans. Thus nothing has been done which would compromise the development of central Reich Ministries or accentuate the present zonal boundaries. In fact, the *Laenderrat* and Coordinating Office are spending more and more time in seeking to encourage inter-zonal trade. For example, a first meeting (see Ambassador Murphy's despatch no. 2024 of February 19, 1946⁴⁴) has just been held of top German officials from the American and British zones, which may become the basis for the development of German machinery to facilitate trade between the two zones—in the absence of central machinery at Berlin. This first meeting is being followed up by one at which the top German administrative officials will meet with their functional advisers in the fields of Economics, Food and Agriculture. It seems likely that similar meetings may soon be held with German officials from the other zones.

"The future of the *Laenderrat* and the Coordinating Office, if and when central Reich Ministries are set up in accordance with the Potsdam Agreement,⁴⁵ cannot be predicted with certainty. It would appear, however, that the present organization in Stuttgart may continue at that time to play an important role in the overall picture."

Respectfully yours,

DONALD R. HEATH

⁴⁴ Not printed.

⁴⁵ See paragraph 9 (IV) of Section II of The Potsdam Protocol, *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1478, 1483.

740.00119 Control (Germany)/3-746

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

CONFIDENTIAL
No. 2330

BERLIN, March 7, 1946.
[Received March 23.]

SIR: I have the honor to refer to my telegram 665 dated March 2⁴⁶ and to transmit to the Department the new comprehensive denazification law for the U.S. Occupation Zone in Germany entitled "Law for Liberation from National Socialism and Militarism".⁴⁷ The law was promulgated at a most dignified ceremony at Munich, Bavaria, on March 5, 1946, after approval by the Deputy Military Governor.

The evolution of this law may be traced through a number of despatches which have been transmitted from this Mission in Berlin. More specifically, the Department's attention is called to my Despatch No. 1636 of January 9, 1946,⁴⁶ entitled "Recently Created Denazification Policy Board at OMGUS" reporting the existence of the Denazification Policy Board and its stated function, which was to formulate a long-range overall program providing for placing as much responsibility as possible on German officials. The Denazification Policy Board and its Working Committee, on which I and members of my staff were represented, prepared for the approval of the Deputy Military Governor its *Report* dated January 15, 1946. That *Report* was forwarded to the Department as an enclosure to Despatch No. 1843 of February 4, 1946.⁴⁶

Plans submitted by German officials were also studied by the Denazification Policy Board. One of the more important of these was called, "Draft of a Proposed Denazification Law Prepared by the Ministers of Justice of *Laender* Bayern, Wuerttemberg-Baden, and Gross-Hessen" and was forwarded with my Despatch No. 1769 of February 14, 1946.⁴⁶ Another plan, a prototype of the one here submitted, was prepared by the Minister Presidents of the three *Laender* and was entitled "Law for the Political Liberation from National Socialism and Militarism".⁴⁶ Copies of an English translation of this proposal will be forwarded to the Department by separate despatch immediately.

The approved law represents the culmination of the work of the persons and organizations alluded to above. While in conversation with the German *Land* Cabinet Ministers at Stuttgart, the task of the representatives of the Deputy Military Governor was to reach an agreement which the Germans were willing to carry out which would

⁴⁶ Not printed.

⁴⁷ Text printed in *Germany Under Occupation*, p. 179.

preserve the basic U.S. policy objectives with respect to denazification and demilitarization.

Comparing the Report of the Denazification Policy Board and the present plan, the only significant departure from the U.S. plan is that the plan arrived at Stuttgart required specifically that "the entire conduct of the person is to be judged". In the Denazification Policy Board Report, a provision for introducing "mitigating circumstances" to apply against the discretionary sanctions is only a very partial recognition of this principle. This principle finds concrete expression in the additional Category 3, called "Political Offenders on Probation" which is used as a temporary classification for those persons normally falling into the class above or below whose entire conduct may have been affected by mitigating or aggravating circumstances as judged by the Tribunal.

The problem which faces Military Government as a result of the passing of this law, is mainly one of correct and adequate supervision. There are certain inherent difficulties in administering a plan which provides that approximately one and one-half million persons fall into the proscribed classes. These persons, along with their families, will constitute almost a quarter of the German population of the U.S. Zone. The registration of all persons over 18, which the plan calls for, amounts to approximately 10,000,000 individuals. It is planned to accomplish this through the medium of the next ration card registration and renewal operation. One of the specific dangers which such a plan faces is that because of its size, the Tribunals, prosecutors, or administrative agencies charged with its administration will tend to "rubber stamp" their work. Secondly, the large number of cases involved along with the large number of Tribunals set up, makes for the risk of variance in the results. Thirdly, Tribunals operating on the Kreis level will be subject to local pressures and the characteristic makeup of the community might be expected to result, in some cases, in differences in final judgment. To combat the possibility of such maladministration, Military Government Public Safety Branch plans a program of inspection and reporting, which will include spot checks and reviews of the decisions arrived at by the Denazification Tribunals.

Initially, the entire denazification program will first enter a transitional period during which the German administrative machinery established under the law will gradually become effective. The responsibility of Military Government will be to assist the German officials in every possible manner in establishing administrative machinery and procedures to carry out the law. In addition, Military Government will investigate the members of the trial and appellate tribunals, the public prosecutors, the Ministers for Political Liberation and other German officials entrusted with the enforcement of the

law in order to insure that they are anti-Nazi of long-standing, anti-militarist, pro-democratic, and in complete agreement with the policies of denazification. Finally, as pointed out above, Military Government will be responsible for assuring that active Nazis and militarists are barred from public and private employment in positions above ordinary labor.

Specific instructions from OMGUS to Military Government officers in the field are not yet available, but during the transitional period, until the German law is effectively in operation, Public Safety Special Branches attached to offices of Military Government and the subordinate Security and Liaison officers, will continue to investigate the political reliability of persons incumbent in or under consideration for appointment to public or semi-public offices and positions of responsibility in important private undertakings, acting in accordance with existing directives. The details of the German administrative and enforcement machinery and the procedural regulations necessary for carrying the German law into execution will be worked out by the Ministers for Political Liberation, subject to the approval of Military Government.

Serious responsibilities are placed not only upon the German authorities but also upon Military Government with the enactment of this law. The German authorities at every level are to be held strictly accountable for the effective and just enforcement of this law, and their actions are to be subject to supervision, investigation, and control by Military Government. It is planned that even after the German administrative machinery is in full operation, additional responsibilities will rest upon the Public Safety Special Branches now charged with the removal and exclusion phases of the denazification program under present U.S. Directives. The Public Safety Special Branches will be continued and strengthened and will have responsibility for screening German denazification officials, assisting such officials in their work, especially the public prosecutors making their investigations and preparing their cases for trial and checking the operations of the German administrative and judicial machinery. In addition, these Public Safety Special Branch officers are to maintain custody of the Nazi Party and other records in case file of persons already investigated.

Article 58 of the law merits special attention. It provides that from the law's effective date, all persons in Class I or in Class II categories in the list attached to the Law, or who were otherwise members of the NSDAP or one of its formations (except the Hitler Jugend and the Bund Deutscher Maedl) shall not be employed in positions above ordinary labor in governmental agencies and in private enterprises, in the professions, or in non-profit and welfare organizations. The

list attached to the law is built on the mandatory and discretionary removal categories outlined in Control Council Directive No. 24⁴⁹ which was sent to the Department as my Despatch No. 1962 of February 14, 1946.⁵⁰ The mandatory removal cases noted in the Control Council Directive form the basis of Class I ("Major Offenders") and the discretionary removal cases form the basis of Class II (or "Serious Political Offenders") with certain minor modifications. The rebuttable presumptions for initial classification which the List attached to the law prescribe, apply not only to employees in dependent positions, but also to owners of a business and other persons having a proprietary interest therein. Such persons must be completely removed from the business or enterprise involved; demotions to ordinary labor if the person is retained in the same office or enterprise will not constitute compliance. However, it is to be noted that this provision does not apply to owners and employees of small unimportant enterprises, such as farms, and retail, sales, and service establishments, provided that such enterprises employ less than ten persons. This provision also does not apply to persons engaged in professions such as doctors, lawyers, and engineers, provided they do not employ more than two clerical, nursing, or similar employees. These prohibitions with respect to employment are effective until final decision on the classification of the person involved has been reached by decision of the German Tribunals. Any person, who, after June 1, 1946, violates such a prohibition, is subject to criminal prosecution under Article 65. Therefore, any public official who fails to remove Nazis and militarists from public employment is punishable under the law as well as an employer in private enterprise who retains persons in violation of the law.

Persons whose employment or activities have been approved by Military Government may continue in their positions or employment until final decision by the Tribunal unless prior to such decision by the Tribunal, Military Government has revoked such approval, according to Article 59. On the other hand, any person who has been removed or excluded from employment by order of Military Government may not be re-employed until the Tribunal has made a final decision in their favor.

For the Department's confidential information, the Deputy Military Governor proposes to rescind U.S. Military Government Law No. 8⁵¹ some time after the first of June when the criminal sanctions provided for in the law here submitted will become effective. This will not modify the operation of the basic principles of Military Government Law No. 8 since its basic spirit is incorporated in the present

⁴⁹ *Official Gazette of the Control Council for Germany*, No. 5 (March 31, 1946), p. 98.

⁵⁰ Despatch not printed.

⁵¹ See footnote 39, p. 662.

law. It is my understanding that for public relations purposes, it was decided to defer the rescinding of Military Government Law No. 8 until after June 1 even though its perpetuation is only of theoretical value until that time.

Respectfully yours,

ROBERT MURPHY

740.00119 Control (Germany)/3-2846: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, March 28, 1946—8 p. m.

[Received March 29—8:08 a. m.]

904. Under Article 2 of the Agreement on "Control Machinery of [in] Germany"⁵² each commander-in-chief in his zone of occupation will have attached to him military, naval, and air representatives of the other commanders-in-chief for liaison duties. On February 6 General Sokolovsky⁵³ made reference to the foregoing and asked that a group of Soviet representatives be accepted at USFET, who would also include a political representative, and form a Soviet Military Mission for the purpose of liaison.

With my concurrence Clay advised Sokolovsky that General McNarney⁵⁴ authorizes such a liaison group to be composed of air, naval and military representatives, to be limited not to exceed 10 persons of all ranks. It was also stated that since USFET is a military headquarters only, a political representative of the mission would be unnecessary. Sokolovsky was advised that political affairs of our forces in Germany are handled in Berlin where we now have close liaison and friendly working relations with Soviet political advisers.

It was also stated that it is assumed General Davidov and his assistants (there are now 28 Russian Army officers, 1 enlisted man, and 5 local Soviet civilian drivers accredited to USFET under Davidov as a liaison group occupied with the repatriation of Soviet citizens) would be absorbed in the new liaison group by July 1 when it is hoped to complete repatriation of displaced person[s].

Clay's reply also assumed that Sokolovsky's military headquarters at Potsdam would receive a similar group of American representatives

⁵² For text of the Agreement between the United States, the United Kingdom, and the Soviet Union on Control Machinery in Germany, signed at London, November 14, 1944, and text of the amending agreement between the three signatory powers and the Provisional Government of the French Republic, signed at London, May 1, 1945, see Department of State, *Treaties and Other International Acts Series No. 3070*, or *United States Treaties and Other International Agreements*, vol. v, (pt. 2), p. 2062. For pertinent documentation, see *Foreign Relations*, 1944, vol. I, pp. 100 ff., and *ibid.*, 1945, vol. III, pp. 160 ff.

⁵³ Army Gen. Vassily Danilovich Sokolovsky, Chief of the Soviet Military Administration in Germany; Soviet member, Allied Control Council for Germany.

⁵⁴ Gen. Joseph T. McNarney, Military Governor, U.S. Zone of Occupation in Germany; U.S. member, Allied Control Council for Germany.

and that mutually agreeable privileges and procedures would be established for the operation of these liaison groups.

MURPHY

740.00119 Control (Germany)/4-2046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 20 [19], 1946—6 p. m.

[Received April 20—8:10 a. m.]

1060. On February 28, OMGUS instructed office of Military Government for Bavaria to maintain the *status quo* with respect to the Bavarian Homeland and King's Party pending clarification of various points in the party's program. The *status quo* has been that this party has been approved in *Stadtkreis* Munich and has applied for recognition as a *Land* party in Bavaria. The party has now clarified in reasonably satisfactory manner various points in its program concerning whose democratic nature there was some doubt.

Question of recognizing this party is again to the fore in OMGUS with considerable sentiment favoring dissolution of the party in Munich and its prohibition throughout Bavaria.

Though this is no new problem to the Dept, it may be useful at present juncture to summarize current arguments on both sides.

Those persons favoring suppression of Royalist Party argue as follows:

a. Monarchy is archaic and of doubtful democratic character.

The record of German Royal houses in particular has not been Liberal, Progressive, or Democratic. It is not clear that in Bavaria a King would not in fact have certain powers incompatible with a popularly-controlled government.

b. Authorization of a Royalist Party in any part of our zone would give grounds for violent criticism by the Russians or Communists or both. We do not want to take any steps which justifiably or not would offend the Soviet Union or give it grounds for complaint.

c. Restoration of monarchy would probably involve restoration of Royal properties on a scale which would run counter to the demands for land reform.

d. Formation of a monarchical state in Germany would lead to either a separatism or to a relatively weak federal Reich which would be counter to the Potsdam declaration providing for central administrative agencies and emphasizing the economic unity of Germany.⁵⁵

e. Establishment of a Catholic monarchy in Bavaria might be a step toward closer Bavarian relations with Austria or toward involvement of Austria in an enlarged German federation.

⁵⁵ See paragraphs 9 (iv) and 14 of the Political and Economic Principles to Govern the Treatment of Germany in the Initial Control Period, contained in the Communiqué of the Potsdam Conference, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1499, 1503-1504.

f. That part of the Royalist program which calls for a union of European states might be understood to favor a West European bloc directed against USSR.

Those advancing these arguments admit, however, that the proposed Royalist Party opens its membership freely to all qualified voters, that party officers and candidates would be chosen by the rank and file of the membership and subject to their control, and that the party program itself is not undemocratic. They chiefly rely therefore on antipathy to monarchism, fear of the effects on USSR and the Communists, and fear of the effect on the economic unity and strong centralism allegedly called for by Potsdam.

Those who are opposed to dissolving and prohibiting the King's Party in Bavaria, advance the following arguments:

a. It is sheer prejudice to condemn a monarchical state per se as undemocratic. The Scandinavian states and Great Britain offer abundant contrary evidence. Monarchy, moreover, might furnish a stabilizing influence on Germany.

b. The possibility of external or internal criticism should not determine our attitude toward a movement which is reasonably democratic, spontaneous, and appears to enjoy widespread support. There is no reason to be particularly sensitive to Soviet criticisms in view of the complete freedom which Russians have displayed in actively supporting the Communist Party everywhere. The Communists have in fact been openly critical of occupation policies of western powers and these open criticisms have been carried in Soviet-controlled German press.

c. The Potsdam declaration calls for the political decentralization of Germany.⁵⁶ This has been and should continue to be one of our cardinal aims as a result of our experience with a highly centralized Reich. It is in our long term interest to accept any democratic development in Germany which will weaken the central political authority of the Reich. We should therefore actually welcome a Bavarian Royalist movement, provided it is democratic, as giving promise of leading to a less dangerous and more federalized Reich structure. It was never the intention of the framers of the Potsdam declaration to have the economic unity clause used as an argument for the reestablishment of a highly centralized Reich political structure.

d. At the present time there is no evidence to support the thesis that reestablishment of monarchy in Bavaria might eventually lead to Austria's incorporation in a German federation.

Persons adopting the foregoing line of argument emphasize the fact that the King's Party is as democratic in its organization as any other party, that it appears to spring from popular sentiment in favor of monarchy in Bavaria, and that actually there is much to be said for a Bavarian monarchy in terms of assisting our policy of weakening Germany politically.

⁵⁶ See paragraph 9 of the Political and Economic Principles to Govern the Treatment of Germany in the Initial Control Period, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1503.

We would appreciate being advised of the Dept's views on this delicate issue. Meanwhile in the current stage of the problem here we propose to suggest continued delay in authorization of the Bavarian Homeland and King's Party at the *Land* level and continued non-interference with the existing party in the city of Munich at least until after the *Stadtkreis* elections on May 26. These elections in Munich may in fact furnish us with useful evidence of the degree of popular support enjoyed by this party.⁵⁷

MURPHY

740.00119 Control (Germany)/4-2646

*Memorandum by the Secretary of State, the Secretary of War (Patterson), and the Secretary of the Navy (Forrestal)*⁵⁸

[WASHINGTON,] April 25, 1946.

PRINCIPLES AND PROCEDURES REGARDING POLICY-MAKING AND
ADMINISTRATION OF OCCUPIED AREAS

In order to accomplish the maximum of unity and consistency in United States policy and the administration thereof, in Occupied

⁵⁷ Under date of May 1, Assistant Secretary of State Hilldring transmitted to General Echols, Director of the Civil Affairs Division in the War Department, a copy of a draft cable to General Clay with the request that a message substantially in agreement therewith be sent to the latter on an urgent basis. The Department's position in this draft cable was set forth as follows:

"Dept believes that establishment of a monarchy in Bavaria would be contrary to long-range objective of democratic reconstruction in Germany. The German Royal Houses have, as Murphy stated, for the most part an illiberal and undemocratic record; they have also been inextricably associated with the German militaristic and authoritarian tradition. Dept fears that a monarchy in Bavaria, or monarchist party activities, would tend to become a cloak for Nazi or similar elements. It should be recalled in this regard that Bavaria after the first world war provided fertile ground for initiation and early promotion of Nazism, that Nazi Party at that time favored Bavarian separatism and was able to use to its advantage separatist attitude of Bavarian Govt. Furthermore, monarchist activities in Bavaria will assuredly stimulate undemocratic forces in other parts of Germany and impede development of those elements able to reconstitute German political life on sound democratic lines. They would thus serve as a disturbing, rather than stabilizing factor, from viewpoint of Germany as a whole. Moreover, Dept does not see how a Bavarian monarchy could possibly be incorporated into a federal German polity of desirable democratic design.

"For these reasons, as well as those given in Murphy's tel 1060, it is requested that Bavarian Homeland and King's Party be dissolved at once in Munich and be prohibited throughout Bavaria. The dissolution should take place before May 26, since participation of Party in Munich elections would make eventual dissolution more difficult. In future no authorization should be given to any other proposed monarchist party." (740.00119 Control (Germany)/4-3046)

On May 10, United States Military Government authorities announced the dissolution of the Bavarian King and Homeland Party.

⁵⁸ Under date of May 13, the Secretary of State transmitted to President Truman a memorandum which consisted of the opening portions of this memorandum through paragraph (4) plus paragraph (10). The policy embodied therein was approved by President Truman and transmitted to the heads of the other Executive departments concerned. (740.00119 Control (Germany)/5-1346; SWNCC-295)

Areas, and to insure full consideration, in connection therewith, of the political, economic and security interests of the United States, the following principles regarding policy and administration will govern U.S. participation in the government or occupation of Germany, Austria, Japan and Korea:

(1) The State Department will be responsible for formulation of governmental policy with regard to U.S. participation in the occupation and government of the Occupied Areas in question.

(2) The War Department will be responsible for execution and administration of policy with respect to U.S. participation in the occupation and government of these occupied areas.

(3) The State Department and all other departments and other agencies of this government will cooperate with and assist the War Department in providing the War Department with suitable civilian personnel to complete the necessary field staff to discharge the War Department responsibility for government in these occupied areas by assignment of their existing personnel and facilities, by assistance in recruiting specially qualified persons and in all other practicable action.

(4) The State-War-Navy Coordinating Committee (SWNCC), under the chairmanship of the State Department, will be responsible for the coordination of U.S. policy with respect to such occupation and government and for its communication through appropriate channels to U.S. representatives in the field and to U.S. representatives on Allied bodies such as the Far East Commission.

(5) In order to facilitate discharge of its responsibility for coordination of U.S. policy, SWNCC will establish a Directorate for Occupied Areas which will be responsible, subject to overall supervision and control by SWNCC, to:

(a) Coordinate and expedite the work of the State, War and Navy Departments and, where appropriate, consult with other interested Departments and Agencies in order to expedite and coordinate the development of U.S. policy for such Occupied Areas.

(b) Receive, through appropriate military channels, communications from the field involving policy matters and transmit U.S. policy through appropriate military channels for implementation.

(c) Create such temporary or permanent sub-committees of SWNCC and such working groups as may be required to facilitate the development of a coordinated and integrated U.S. policy in occupied areas, to provide the chairman thereof and to supervise the preparation of the agenda of work therefor. Membership on such sub-committees and working groups will be provided by the interested departments at the request of the Directorate.

(d) Submit to SWNCC, with recommendations, policy problems (1) which the Directorate or the representative of any of the three Departments with whom it deals deems of sufficient importance to require formal SWNCC approval or (2) requiring SWNCC consid-

eration with respect to which agreements cannot be reached by SWNCC sub-committees or working groups.

(6) The Directorate for Occupied Areas will be in charge of a Director for Occupied Areas who shall be an official of the Department of State and shall be an individual satisfactory to the Secretaries of War and Navy. As Director for Occupied Areas he shall be responsible to SWNCC. His responsibilities in the State Department shall be confined to matters of U.S. policy in the Occupied Areas in question.

(7) The Director for Occupied Areas shall be provided with adequate staff, space and facilities to enable him to discharge the responsibilities of the Directorate. Such staff, space and facilities as may be determined by SWNCC upon recommendation of the Director will be provided by the State, War and Navy Departments provided that no Department will be expected to make such contribution of staff, space or facilities without its consent. Personnel so provided will be acceptable to and responsible to the Director for Occupied Areas and, if not already employees of the State Department, will become so as soon as possible. The Director for Occupied Areas is authorized to call upon the Secretariat of SWNCC for the provision of the Secretarial services which the Director may require in the performance of his duties, and the Secretary of SWNCC will be responsible to the Director for the performance of such services. Any matter involving policy for Occupied Areas will be presented to SWNCC by the Secretary of SWNCC only after consultation with and approval by the Director.

(8) It is contemplated that all personnel of the Directorate of Occupied Areas will become State Department employees no later than November 1, 1946. When this transfer has been accomplished, the SWNCC Directorate of Occupied Areas will be disestablished.

(9) (a) SWNCC will determine which of the problems under consideration by SWNCC in fact involve military aspects, so that the views of the Joint Chiefs of Staff on such military aspects may be obtained by SWNCC.

(b) In cases in which the Joint Chiefs of Staff are the appropriate channel with the field, suitable arrangements will be made for referring to the Director for Occupied Areas for action all communications requiring policy decision. When decision has been reached on such matters, SWNCC, through the Director for Occupied Areas, will transmit to the Secretariat of the Joint Chiefs of Staff appropriate instructions which will forthwith be communicated to the field by the Joint Chiefs of Staff.

(10) In the event that it is decided to reconsider the pattern of American control machinery during the period of War Department

responsibility for administrative control of Germany, any High Commissioner appointed, whether military or civilian, will be selected by the War Department after consultation with the Department of State and with the approval of the President.

JAMES F. BYRNES
Secretary of State

ROBERT P. PATTERSON
Secretary of War

FORRESTAL
Secretary of Navy

740.00119 Control (Germany)/6-446

*The Director of the Civil Affairs Division of the War Department
(Echols) to the Assistant Secretary of State for Occupied Areas
(Hilldring)*

WASHINGTON, 4 June 1946.

DEAR MR. HILLDRING: I am returning your draft of a proposed cable to USFET⁵⁹ with reference to Control Council Order No. 4 which deals with the confiscation of books⁶⁰ and the related directive of the Coordinating Committee concerning military and Nazi war memorials and museums⁶¹ forwarded to me on 31 May 1946. It is recommended that the proposed cable in its present form not be dispatched.

On 22 May on its own initiative, the War Department wrote General Clay with regard to the aspects involving civil liberties inherent in Order No. 4 and the legislation dealing with the liquidation of German military and Nazi memorials and museums. General Clay's reply in substance covered the following points:

In pursuance to U.S. policy the circulation of Nazi and militaristic books has been prevented since the arrival of the Army in Germany and it has been illegal for public booksellers to have books of the type mentioned in Order No. 4. Hundreds of thousands have already gone into the pulp mill. Hundreds of thousands of textbooks have been removed from the German schools to be replaced by books approved by Military Government, and while approval of school

⁵⁹ Not printed; the first sentence of this draft cable, dated May 31, reads as follows: "Control Council Order No. 4 and recent directive on military and Nazi memorials and museums are so sweeping in import that Govt wishes to study these questions further before endorsing them as policy." (740.00119 Control (Germany)/6-446)

⁶⁰ For text of this Order on Confiscation of Literature and Material of a Nazi and Militarist Nature, May 13, 1946, see *Official Gazette of the Control Council for Germany*, No. 7 (May 31, 1946), p. 151.

⁶¹ The Directive referred to dealt with the Liquidation of German Military and Nazi Memorials and Museums, approved by the Coordinating Committee at its 54th meeting, May 13, for promulgation to the Zonal Commanders and the Allied Kommandatura (740.00119 Control (Germany)/5-2246).

texts by the Military Government could be considered infringement on civil liberties, no one would advocate continuation of use of Nazi textbooks and teachers. All Nazi and militaristic books in libraries have been segregated since the beginning of the occupation and when the question of what to do with those segregated books was raised, it was his view that the worst of those books should not be allowed to remain in Germany but should also be placed in the pulp mills. This does not mean a destruction of all these books as copies had already been included in the Library of Congress accumulation. He said that it was obvious that there was not going to be any public book burning exhibition in the U.S. Zone. Similarly he went on to say judgment will be required in the destruction of Nazi and militaristic memorials. Actually in the U.S. Zone, the great majority of the Nazi memorials and signs have already been destroyed. Those who could condemn the Control Council Order would be equally quick to condemn a carved swastika left on a German building. He further stated that the book destruction measure seemed more unpopular in the United States than in Germany, as some responsible German liberals who have always opposed Nazism have consistently favored the removal of Nazi literature from Germany or its destruction. Finally, he was successful in overcoming the insistence of two other governments that the book measure include private libraries which would require a search of private homes. He pointed out that success in preventing the adoption of the private library section was at the expense of the destruction of public collections.

Mr. Heath of the Political Advisors Staff in a cable on the 16th of May ⁶² said that information control services in Germany believe they have already acquired the majority of Nazi literature on booksellers' and circulating libraries' shelves. He further stated, "Importantly it agreed in Drafting Committee that since Order No. 4 is addressed to German people and not to zone commanders, it does not prohibit present practice of assembling collections of Nazi material in reference and university libraries for the use of qualified students. The order requires that Nazi and militarist literature be placed at the disposal of military authorities for destruction, but does not enjoin the latter to dispose of all such material. Destruction will be exclusively by pulping to provide paper for new textbooks, newspapers, modern or reprint material. Consequently no destruction in degree publicized by the press will take place and no essential changes will take place in the present procedures and policies".

It should also be mentioned that a similar policy has already been enforced in Japan where textbooks and other publications containing

⁶² Not printed.

ultranationalistic and militaristic doctrines, especially in courses in morals, Japanese history and geography were confiscated through the Japanese government and pulped as paper stock for new and democratic textbooks.

The proposed cable, if dispatched, would undoubtedly embarrass General Clay in quadripartite circles since it could be regarded as non-concurrence in his judgment by the United States Government.

Further the draft indicates that certain provisions are undesirable but does not define what those undesirable provisions are. Finally it would require that no action be taken in the U.S. Zone on an Order which has already been published and is being implemented.

It would appear that most of the objections to the Order and the directive have been caused by the poor public relations job done in allowing such an important story to be released by Miss Cox, Assistant to the U.S. Member of the Allied Military Directorate. The references in the press to "burning of books" and the likening of the order to Nazi practices were most unfortunate.

I would recommend therefore that the most feasible action at this time would be a cable to General Clay requesting that the implementation of this order be carried out substantially in accordance with the ideas expressed in both his and Mr. Heath's cables and that a full explanation of this program be made to the American press in Germany in order that it be clearly understood that no "burning of the books" or "witch hunts" are contemplated.

Sincerely,

O. P. ECHOLS
Major General, USA

862.00/5-746

*Memorandum by the Assistant Chief of the Division of Central
European Affairs (Harris)*

SECRET

[WASHINGTON,] June 20, 1946.

From the beginning of their participation in the occupation of Germany the French have been strongly desirous of bringing the whole of Baden under their control. As a part of the agreement with the French which fixed the boundaries of their zone we committed ourselves through a letter by Ambassador Winant (July 26, 1945)⁶³ "at a later stage in the Allied occupation of Germany, to review with the Provisional Government of the French Republic the assignment of

⁶³ Letter by John G. Winant, formerly Ambassador in the United Kingdom, not printed; for further information on this letter, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1005, footnote 2. For documentation relating to the establishment of zones of occupation in Germany, see *Foreign Relations*, 1945, vol. III, pp. 160 ff.

areas of occupation between the French and U.S. zones, in the light of the then prevailing conditions of occupation and the requirements of the respective forces of occupation”.

The administrative problems growing out of the division of the *Laender* of Baden and Wuerttemberg led to a special study by U.S. military authorities last October. The Department of State at that time (telegram No. 646 to USPolAd, October 10⁶⁴) took the position “that it would be desirable in interest of political development of Germany along democratic federal lines if political and administrative unity of Baden and Wuerttemberg were to be reestablished as soon as possible”.

The USFET report was unfavorable to an exchange of all of Baden for all of Wuerttemberg because primarily of military transportation considerations (USPolAd telegrams 819, 892 and 169 (Frankfort) of Oct. 20, Oct. 31 and Nov. 3 respectively),⁶⁵ and the *Land* Wuerttemberg-Baden was organized on the basis of the original delineation agreed to by the French.

In December General Koenig, French member of the Control Council, raised a question of rectification with General McNarney and was advised that the problem should be taken up on the governmental level.⁶⁶ On January 31, consequently, the French Embassy sent in a note⁶⁷ proposing a rectification of the occupation zones in Baden and Wuerttemberg. The note made particular reference to the difficulty for the French administration by virtue of not having the capital, Karlsruhe, and the important city of Mannheim.

The French note was submitted to SWNCC (15/10/D, 8 February) and the Subcommittee for Europe, in collaboration with the Joint Logistics Committee, recommended a reply to the French Ambassador stating that “it would be premature to initiate a discussion of the revision of zone boundaries before the projected central German agencies have been established and have begun to function effectively”. In making this recommendation (15/11) the Subcommittee had before it a telegram from CG USFET⁶⁷ expressing opposition to the cession of Karlsruhe and Mannheim principally on grounds of transportation and supply installations. The telegram concluded: “If and when central administrative machinery is established it should be possible to fix permanently the state boundaries within Germany. When this is accomplished and state governments are functioning uniformly under a federalized structure, the origin of occupying troops would

⁶⁴ *Foreign Relations*, 1945, vol. III, p. 978.

⁶⁵ Telegram 819 not printed; for texts of telegrams 892 and 169, see *ibid.*, pp. 994, and 997, respectively.

⁶⁶ See telegram 211, December 29, 1945, from Frankfurt, *ibid.*, p. 1025.

⁶⁷ Not printed.

become less important and the French proposal reconsidered" (SWNCC 15/11, Appendix "D").

The Joint Chiefs of Staff concurred in the recommendation of the European Subcommittee (15/12) and on April 11 SWNCC gave its approval. The French Embassy was informed in a note sent on April 22.⁶⁸

On May 7 the First Counsellor of the French Embassy⁶⁹ presented a new *aide-mémoire*,⁶⁸ the original and a translation of which is attached. This document announced plans for holding elections in September and October in the French zone and for establishing *Land* governments comparable to those of the U.S. zone. The French, the *aide-mémoire* went on, continued to believe it wise to reestablish former territorial units and, since by our note of April 22 we stated our unwillingness to revise boundaries, they proposed that we proceed at once to restore the historical entities of Baden and Wuerttemberg under joint control. In order to make this possible, it is suggested, there should be a "preliminary rectification" which would assign Karlsruhe, the capital of Baden, to the French zone while leaving "the region and the city" of Mannheim under U.S. control.

In presenting the memorandum the French counselor explained that this proposal of joint control, as envisaged by the French, would mean that a predominant influence should be exercised by the U.S. in Wuerttemberg and a predominant influence in Baden minus Mannheim by the French. A copy of a memorandum of this conversation is attached.⁶⁸

When they were in Paris for the meeting of the Council of Foreign Ministers the French repeated their proposals to Mr. Matthews⁷⁰ and Mr. Riddleberger.⁷¹ They spoke to General Clay of their conversations and he indicated a sympathetic interest.

During his leave in Washington Colonel Dawson, Military Governor of Baden-Wuerttemberg, read the French *aide-mémoire* and expressed his conviction, based on a year's experience of dealing with his French neighbors as well as on other considerations, that an outright exchange of territory would be more satisfactory than a restoration of the two *Laender* under joint control. In his judgment it would be feasible, and useful, to cede the remainder of the *Bezirk* of Karlsruhe in Baden to the French in exchange for Southern Wuerttemberg, Sigmaringen and the *Kreis* of Lindau in Bavaria. A memorandum of conversation with Colonel Dawson is attached.⁶⁸

⁶⁸ Not printed.

⁶⁹ Armand Bérard.

⁷⁰ H. Freeman Matthews, Director of the Office of European Affairs.

⁷¹ James W. Riddleberger, Chief of the Division of Central European Affairs.

A second French *aide-mémoire* on this subject was presented to the Department on June 11.⁷³ This new document restated the proposal of May 7 and went on to suggest that the control of the government of Wuerttemberg would be exercised by American authorities with the assistance of a French liaison mission "charged especially with administrative control of the southern agricultural *Kreise* which would continue to be a part of the French zone" and, in turn, an American mission would assist the French authorities in the control of Baden. This plan would incorporate Karlsruhe in the French zone. The body of the text concludes, "This reorganization of the control of the two German *Laender* would not lead to a modification of the present economic regime, particularly with regard to the disposition of resources in the American and French zones, respectively, as long as present conditions of occupation are maintained".

In view of the dates fixed for elections in the French zone—September and October—the *aide-mémoire* expresses hope for a prompt reply.

SWNCC 257 File: Telegram

*The Commanding General, United States Forces, European Theater
(McNarney), to the Joint Chiefs of Staff*⁷⁴

TOP SECRET
PRIORITY

FRANKFURT, 17 July 1946.

S 7556. Subject is denial and exploitation of German scientists and technicians. References: JCS 1363 series. CCS 870 series. AGWar cables W 87317 dated 7 December 45, W 97733 dated 19 February 46, W 98408 dated 26 February 46, W 82433 dated 28 March 46, W 85738 dated 25 April 46, W 85905 dated 27 April 46, W 87016 dated 7 May 46, W 89264 dated 25 May 46, W 89850 dated 31 May 46; USFET cables S 33190 dated 29 November 45, S 2121 dated 23 February 46, S 2458 dated 28 February 46, S 2214 dated 20 April 46, S 2215 dated 20 April 46, S 2413 dated 23 April 46, S 3442 dated 5 May 46, S 4903 dated 31 May 46.⁷⁵

1. In response to cables W 97733 dated 19 February 46, and W 98408, dated 26 February 46, a list of 834 German scientists and technicians was forwarded to Washington on 16 May 46.⁷³ A revised list containing 869 names has been prepared for dispatch about 27 June 46. These lists contain the names of scientists and technicians of outstanding prominence or ability based upon their reputation over a number

⁷³ Not printed.

⁷⁴ Sent for information purposes to **OMGUS**, Berlin.

⁷⁵ None printed.

of years, but naturally such a list will not contain the names of all those who may gain prominence during the next few years. In compliance with cable W 82433 dated 28 March 46, a relatively large number of scientists and technicians are included who by background and training have little or no real military significance.

2. Changing conditions are making it exceedingly difficult to deny to personnel of Allied Powers, other than the United Kingdom, direct or indirect contact with German scientists and technicians now under United States control in Germany. Since some of the factors involved may be unknown in Washington, the following are presented:

a. It is becoming increasingly more difficult to prevent interzonal movement. This problem will become more acute from the denial aspect as further progress is made on relaxing of restrictions on interzonal travel. Such restrictions may be removed insofar as British and French boundaries are concerned within a short period.

b. There is a large number of former Nazis and mandatory unemployables among those shown on the lists. These cannot now or later be employed in the United States Zone of Germany except in the common labor category.

c. It has been the policy in the United States Zone to not permit the establishment of favored groups. Actually, it is felt that the establishment in this case of a favored group is no sure deterrent to interzonal movement and contact.

d. The issuance of extra rations, fuel and clothing alone will not deter movement of individuals or families. We cannot compete with rumored scales and extras offered by France and Russia.

e. The stand has been taken that the employing of all classes including scientists and technicians is a function of the German Government. Actually in this case, the establishment of *Land* research centers to employ all top scientists and technicians was discussed with the minister presidents who, though in favor of the idea, feel it will require months to accomplish.

f. Some German scientists have been contacted by the Russians through German mail channels, and doubtless the German has furnished, in some cases, the information requested of him.

g. There is no assurance that the names of important Germans of a few years hence appear on present lists. In fact, if all on lists were removed from the United States Zone, Germany would of necessity, have to bring forth a new group of specialists.

h. Some German scientists and technicians, including many of great military importance, already have disappeared and supposedly are in Russia or the Russian Zone. If rumors are true, a number undoubtedly are assisting in the operation of underground V-weapon plants in the Harz Mountains.

i. Since the object to be gained is mental knowledge, it would appear useless to remove personnel for work in the United States or United Kingdom unless the particular German is willing to volunteer.

j. A number of non-Nazi German scientists and technicians will be required to establish an economic balance in Germany and to staff the school system.

3. It is concluded here that German scientists and technicians now under United States Control in Germany can be denied Allied Powers, other than the United Kingdom, only in two ways:

a. Detention in camps within Germany under United States military guard.

b. Movement from Germany to the United States or United Kingdom.

4. It is therefore recommended;

a. Overall plan of denial of scientists and technicians within United States Zones of Austria and Germany be abandoned.

b. Those scientists and technicians who are determined to have attained unusual military significance in fields which may be detrimental to United States security, were their services to become available to other nations, be screened from the lists furnished Washington and moved, together with their families, from Germany to the United States or United Kingdom.

c. That this headquarters immediately canvass all the above scientists in the United States Zones for voluntary shipment to the United States and that the volunteers be shipped immediately.

SWNCC 15 File : Telegram

*The Commanding General, United States Forces, European Theater
(McNarney), to the War Department*

SECRET

No. S-7639

FRANKFURT, July 19, 1946.

[Received July 22.]

Reference your WX-94172 of 12 [11] July 1946.⁷⁷ Do not recommend extension of French Zone of Occupation to include Karlsruhe. Karlsruhe is the capital and political center of Baden and its transfer would make the Government of Baden more difficult. Moreover, its importance as a communications center to our Government of Germany can not be over-estimated. It is a key telecommunications center through which main communications are made between Frankfurt, Stuttgart, and Munich. The railroad route through the area has almost 50 percent capacity for rail movements from the northern part of the American Zone to the southern and eastern parts and into Austria. From the point of view of Military Government in regard to the placing of Baden and Wuerttemberg under joint French and US control, the following considerations are pertinent:

a. The French proposal is for Wuerttemberg to be under American control with French Liaison and Baden to be under French control with American Liaison. This is not a *quid pro quo*. While both

⁷⁷ Not printed; this telegram requested comments and recommendations on the proposals contained in the French notes of May 7 and June 11, whose contents are summarized in the memorandum by Mr. Harris, June 20, p. 679.

areas are deficiency areas for agriculture, there is not much difference in the size of population and volume of industry in South Wuerttemberg as compared to North Baden. However, the light industries in North Baden more nearly complement the industries remaining in the United States Zone. The transfer of North Baden to French control would increase our difficulties in developing an export trade with which to meet our food imports. Of greater import, however, is the fact that North Baden is an important cultural area with the city of Heidelberg of particular value to Military Government in accomplishing its objectives.

b. While the Secretary of State at Paris invited any other zone to join with our zone to effect economic unity, this invitation did not extend to political unification. Such political unification is undesirable until the eventual success or failure of Quadripartite Government has been determined. The German officials in our zone would be greatly upset by the transfer. It would increase the prevailing opinion that the United States will not stay with the job in Germany and will render almost impossible our efforts to secure democratic-minded officials to administer German Government. Our objectives and French objectives are quite different, particularly with respect to the utilization of German economy. An effort at Joint government would accentuate these differences and could not result in harmony and understanding. The French have refused consistently to join in the establishment of central administrative machinery which would lead to the establishment of a provisional German Government.

c. The objectives of Military Government can not be accomplished if we should comply with this French request. It offers no advantage to our administration in Germany but on the contrary positive disadvantage. Moreover, it would seem more logical for the French to be asked to return both South Wuerttemberg and South Baden to the United States as neither of these areas is self-supporting cut away from its northern area. If France obtains the Saar, there would appear little reason for its strong desire to occupy Baden unless it visualizes annexation here also.

d. The only French argument with merit is that Wuerttemberg and Baden should be set up as independent *Laender*. While traditionally this is correct, the number of states in future Germany should be reduced and there is much to commend eventual consolidation of these two states into one state for incorporation into future Central Government. The views of some leading Germans are indicating a trend in this direction.

e. In view of our objectives in Germany, the views of our German officials must be taken into consideration with respect to the French

proposal. They are unanimously and bitterly opposed to the proposed transfer. Therefore, its effect on our prestige in Germany can not be over-emphasized. From a supply and housing viewpoint any contraction of the US Zone at this time would seriously complicate an already critical housing situation. Attention is called to the heavy commitments laid on the US Zone of Occupation to furnish accommodations for persecutees, expellees and others coming into our zone. Heidelberg contains the headquarters of the 3d US Army and it is contemplated to be used as the hqs for the constabulary at a later date. It is a center of great strategic importance to the US occupation. It is recommended that the French Government be advised that the US does not propose to transfer Karlsruhe in view of its importance as a political and communications center to the US Zone and that it is unwilling to enter into joint political arrangements pending the determination of the success or failure of Quadripartite Government to establish a Central German Government. If and when Central German Government is established and is operating through German administrative agencies, then, and only then, will the US be prepared to discuss possible modifications in the boundary lines for occupying troops. Reference W-92445,⁷⁸ it is not believed that the granting of the French request would preclude our capability for furnishing transportation assistance to British troops in Austria. It is pointed out, however, that the medioc [*MedLoC?*] route to Italy and Austria passes through Karlsruhe and the British have established a principal feed halt with transient accommodations in that city. Arrangements would have to be made with the French for the British to retain these facilities.

[Regarding the "Gentlemen's Agreement" between General Clay and General Sokolovsky on arrest and detention of official personnel, see memorandum by Major General Harold R. Bull, August 15, printed on page 730.]

SWNCC 257 File : Telegram

The Joint Chiefs of Staff to the Commanding General, United States Forces, European Theater (McNarney)

TOP SECRET

WASHINGTON, 20 August 1946.

War 97977. State, War, and Navy Departments have been asked to reconsider exploitation and denial program, and your S 7556⁷⁹ has been referred to them for consideration in that connection. Pend-

⁷⁸ Not printed.

⁷⁹ Dated July 17, p. 682.

ing decision, maintain closest feasible surveillance of scientists on your revised list and Joint Chiefs of Staff denial lists forwarded by Joint Intelligence Objectives Agency. Included in matters under consideration is an expansion of PAPERCLIP program for interim exploitation to provide also for denial and to increase to 1000 the total number of German scientists who may at one time be in the United States under the program, to increase the length of time each may remain in the United States under it, and to permit their families also to be brought in under the program. Suggest you prepare tentative plans for action in case program is expanded along those lines.

740.00119 Council/8-2146 : Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*⁸⁰

SECRET

WASHINGTON, August 21, 1946—7 p. m.

4272. Secdel 719. For Secretary Byrnes from Benton.⁸¹ Re Russian broadcasts.⁸² Assume you have available copy Clay's cable to War Department number CC-1697 of August 12, and Murphy's 1911 of August 13 on this subject.⁸³ Both cables restate Clay's political objections to use of Munich transmitters for State Department broadcasts to Russia as inconsistent with the spirit of quadripartite government.⁸⁴ This objection of Clay's was previously reviewed by Staff Committee and not found sufficiently persuasive. I feel this project of such vital importance that Clay should be requested to facilitate it in accordance with his statement of willingness to do so despite recording his objections.

In accordance with your earlier expression of views which are confirmed in your telegram 3963 of August 11 quoting Sarnoff's memorandum,⁸⁵ we are thus moving ahead on all technical details anticipat-

⁸⁰ The Secretary of State was in Paris as Chairman of the United States Delegation to the Paris Peace Conference.

⁸¹ Assistant Secretary of State William Benton.

⁸² Reference is to a projected Department of State program for information broadcasts in the Russian language to the Soviet Union, making use of transmitters located in Munich.

⁸³ Neither printed.

⁸⁴ General Clay felt, according to telegram 1911, August 13, from Berlin, that a radio station such as the one contemplated in Munich would be subject to rules of censorship approved by the Control Council (811.42700(R)/8-1346).

⁸⁵ Telegram 3963 not printed. The memorandum to Secretary Byrnes from Mr. David Sarnoff, president of RCA, dealt with American broadcasting both in Germany and to the Soviet Union. It urged that a study be undertaken to determine the technical facilities required to provide American broadcasting services equal or superior to those furnished the Germans from the Soviet Zone. Mr. Sarnoff's memorandum also proposed that a high powered broadcasting station be set up in Berlin, that the power of the existing station in Munich be increased and linked with the proposed station in Berlin, and that the Munich station be equipped with short wave facilities to enable it to re-transmit to the Soviet Union Russian language programs originating in the United States. (811.42700(R)/8-1146)

ing acceptance by Clay of Munich project. Forrestal, Acheson and others in State Department agree.

The following message to General Clay has been discussed with Secretary Patterson at meeting with Acheson and Forrestal. Patterson agreed to relay it, after stating that he felt Clay should be supported. I am holding for 48 hours on chance you may want to comment further.

"To Clay from Patterson—Reference your CC-1697, State Department has reviewed your reservations and appreciates your willingness nonetheless to make available two Munich transmitters. State Department is thus developing plans, staff and equipment for Munich relays.

State Department representatives for this project will be dispatched Berlin as soon as possible. Technical operating personnel will be attached to Munich Consulate.

Re your discussion with Sarnoff,⁸⁶ telegram from Secretary Byrnes after talking with Sarnoff in Paris,⁸⁷ quotes Sarnoff memorandum urging Munich relays as absolute technical necessity for effective coverage.

Censorship questions would not appear to arise since all State Department programs will originate New York. No programs of any kind will be produced or created in Munich. Transmitters are for boosting signal strength of programs.

Department and advisory committee here have thoroughly reviewed format of broadcasts to eliminate any material which could logically lead to retaliatory action.

Your cooperation in fulfillment of this program is greatly appreciated by State Department. Ambassador Smith will notify Russians in Moscow of State Department's intentions and any reaction from them will be reported to you.⁸⁸ Secretary Patterson supported your position but has yielded to State Department's views in line with urgency of the need. Patterson to Clay."

General Sarnoff not yet returned and I want to discuss with him his conversation with you and accompanying memo. I agree with him that it is desirable to develop better signals and programs within

⁸⁶ Telegram 1911, August 11, from Berlin, reported on General Clay's "... recent conversations with Sarnoff of RCA who stated that direct broadcasting from the US to the USSR is technically feasible, that equipment is available, and that it is merely a question of expenditure of funds. Sarnoff indicated that an expense of approximately two million dollars would be involved." (811.42700(R)/8-1346)

⁸⁷ Reference is to telegram 3963; see footnote 85, p. 687.

⁸⁸ Telegram 4344, August 23, to Secretary Byrnes at Paris, reported that this cable had been sent to General Clay with the next to the last sentence revised to read as follows: "Ambassador Smith will notify Russians in Moscow of State Department's intention shortly before broadcasts are started and any reaction from them will be reported to you at that time." (740.00119 Council/8-2346)

In telegram 3276, August 22, from Moscow, repeated to Paris for Ambassador Smith, then at the Paris Peace Conference, the Chargé (Durbrow) expressed the belief that possible Soviet objections should not be permitted to interfere with American plans. He stated that it was the Embassy's feeling that the Soviet Union would not have valid grounds for objecting to relaying of programs originating in New York, particularly since there was no reason why the U.S.S.R. should not have similar relaying rights (811.42700(R)/8-2246).

Germany. I hope you can find time to discuss this need with General Clay and advise me further how State Department can cooperate with him in proposed Sarnoff studies. I shall report further to you when I've seen Sarnoff. [Benton.]

ACHESON

862.542/9-346

Memorandum by the Acting Secretary of State to President Truman

TOP SECRET

WASHINGTON, August 30, 1946.

I am presenting for your approval a statement of United States policy on the interim exploitation of selected German and Austrian specialists in the United States.

Since shortly after V-E Day the War Department has operated a project known as "PAPERCLIP," under which selected German scientists have been brought to this country under military custody for short-term exploitation. There remains in our zones of Germany and Austria a number of specialists whose knowledge and ability could be used to further our technology. General McNarney has reported that the services of many of these specialists may be lost to us unless steps are taken quickly to assure exploitation under favorable circumstances.

The statement provides for expanding "PAPERCLIP" to include a total of between 800 and 1000 specialists. Since cooperation of the specialists is necessary to successful exploitation, provision is made for bringing members of specialists' families to this country, and for relaxing the formerly strict custody arrangements. The War Department would be responsible for custody and for excluding from the program persons with Nazi or militaristic records.

It is contemplated that at a later date selected persons would be granted regular status under the immigration laws.

This statement is based on recommendations of the Joint Chiefs of Staff, and has been approved by the State, War and Navy Departments. I recommend your approval.⁸⁹

DEAN ACHESON

[Enclosure] ⁹⁰

TOP SECRET

INTERIM EXPLOITATION OF GERMAN AND AUSTRIAN SPECIALISTS UNDER
PROJECT "PAPERCLIP"

1. It is the policy of this Government (SWNCC 257/5) ⁹¹ to exploit selected German and Austrian specialists in science and technology in the United States.

⁸⁹ A handwritten marginal notation reads: "Approved 9/3/46 Harry S. Truman".

⁹⁰ Filed separately under SWNCC 257/22.

⁹¹ Not printed.

2. To insure that the time required for normal processing of immigration papers does not delay evacuation of specialists and families to the United States so as to render present policy ineffective and thereby endanger the national security, the War Department PAPER-CLIP Project will be expanded as follows:

a. Those specialists selected by the War and Navy Departments, plus nominations by the Commerce Department for exploitation under civilian auspices will be consolidated, coordinated with the British, and certified by a designated agency of the Joint Chiefs of Staff (now JIOA) as the "U.S. Exploitation List of German and Austrian Specialists in Science and Technology". The War Department will instruct the Commanding General, U.S. Forces in the European Theater to arrange the execution of contracts by specialists and their evacuation to the United States in the following manner:

(1) The specialists so brought to the United States, exclusive of families, will not exceed 1000 in number at any time.

(2) The War Department will be responsible for moving families of specialists already in the United States, additional specialists, and their families, as rapidly as transportation from the Theater and housing in the United States can be made available. Normally families will not be evacuated with specialists concerned, but in the order of the length of time the specialist has been under exploitation and observation in the U.S.

(3) The contracts to be arranged with specialists by the Commanding General, USFET, will be so drafted as to ensure suitable salary and working conditions for the specialists without obligating the War or Navy Departments beyond the legal limitations of their respective appropriations.

(4) Contracts will provide return to Germany or Austria for those specialists and members of their families in cases of specialists not found qualified for extensive exploitation or of individuals not found acceptable by the United States for permanent residence in this country.

(5) Persons proposed to be brought to the U.S. hereunder shall be screened by the Commanding General, USFET, on the basis of available records. No person found by the Commanding General, USFET, to have been a member of the Nazi Party and more than a nominal participant in its activities, or an active supporter of Nazism or militarism shall be brought to the U.S. hereunder. However, neither position nor honors awarded a specialist under the Nazi Regime solely on account of his scientific or technical ability will in themselves be considered sufficient to disqualify a specialist for evacuation to the U.S. hereunder. Where there is doubt as to qualification of a specialist under the preceding sentence, the Commanding General, USFET, may transport the specialist to the U.S., where further interrogation and screening shall be conducted immediately in order to determine such qualification.

(6) All specialists and families brought to the United States will be under temporary, limited military custody until such time as visas

are granted or repatriation is accomplished. The degree of surveillance over any specialist will depend upon the length of time he has been under observation and exploitation in the United States, and the trustworthiness he has demonstrated under interrogation, screening and subsequent observation.

(7) The War Department will formulate, in coordination with the Navy Department, the security and administrative procedure necessary to protect the national interests during the temporary limited military custody of these specialists and their families, and yet to insure the maximum exploitation of all these specialists by military and civilian agencies.

b. Specialists and their families brought to the United States hereunder will remain under temporary, limited military custody until visas are granted or repatriation is accomplished.

(1) Upon arrival of specialists or families in the United States, the War Department will screen, and cause to be prepared complete biographical and professional data on all such persons, copies to be supplied to the FBI, JIOA, and the technical service of the War or Navy Departments, whichever is the sponsoring agency.

(2) Through interrogation, investigation and surveillance by the Technical Services of the Army, the Army Air Forces and the Navy, with the assistance of the Commanding General, USFET, the War Department will cause the best information available concerning these specialists and their families to be assembled for consideration by the Justice and State Departments in connection with implementation of SWNCC 257/5.

(3) At the time request is made for the issuance of a visa, or for the return to Germany or Austria, of any specialist or his family, a copy of all additional security interrogation, investigation and surveillance papers will be forwarded to the FBI through JIOA by the sponsoring agency of the War or Navy Departments.

[On September 6, at Stuttgart, Germany, Secretary of State Byrnes delivered an address, restating United States policy on Germany; for text, see Department of State *Bulletin*, September 15, 1946, page 496.]

740.00119 Control (Germany)/9-1846

The Acting Secretary of State to the French Ambassador (Bonnet) ⁹²

SECRET

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to refer to His Excellency's *aide-mémoire* No. 309 of May 7 and No. 384 of June

⁹² Although dated September 20, a handwritten note on the file copy by David Harris indicates that this document was handed personally to M. Bérard on September 23; see also the memorandum of conversation by Mr. Harris, September 24, *infra*.

11, 1946⁹³ which announce plans for electoral and administrative developments in the French zone of occupation in Germany and advance proposals for the joint administration of Baden and Wuerttemberg and for modification of the boundaries between the United States and French zones.

While noting with sympathetic understanding the desire of the French Government to introduce administrative changes which would prepare the way for the restoration of the historic states of southwestern Germany, the Acting Secretary of State believes that modifications of the present boundaries and attempts to effect a plan of joint administration of parts of two zones in which there are certain apparent divergencies of objective could only have a prejudicial effect upon the efforts of the United States Government to make progress toward the economic unity of Germany which, in its judgment, must remain an object of its policy.

The present division of Germany into four almost water-tight compartments has placed a progressively heavy burden on the United States Government. It feels obliged at the present time, therefore, to place a prime emphasis on attacking the economic problem of Germany. Because of the little success in quadripartite negotiation this Government, as the Ambassador will doubtless recall, has proposed inter-zonal cooperation as a means of meeting acute problems and as a step toward the unified treatment of German economy which the United States Government holds to be the only practicable means of putting German and European economy on the path of legitimate recovery.

The Acting Secretary of State expresses the hope that the French Government can find it possible to give favorable consideration to the proposal for inter-zonal economic cooperation and to the considerations which bespeak economic integration of the four zones. Once the administrative and political instrumentalities necessary for the functioning of a nation-wide German economy have been firmly established, the Acting Secretary of State foresees no insuperable barrier to a reconsideration of zone boundaries as envisaged in the letter addressed on July 26, 1945 by Ambassador Winant to Mr. Massigli.⁹⁴

WASHINGTON, September 20, 1946.

⁹³ Neither printed, but for summaries of these documents, see the memorandum by Mr. Harris, June 20, p. 679.

⁹⁴ See footnote 63, p. 679. M. René Massigli was French Ambassador in the United Kingdom and French representative on the European Advisory Commission (EAC).

740.00119 Control (Germany)/9-1846

Memorandum of Conversation, by the Acting Chief of the Division of Central European Affairs (Harris)

Participants: M. Bérard, Counselor of the French Embassy;
Mr. Wallner, Division of Western European Affairs;
Mr. Harris, Division of Central European Affairs.

SECRET

[WASHINGTON,] September 24, 1946.

M. Bérard called yesterday at my request to receive the Department's note⁹⁵ rejecting the French proposal for the joint administration of Baden and Wuerttemberg and for a modification of the boundary between the United States and French zones of occupation.

M. Bérard energetically deplored the reply and asserted that it would increase heavily the difficulties of M. Chauvel⁹⁶ and the other members of the Quai d'Orsay who have been working so hard to effect a reconciliation of French and American views and, by the same token, would play into the hands of those who were insisting on an independent French policy in Germany.

M. Bérard protested the charge that there were "apparent divergencies of objective" as between the two countries and insisted that the French plans for the organization of German *Laender* and for the forthcoming elections were derived directly from the model of the American zone. Our refusal to allow the French to occupy Karlsruhe, the capital of Baden, made, in M. Bérard's opinion, a *Land* organization of the French part of Baden virtually impossible, thus striking at the very heart of the federal structure of Germany which the French insist must precede the establishment of a central government.

M. Bérard went on to challenge our intermingling of political and economic considerations in the note. The French proposal was purely political in its intent and the note was not justified in its reference to economic considerations.

I informed M. Bérard that I found it rather difficult to give him the note in view of our great pleasure at the progress which we were making toward harmonizing our views concerning Germany and because of our very real appreciation of what M. Chauvel and others in Paris have been doing in this direction. We preferred to look forward to complete agreement on policy rather than to discuss old questions. Because of the harsh economic realities of our zone we could not accept his thesis of the separation of political and economic considerations. We remain so concerned with material conditions

⁹⁵ *Supra.*

⁹⁶ M. Jean Chauvel, Secretary General, French Ministry for Foreign Affairs.

in Germany that it is impossible for us to talk about changes in zone boundaries until central administrative agencies adequate to meet these problems are well established; then, when it is not important which force occupies which area, we could certainly reopen consideration of the French proposals.

M. Bérard complained that the import of our plans and of Mr. Byrnes' speech was a move in the direction of a centralized Germany, a move which the French had to deplore. M. Bérard hesitated to reply to my question as to whether the French desire for a decentralized Germany arose from their concern over security but both Mr. Wallner and I in turn complained that the French had not taken seriously our security offer,⁹⁷ an offer which was revolutionary from the point of view of traditional American policy. M. Bérard admitted that probably the Senate would accept the security pact but continued to nurse apprehension for the future.

M. Bérard in conclusion spoke with considerable vigor of the way in which General Clay in Berlin allegedly dealt with his French counterpart.⁹⁸ Because of difficulties between General Clay and General Koeltz, the French had replaced the latter with a general of wide diplomatic experience⁹⁹ but the change had produced no moderation of General Clay's brusque tactics. M. Bérard stated unequivocally that the character of French collaboration in Berlin will be in no small measure determined by the character of the relations of the two generals in question.

DAVID HARRIS

862.542/9-1946

The Department of State to the British Embassy

TOP SECRET

AIDE-MÉMOIRE

This is in reply to the British Embassy's *aide-mémoire* of September 19, 1946,¹ requesting information concerning plans of this Government with respect to leading German scientists and technicians.

This Government has recently approved extension of the interim program, initiated in consultation with British authorities, for the exploitation of German specialists. The military services have now

⁹⁷ Reference is to the Draft Treaty for the Disarmament and Demilitarization of Germany, submitted to the Council of Foreign Ministers, April 29, by Secretary Byrnes; for documentation, see volume II.

⁹⁸ Lt. Gen. Louis Koeltz had been, until June 1946, Deputy Military Governor of the French Zone of Occupation and French member, Coordinating Committee, Allied Control Council for Germany.

⁹⁹ Gen. Roger Noiret.

¹ Not printed.

been authorized to bring to the U.S. for military exploitation on a voluntary basis a number of German specialists, not to exceed 1000, including specialists already allocated to this country under the interim program. Members of specialists' immediate families may also be brought to this country under the extended program. It is hoped that at a later date, some of these specialists will become available for work in furthering U.S. civilian technology.

The following information is furnished in response to the specific questions contained in Paragraph 2 of the British Embassy's *aide-mémoire* of September 19, 1946:

(a) At present, this Government has no plans for similar additional transfers.

(b) The classes of scientists and technicians to be brought to the United States will be the same as heretofore under the interim program. Existing allocation agreements, made by the Combined Chiefs of Staff, of course remain in effect.

(c) Persons with objectionable political records will be excluded.

(d) It is intended to make use of the technical qualifications of all the specialists brought to this country under the program.

WASHINGTON, September 30, 1946.

862.00/11-2146: Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to Mr. Murphy

TOP SECRET

BERLIN, November 21, 1946—8 p. m.

[Received November 21—3:08 p. m.]

2685. Personal for Ambassador Murphy only.² General Muller's³ findings are that Joseph Mueller⁴ lacks the necessary political and moral qualities to be CSU leader and *Landtag* Delegate (mytel 2655, November 18⁵). He recommends Military Government approval be withdrawn but that announcement be postponed until immediately after closing of polls December 1 in order not to influence vote or give impression that Military Government was dissatisfied with elections results. Dossier discloses Mueller was Captain in *Abwehr* since 1939 (which he mentioned in *Fragebogen* but has only now been discovered) and contains signed statements by political opponents that

² Ambassador Murphy was at this time a member of the U.S. delegation to the Conference on Economic Unification of the British and American Zones of Occupation in Germany, being held in Washington.

³ Brig. Gen. Walter Muller, Director of U.S. Military Government in Bavaria.

⁴ Josef Mueller, Chairman of the Christian Social Union (CSU).

⁵ Not printed: it reported concern within American military government circles in Bavaria over alleged Nazi connections and activities of Josef Mueller (862-00/11-1846).

he had threatened them with arrest by US authorities. Aryanization charges unconvincing in present form.

Dorn ⁶ and Wells ⁷ oppose outright removal but believe law compels formal charging on *Abwehr* membership despite fact this has long been known and despite Mueller's claimed service to OSS. Announcement of charge would be made December 1 and Mueller would be suspended from political activity pending trial. Meantime *Landtag* would presumably elect somebody else Minister-President but Mueller would be allowed resume activity if exonerated. It was proposed these steps be taken on basis automatic application of law without reference to absent high authority. Public Safety,⁸ however, believes this would be interpreted as a subterfuge and suggests that either no action be taken or that Mueller be given both barrels in form of Military Government declaration on lack of confidence plus denazification proceedings.

Opinion general that Mueller is far from ideal and that any course may subject Military Government to criticism since latter may be attacked because of Mueller's *Abwehr* connections if he is allowed to become Minister President. Question is on way to Keating⁹ and we shall advise that in view of undoubted repercussions Clay be informed through regular channels. Meantime we are obligated that this information should not be passed through other channels. Therefore I have marked this for your attention only.

Incidentally pressure from political parties accumulating in favor revision denazification law ¹⁰ in sense of limiting article 58 to classes 1 and 2, withdrawing follower class from Tribunal trial, easing automatic disqualification pertaining to party membership before 1937, etc. Dorn and Public Safety not unfavorable and staff study being prepared on first two recommendations which if approved would be submitted to German Ministers to implement.

HEATH

⁶ Walter L. Dorn, Special Adviser on Civil Administration, OMGUS, and Personal Adviser on Denazification to General Clay.

⁷ Roger Wells, Civil Administration Division, OMGUS.

⁸ Reference is to the Public Safety Branch, OMGUS.

⁹ Maj. Gen. Frank A. Keating, Assistant Deputy Military Governor, U.S. Zone of Occupation in Germany; Acting Deputy Military Governor during General Clay's absence in November and December 1946; also U.S. Commandant, Berlin.

¹⁰ Reference is to the law promulgated on March 5, 1946; see despatch 2330, March 7, from Berlin, p. 667.

862.00/11-2246 : Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to Mr. Murphy

TOP SECRET
URGENT

BERLIN, November 22, 1946—1 p. m.
[Received November 22—8 a. m.]

2694. Personal for Ambassador Murphy only. Mytel 2685 November 21. Solution now proposed concurred in by Keating and Parkman¹¹ is that announcement be made morning December 2 that Military Government is undertaking an investigation of Josef Mueller's whole past and political suitability. That in the meantime he will be suspended by CSU and *Landtag* positions and that he will be charged before Tribunal on *Abwehr* membership. Plan has merit that it meets General Muller's points and that it does not finally close door until complete enquiry is terminated. Allusion would be made in announcement to events in Mueller's past and to certain of his present political practices which require investigation. We are only a little doubtful about the proposed denazification proceedings since in this one instance Mueller seems to have acted honestly and failure to take earlier action rests with Military Government. He may be cleared by the court as a martyr which might [make?] it more difficult to eliminate him for justifiable causes which would be excluded from Tribunal's competence. Otherwise the plan seems eminently fair and forthright. OMGUS considering notifying Clay but in the meantime the above is still for your personal information only and for your comments to us which we would welcome.

HEATH

862.00/11-2246 : Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to Mr. Murphy

TOP SECRET
URGENT

BERLIN, November 22, 1946—2 p. m.
[Received November 22—8:58 a. m.]

2695. Personal for Ambassador Murphy only. Following is gist of instructions drafted for despatch to General Muller:

Military Government has not intervened in the controversies about Dr. Josef Mueller which have occurred during the past months, because of its policy of neutrality towards all authorized parties and of non-interference in election campaigns. Without careful investigation as to their truth or falsity, the nature of these charges is such that they cannot be dismissed. Of necessity, such investigations will involve

¹¹ Brig. Gen. Henry Parkman, Governmental Affairs Adviser, OMGUS.

a *Spruchkammer*¹² action. Military Govt revokes its approval of Mueller given in October 1945 and February–March 1946. He is prohibited effective immediately from further participation in governmental or party activity pending outcome of investigations. *End paraphrase draft instructions.*

Above would be issued December 2. It is held de-Nazification proceedings would be called for and that Josef Mueller himself might institute them if trial not demanded by Military Govt.

It is more important than ever that above is for your personal information only since Keating has decided to accept responsibility of his position without notifying others. We have not yet concurred in proposal¹³ and can represent your views if transmitted immediately.

HEATH

862.00/11-2246 : Telegram

Mr. Murphy to Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy)

TOP SECRET

WASHINGTON, November 25, 1946—3 p. m.

2340. Personal for Heath from Murphy. Reurtel 2695 November 22 regarding Josef Mueller. Plan suggested in your 2694 seems sound to me. Mueller is subject like any other German to regular denazification procedure and Military Govt should interfere as little as possible. If there has been oversight on part MG in reviewing his status before he was permitted engage in party political activity that is unfortunate. However, should occasion arise it would seem preferable that oversight should be admitted as such rather than to give appearance concealment. We should also, it seems to me, carefully avoid any step that would look like pre-judgment his case. It is remembered that his predecessor was removed as titular head CSU in Bavaria by MG.¹⁴ If appearance arbitrary action were given in Mueller's case, MG might be accused discrimination against CSU as

¹² Denazification board.

¹³ Telegram 2716, November 23, from Berlin, for Mr. Murphy, reported Mr. Heath's concurrence in the draft instructions and reads as follows: "We have concurred in instructions to General Muller regarding Dr. Joseph Mueller subject to suggestion that in view of previous Military Government approval Josef Mueller be informed of proposed action a few hours before announcement, but in any event after closing of polls (mytel 2695, November 22). It is agreed here that some kind of investigation and procedure is required to obviate criticism that would arise from permitting a man of Mueller's controversial status to become Minister President without further scrutiny. Proposal is being kept Top Secret, since it not excluded that if CSU were informed it would call upon its voters to defeat Bavarian constitution." (862.00/11-2346)

¹⁴ Reference is to Fritz Schaeffer; for a report on his removal as provisional Minister President of Bavaria by U.S. Military Government, see telegram 680, October 3, 1945, from Berlin, *Foreign Relations*, 1945, vol. III, p. 971.

a party. Mueller could pose as a martyr and make political capital out of circumstance.¹⁵

[MURPHY]

811.42700(R)/12-446 : Telegram

The Acting Secretary of State to Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, December 5, 1946—7 p. m.

URGENT

2402. Urtel 2794 Dec 4.¹⁶ Dept feels frequently allocation for Munich relay project must be referred in first instance to quadripartite consideration. Probable complications and delays resulting from this decision have been taken into consideration. Dept also feels that since some of frequencies now proposed are being used by other European countries, in particular Yugo and Poland, there should be reexamination of frequencies selection in order to avoid direct interference with existing broadcast channels. Dept considers that slight loss in overall flexibility our radio coverage from Munich if clear frequencies are used preferable to inevitable political complications created by interfering frequencies already used by other countries.¹⁷

Sent to Berlin 2402; repeated Munich as 450; Paris as 6330.

ACHESON

862.00/12-1646 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, December 16, 1946—7 p. m.
[Received December 16—4:24 p. m.]

2912. After conferences with CDU and CSU Representatives including Jakob Kaiser¹⁸ and Josef Mueller who came Berlin at Gen-

¹⁵ Mr. Heath's telegram 2771, December 2, from Berlin, indicated to Mr. Murphy that General Clay had intervened to order cancellation of action against Josef Mueller (862.00/12-246).

¹⁶ Not printed; it recommended proceeding with the Munich relay broadcasting project without seeking quadripartite approval, in order to avoid anticipated Soviet opposition. It was understood that the British and French Governments would give their consent. (811.42700(R)/12-446)

¹⁷ Telegram 2899, December 13, from Berlin, summarized the action taken on this subject as follows: "US modification of Munich relay project given today to Russians at meeting of four power representatives. US representative stated, 'US govt is opening up a radio station at Munich for relay on short wave.' Soviet representative asked, 'Is this for relay of programs from the states?' US representative replied, 'Yes.' Soviet delegate said, 'It's a good idea.' No comment at meeting on subject from British or French." (811.42700(R)/12-1346)

¹⁸ Jakob Kaiser, Chairman of the Christian Democratic Union (CDU), in the Soviet Zone of Occupation.

eral Clay's invitation, it was decided to issue press release to effect that pending outcome of current investigation of Mueller, he would be permitted retain his position of Chairman of Bavarian CSU. He was yesterday reelected to that office by vote of 327 of the 430 members attending Party State Convention at Eichstaett. Also he is permitted retain his seat in Bavarian *Landtag*.

As it appears obvious that Mueller may be choice of his party for position of Minister President of Bavaria, an agreement was reached by General Clay and myself with Mueller that he will refrain from taking office, if elected according to the procedure laid down in Bavarian Constitution, until he is either cleared of charge recently made against him by the public prosecutor at Munich (relating to his activity in the *Abwehr*) or until he is found guilty. In the latter case of course he would be ineligible hold public office and would retire. If cleared he will assume the office.

We feel it of considerable importance in formulation of first freely elected State Government in Germany since 1933 that proceedings be free from our intervention if at all possible.

It is expected Mueller will appear before the denazification tribunal shortly. His defense will be that he used his position in the *Abwehr* to promote German withdrawal from the war incident to July 20th abortive Putsch. (Secret[:] what he will be unable to testify is he supplied intelligence material to Allied contacts as this would be source of embarrassment.)

In the foregoing connection, Allen Dulles (former head of the OSS organization in Switzerland during war) confirmed to me recently in New York that Mueller had given valuable cooperation in a number of instances.

It also appears that CSU will attempt to form new Bavarian Government out of its own resources without recourse to the SPD.

Mueller also stated that appropriate provision will be made for Dr. Hoegner (SPD) now resigned as Bavarian Minister President. Hoegner, as Department is aware, has given excellent cooperation to Military Government since his appointment as Minister President in October 1945.

MURPHY

INTEREST OF THE UNITED STATES IN DEVELOPMENTS WITHIN
THE SOVIET ZONE OF OCCUPATION; PROBLEMS RELATING TO THE
QUADRIPARTITE CONTROL OF BERLIN¹⁹

862.00/1-946 : Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, January 9, 1946—10 p. m.
[Received January 10—5:50 a. m.]

74. Though certain SPD elements in Berlin and Russian zone doubtless favor merger with KPD and others may eventually give in to further pressure for such a move, we believe that the majority of those leaders who agreed to joint declaration mentioned in my telegram No. 1357, December 30, 1945, 1 a. m.²⁰ regarded it as mainly a maneuver to gain further time. As KPD demanded an immediate merger, preferably on national or otherwise on local basis wherever possible, and also use of joint lists of election candidates, it is clear that declaration issued represented a compromise rather than complete surrender by SPD.

According to reliable SPD sources, this declaration has already caused dissatisfaction and criticism within party circles in this part of Germany. SPD leaders in British and American zones have also been quick to condemn both proposed merger and right of Berlin Committee to make statement concerning elections in American zone. Press reports indicate that Schumacher²¹ went so far as to base his public repudiation of merger with Communists on grounds that latter are representatives of a foreign imperial power.

It may be anticipated that the battle for merger has only just begun and that the next few weeks may witness increased Communist pressure on SPD in Berlin and Russian zone. If Central Committee stands fast, pressure may be brought to bear on provincial SPD leaders in the same manner as was used in campaign to eliminate Hermes²² as CDU leader. (Reference my telegram No. 1345, December 29, 1945.²³)

¹⁹ For previous documentation, see *Foreign Relations*, 1945, vol. III, pp. 1033 ff.

²⁰ Reference is to a resolution approved at a conference in Berlin of the KPD and SPD central committees together with provincial representatives from the Soviet zone; the document called for unity on the part of the working class with the peasantry and creative intelligentsia against reactionary influences. For the text of telegram 1357, see *Foreign Relations*, 1945, vol. III, p. 1083.

²¹ Kurt Schumacher, head of the SPD in the British Zone of Occupation in Germany.

²² Andreas Hermes, Chairman of the CDU in the Soviet Zone of Occupation until December 1945.

²³ Not printed; this telegram reported on the campaign in the Soviet-controlled press connected with the ouster of Andreas Hermes from leadership of the CDU in the Soviet zone (862.00/12-2845). For further details on this subject, see telegram 1344, received December 29, from Berlin, *Foreign Relations*, 1945, vol. III, p. 1079.

From both SPD and CDU sources we are informed that during December negotiations with KPD, SPD leaders were invited to Zhukov's²⁴ headquarters and informed that Russians were most anxious to see merger of the two workers parties and would presumably be able to withdraw most or all of their occupation forces from Germany, once this step were taken to consolidate the anti-Fascist democratic forces.

CDU situation has quieted down since transmission of my telegram No. 1345. It is now pretty clear that a definite understanding exists between Hermes and Schreiber²⁵ and their successors. Latter will carry on with party leadership as best they can while Hermes endeavors to build up the party in western and southern Germany. Kaiser²⁶ and Lemmer²⁷ realize they must refrain from criticism of policies carried out in Russian zone. They seem, however, just as opposed as their predecessors to having statements made and actions taken in name of their party which they do not approve of.

MURPHY

862.00/2-1546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, February 15, 1946—7 p. m.
[Received February 16—5:24 p. m.]

519. Announcement of April 7 unification of KPD and SPD in Thuringia and Grotewohl's²⁸ statement that SPD Central Committee will call zonal conference to decide on amalgamation came as distinct surprise to outside observers. Reference my 517 of February 15, 6 p. m.²⁹ These events completely reverse SPD Central Committee decision of January 15 not to consider question until National Convention could be held and prohibiting labor party groups from acting on their own.

Ever since December 21, 1945, agreement³⁰ between SPD and KPD the Communist and trade union press has reported hundreds of local

²⁴ Marshal of the Soviet Union Georgiy Konstantinovich Zhukov, Chief of the Soviet Military Administration in Germany.

²⁵ Walter Schreiber, Deputy Chairman of the CDU, Soviet Zone of Occupation.

²⁶ Jakob Kaiser, Chairman of the CDU, Soviet Zone of Occupation.

²⁷ Ernst Lemmer, Deputy Chairman of the CDU, Soviet Zone of Occupation.

²⁸ Otto Grotewohl, Chairman of the Central Committee of the SPD, Berlin.

²⁹ Not printed; this telegram reported on a convention in Berlin, February 9-11, of delegates of the Free German Trade Union Association (FDGB) from the Soviet zone and Berlin (862.504/2-1546).

³⁰ Reference is to the joint resolution mentioned in telegram 74, January 9, *supra*.

and factory meetings throughout Soviet zone and in other zones demanding earliest possible unification. Behind many such meetings seems to be direct Russ MG pressure. Several SPD delegates to the Zonal Trade Union Conference of Feb 9-11 privately stated to officers of my staff that they had personally been subjected to this pressure and that they did not want amalgamation. Two SPD delegates from Thuringia stated that their Soviet MG political officer had ordered them to agitate at the Trade Union Convention for unification on penalty of being arrested when they returned. Grotewohl and the other top SPD leaders have repeatedly been called to Karlshorst and urged by Gen Bukow and Marshal Zhukov to amalgamate with the KPD. We are informed that some dissidents have been sent into concentration camps including Sachsenhausen Camp. On the other hand it appears that especially in ever-radical *Land* Saxony and Thuringia many SPD members and leaders have sincerely supported creation of one labor party and even in the underground days of Hitler domination dreamed of such development. Max Fechner³¹ has publicly stated that in April 1945 he proposed to KPD immediate amalgamation. At that time KPD leaders refused, presumably believing their party would be strong enough alone in Soviet zone. Only when public reaction against Red Army and dictatorship of KPD became obvious did the Communists plump for amalgamation.

Grotewohl's decision was taken after talks with Schumacher and other leaders in British zone. Schumacher refused to consider a national convention and any cooperation with Eastern Social Democrats. Finding also that western powers did not give what he regarded as sufficient support Grotewohl decided to yield. Convention decision to amalgamate is practically certain. Grotewohl will remain in Berlin in United Party in spite of British efforts to persuade him to move west. British Intelligence officers say Gustav Dahrendorf³² will move with his family to British zone. They are holding a plane ready for him and others who want to go.

Sent Dept as 519, rptd to London for Berger³³ and Mulliken³⁴ as 99 and Moscow as 45.

MURPHY

³¹ Member of the SPD.

³² Member of the SPD.

³³ Samuel Berger, Attaché, U.S. Embassy, London.

³⁴ Otis E. Mulliken, Chief of the Division of International Labor, Social and Health Affairs; adviser, U.S. delegation, first session, United Nations General Assembly, London, January-February 1946.

740.00119 Control (Germany)/2-2646 : Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, February 26, 1946—10 p. m.

[Received February 27—8:08 a. m.]

619. At the fortieth meeting of the Coordinating Committee on February 25, a Kommandatura request that arrests of three Berlin judges and one senior court officer in various Berlin sectors and their subsequent disappearance be investigated and the independence of the judiciary be insured brought British and Soviet members into bitter personal debate. While the original request concerned only the arrest of these judges and officials, there has been during several months a series of arrests and disappearances of Germans in the western sectors of Berlin. There is some evidence that these arrests have been effected either by Russian officers and officials, or by German police of the city magistrature acting—it is commonly believed—on Russian suggestion. Recently there have also been incidents of the removal by Russian officials of certain Germans travelling on the American train from Berlin to Frankfurt on American military permits and orders.

Soviet General Sokolovsky³⁵ initially opposed the proposal to establish an investigating commission. While he admitted the arrest of one Judge Brass in the Soviet sector for alleged intentions to murder a Soviet commander at Weissensee, he emphatically disclaimed that the other arrests were effected by or known to any Soviet (at least sector) authorities. He reaffirmed the Soviet acceptance of Allied Control Proclamation No. 3,³⁶ regarding the independence of the judiciary but denied it restrained an occupying power from arresting in its own zone or sector any judge who had committed crime against the occupational forces.

The American member³⁷ replied calmly but firmly that the matter was of such importance that a mere Kommandatura investigation would not satisfy. While he would immediately arrest and surrender any German in his sector or zone upon the request of another occupying authority if accompanied by proper evidence of crime, he could not regard the action of other occupying powers in sending

³⁵ Army Gen. Vassily Danilovich Sokolovsky, Deputy Governor, Soviet Military Administration in Germany; Soviet member, Coordinating Committee, Allied Control Council for Germany.

³⁶ For text of this Proclamation dealing with Fundamental Principles of Judicial Reform, October 20, 1945, see *Official Gazette of the Control Council for Germany*, No. 1 (October 29, 1945), p. 6.

³⁷ Lt. Gen. Lucius D. Clay, Deputy Military Governor, U.S. Zone of Occupation in Germany; also Director, Office of Military Government of the United States for Germany (OMGUS).

agents to make secret arrest in the American zone as other than "unfriendly" action. Further, he could not consider any refusal to accept an investigation of any such incident, as other than an unfriendly act. If quadripartite organization were unable to function in such occurrences, further foregathering of his colleagues and himself would seem to be superfluous.

Following General Clay's presentation, General Sokolovsky withdrew his objection to quadripartite investigation of the incident but insisted that the investigation should include not merely the case of the court officials but must cover all similar cases, including, the [he] alleged, the arrest of Berlin Mayor Bachmann³⁸ and two Soviet agents by the British some months ago, without notice to either the Kommandatura or the Soviet commander, and the interrogation of the agents without prior notification to the Soviets. He said that the American Berlin sector command had arrested Police Chief Vogt of Teltow, which is not even in the Berlin area, and there had also occurred an American arrest of Deputy Chief Heinrich Gustav of the Berlin Food Administration known to work and live in the Soviet sector. He insisted that the "most revolting" Bachmann case be investigated before the others.

With regard to General Sokolovsky's allegations of American arrests of residents of Soviet zone, the American member said there would be immediate investigation and if the facts were as stated sincere apologies would be promptly forthcoming. He was perfectly willing that the alleged American arrests should be first investigated. He made it clear that he was not arguing that the two judges and court official were not liable to arrest, indeed, initial investigation on his part showed two of them to have been active Nazis and the third was probably in a mandatory arrest category of Nazis. He was interested only in the important principle of non-arrest by agents of one occupying power in the zones or territory of another.

British General Robertson³⁹ caustically inquired why the Soviets had failed to bring up the Bachmann case earlier. He accused the Soviet member of introducing this complaint at this late date merely to prevent a successful investigation of the judges' case. The Soviet General Sokolovsky replied bitterly that it was clear to him from General Robertson's remarks that the purpose of the investigation was an attack on the Soviets.

³⁸ For details, see *The Times* (London), October 23, 1945, p. 3, col. 5; October 25, p. 3, col. 4; October 26, p. 3, col. 5; October 29, p. 3, col. 4; October 30, p. 3, col. 4; October 31, p. 2, col. 2.

³⁹ Lt. Gen. Sir Brian H. Robertson, Deputy Military Governor, British Zone of Occupation in Germany.

General Robertson finally accepted a proposal that the commission should simultaneously investigate the Bachmann and the judges' cases, but described the Soviet assent thereto as only a pretext, expressed doubt as to the desire of his Soviet colleague that any serious inquiry be made and proposed that unless serious inquiry were made the proposal be referred to the Control Council.

While General Sokolovsky expressed full agreement with the American member's statements, the conciliatory efforts of General Clay and the French chairman⁴⁰ were lost in a discussion between the British and the Soviet representatives as to the terms of reference and personnel of the investigation commission, the Soviet member holding that the whole affair should be investigated by Public Safety Committee of the IA&C Directorate. The British member, however, insisted on formulation of terms of reference by the legal directorate and prosecution of the investigation by high ranking officers of the national elements of the Control Council. General Sokolovsky denied that "lawyers and generals" had any concern in the matter, and repeated that it should be handled only by the IA&C Directorate, to which the British member rejoined that the case would be lost in that busy organization.

By this time, remarks and manner of British member had so affected Soviet member that, whatever his original true intentions, he was obdurate to all compromise suggestion, and French chairman had to announce that Coordinating Committee was unable resolve problems posed by Kommandatura and must refer its paper to Control Council.

HEATH

740.00119 Control (Germany)/2-2746: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, February 27, 1946—3 p. m.
[Received February 27—1:41 p. m.]

2362. In a conversation we just had with Under Secretary Harvey⁴¹ he reverted to steps being taken in Russian Zone in Germany to fuse Communists and Social Democrats (reEmb's 2147, Feb. 21, 2 p. m.⁴²). British Govt Harvey said, was closely watching effect of fusion plan on the considerable number of Communists in British Zone, particularly in Hamburg and in the Ruhr.

⁴⁰ Lt. Gen. Louis Koeltz, Deputy Military Governor, French Zone of Occupation in Germany.

⁴¹ Oliver Harvey, Deputy Under Secretary of State, British Foreign Office.

⁴² Not printed; this telegram reported on a previous conversation wherein Mr. Harvey had noted the zeal and skill with which the Soviet authorities appeared to be promoting the union of the Communists and Social Democrats in Berlin and the Soviet zone (740.00119 Control (Germany)/2-2146).

The fact that one of the German Communist leaders, Ulbricht,⁴³ was permitted by the Russians recently to condemn publicly any plan for separation of Ruhr from Germany showed how opportunist the policy dictated from Moscow was. Ulbricht's speech was only one phase of the present Soviet plan to exploit nationalist feeling in Germany. Another was the rather widely expressed opinion in the Russian Zone that minor Nazis should be allowed to take part in the "reconstruction" of Germany.

Harvey said that there is no doubt in his mind that Moscow's ultimate aim was a Communist Germany. He repeated what he had said to us previously, that appeals and directives emanating from "Soviet controlled" Berlin are bound to carry weight with the mass of German workmen. He felt, therefore, that most careful thought had to be given to the two questions: centralization of administrative machinery, and the level of industrial capacity.⁴⁴ How greatly would centralization now play into Russia's hands? Will the level of industrial capacity agreed upon assure a fair measure of economic stability and stave off widespread suffering? These two questions, he said, could not be lightly disposed of.

Sent Dept as 2362; repeated Moscow as 84; Berlin as 217.

GALLMAN

740.00119 Control (Germany)/3-146: Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, March 1, 1946—6 p. m.
[Received March 2—1: 28 a. m.]

647. See my 619, February 26. At its twenty-first meeting, February 28, Control Council achieved in harmony under diplomatic French chairmanship solution of problems posed by arrest of three judges and one court official in various sectors of Berlin and which had given rise to dispute at Fortieth Coordinating Committee meeting February 25. Marshal Zhukov was conciliatory and General Robertson did not obstruct attainment of satisfactory compromise agreement.

At outset Marshal Zhukov declared he opposed illegal arrests of Germans, and should they take place exceptionally in Soviet Zone or sector, the offending parties would be punished. He said he had made thorough investigation and had authority to state that Soviet organs had neither ordered nor made arrests of two judges and court official, and he desired to learn who had made them. He would investigate

⁴³ Walter Ulbricht, member of the Executive Committee, KPD.

⁴⁴ For documentation on these subjects, see pp. 481 ff.

thoroughly and personally case of third judge, Brass, and would report results and explanation as soon as possible to his colleagues. Furthermore, he desired thorough and broad investigation of all cases, and expressed belief Kommandatura should carry it out for Greater Berlin area and IA&C Directorate in cases of illegal arrests in zones.

General Clay reiterated stand taken in Coordinating Committee that all arrests of questionable character must be investigated and that any priority would be satisfactory. He spoke of necessity that quadripartite powers not give Germans any inducement to commit provocative acts. He asked that Investigating Committee also be instructed to establish reasonable set of rules to govern all future cases of alleged illegal arrests.

General Robertson emphasized importance of placing all necessary and adequate facilities at disposal of investigating bodies. He asked that zonal commanders to be given chance to explain any complaints affecting their zones, before investigation be made.

Finally meeting unanimously agreed proposal by French chairman that: (1) Kommandatura, to which if desired Control Council could delegate quadripartite group, be charged with full investigation of all alleged illegal arrests in Greater Berlin area, and priority be given to cases of three judges except that no action would be taken concerning Brass case pending receipt of Marshal Zhukov's explanation.

(2) IA&C Directorate make investigations of alleged illegal arrests in zones, accepting collaboration of all useful technical personnel from other directorates that Control Council members might designate.

(3) All facilities be accorded two investigating bodies which are to submit their first reports within 6 weeks.⁴⁵

(4) IA&C Directorate draw up set of rules for avoidance and disposal of future alleged illegal arrests, and submit them to Coordinating Committee and Legal Directorate for approval and final drafting respectively.

British proposal to include this agreement in communiqué on meeting was withdrawn after encountering Soviet and US opposition based on belief that to inform public that such investigations were being undertaken very likely would result in more mischief than good.

HEATH

⁴⁵ Concerning this quadripartite investigation, General Clay subsequently stated that it was neither provided with nor able to secure any worthwhile information; see Lucius D. Clay, *Decision in Germany* (Garden City, Doubleday and Company, 1950), p. 134.

862.00/3-446 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, March 13, 1946—6 p. m.

653. Urtel 676, Mar. 4.⁴⁶ Developments re proposed merger KPD and SPD being followed by Dept with great interest. Dept will be particularly interested in repercussions Mar 1 meeting at which SPD members publicly demonstrated independent attitude. Aside from political developments question personal safety SPD members may arise. In cases that kind it is assumed US authorities will endeavor afford all feasible protection.

BYRNES

862.5043/3-1346 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 13, 1946—10 p. m.

[Received March 14—6 a. m.]

771. Forty-third Coordinating Committee meeting March 12 discussed Kommandatura request for decisions regarding two questions, namely, may officials of Berlin trade unions be elected or nominated to any position in Soviet zonal trade unions, and may Berlin and zonal trade unions amalgamate now.

(Background note: Some 150 Berlin free German trade union officials participated in Soviet zonal trade union conference at Berlin February 9 to 11. Upon learning of this during conference, French chairman of Kommandatura ordered them desist from further active participation. US delegate on Kommandatura, generally supported by his French and British colleagues, took position that at conference and without Kommandatura approval Berlin trade unions in effect had amalgamated with Soviet zonal trade unions through certain specified positive acts by some of the Berlin trade union officials in attendance. Soviet delegate maintained that these officials did not

⁴⁶Not printed; the first paragraph of this telegram reads as follows: "On March 1, 1946, at State Opera House in Soviet Sector of Berlin over 1,000 SPD functionaries from all Berlin by overwhelming majority revolted against SPD Central Committee and repudiated its plans for Zonal convention to decide amalgamation with KPD. Grotewohl spoke for unification and was repeatedly interrupted by boos, hisses, and calls from floor. When he said KPD was independent because Comintern was dissolved the whole audience roared with laughter. Finally exasperated, he demanded why he had been invited if convention did not want to listen to him. Answer from floor said: To account for your conduct. Other speakers opposed immediate unification, one saying amidst loud applause we are here to defend democracy in our party." (862.00/3-446)

actively participate, that no confederation or amalgamation exists, and that order by Kommandatura chairman to officials to desist was invalid because he had issued without consulting his Soviet colleague, and that no Kommandatura action is necessary.)

US delegate Coordinating Committee stated that he was not opposed in principle to amalgamations, and was prepared to support them when they should be sanctioned on inter-zonal basis. French delegate replied no to both Kommandatura questions. British delegate recalled that Ninth Control Council meeting had decided trade union policy should be determined by respective zone commanders,⁴⁷ and that decision had not been subsequently modified. Hence British considered that Kommandatura determines trade union policy for Berlin. British oppose any impingement on freedom of Berlin trade unions by "domination" from any zone. However, at such time as trade unions could adopt policy on unions for Germany as a whole, British would support their decision.

Advising caution and study in reaching conclusions, Soviet chairman proposed and obtained agreement from colleagues that Coordinating Committee refer Kommandatura questions to Political Directorate with instructions to study and if possible work out decisions.

MURPHY

862.00/3-2046: Airgram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 20, 1946.

A-265

[Received April 2.]

SIR: The main underlying factors affecting Social Democrats (SPD) in determining their attitude towards proposed merger with the Communist (KPD) are as follows:

As before, there is a strong natural desire for unity of the working class forces, particularly now that 13 years of common hardship and struggle have elapsed and helped dim the bitter memories of pre-Hitler SPD-KPD rivalries and mutual recrimination. At the same time, most Social Democrats cannot entirely forget their experiences prior to 1933 and in many, particularly those in Berlin and Russian occupation zone, distrust of the Communists has increased as a result of developments and experiences during past ten months. Harsh and apparently callous Russian occupation policies and behavior during the first stage of the occupation have also contributed enormously to

⁴⁷ For a report on the discussion at the 9th meeting of the Allied Control Council, see telegram 820, October 20, 1945 from Berlin, *Foreign Relations*, 1945, vol. III, p. 846.

this state of distrust and hatred of everything from the East. Behavior of Communists to date and their obvious close cooperation with Russian authorities in this part of Germany have not helped prove to SPD members that KPD is either truly democratic or an independent German political party.

Despite this, many of those who favor or are willing to agree to merger are willing to forget the jealousies of the past and hope that in a new united Socialist party the Social Democrats can outweigh the Communists, especially if merger is effected throughout Germany and in view of present popular sentiment against Communists and Russians, particularly in this part of Germany.

Generally speaking, those who want an immediate merger seem inclined to favor the Socialist content of Social Democracy, while those who oppose it feel that maintenance of Democracy is of primary importance. In fact, recent behavior of Grotewohl, Fechner and other pro-merger leaders suggests they have pretty well discarded democratic methods and objectives in their strong desire to achieve a Socialist State, in northeastern Germany to begin with and throughout the country later. They are now openly preaching doctrine of class struggle, while Schumacher and his colleagues still emphasize democracy and need for all Germans to work together for the future. At the same time, it should be observed that Social Democrats in general will continue to be apprehensive of possibility of western occupation powers withdrawing from Germany and reactionary capitalist forces regaining power, at least in western and southern Germany.

One interesting feature of situation in Berlin is that leadership of the anti-merger group is mainly in the hands of comparatively young men, such as Germer, contrasting with Communist charges that the opposition is led by old men who still live in pre-1933 world.

The above analysis does not include the other factors resulting from the present situation in Berlin and the Russian zone: direct pressure and threats by the Russians in their zone; their complete domination of the press and radio there; the fact that the Russians control the majority of press and radio facilities in Berlin, where a considerable degree of pressure can also be effected through Communist domination of key positions in the municipal administration, trade unions, et cetera; and certain promises which the Russians have evidently made to SPD leaders for the reduction of their occupation forces, establishment of a Workers' Government in northeastern Germany, and turning over to the German workers over 3,000 war production plants allegedly earmarked for removal to the USSR—providing the merger goes through. Russians have also allegedly intimated that Central German Ministries can only be established after such a merger.

In a recent speech, Grotewohl stressed necessity for Germany to establish friendly relations with the USSR, which alone stands firm for the retention of the Ruhr by Germany and might also in the future be willing to consider rectification of new and thoroughly unpopular eastern frontier of the Oder-Neisse rivers. In this connection, he emphasized that final determination of eastern German frontier would be up to USSR rather than the Western Powers. Thus the pro-merger group in the SPD has pretty definitely taken on an "eastern orientation".

Finally, it should be recognized that present SPD opposition to merger has been tremendously fanned by the undemocratic methods which are being used in this part of Germany to achieve the merger. Many SPD members have reacted strongly, pointing out that they didn't go through the last years of Nazi domination to submit again to such methods.

MURPHY

862.5043/3-2546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 25, 1946—10 p. m.

[Received March 26—11: 58 p. m.]

874. See my 771, March 13. At its 28th meeting March 21 Political Directorate considered Kommandatura questions referred to it by Coordinating Committee. Reading long paper regarding trades unions, Soviet member sharply criticized French chairman of Kommandatura for unilateral action which, allegedly, seriously embarrassed his colleagues and led Soviets doubt Kommandatura correctly understood its functions. He stated that Allied Control Authority laws and regulations alone determine policy in Germany, and that Kommandatura is merely executive organ and then only in matters pertaining to Berlin alone; that main source of present trouble was failure of some Kommandatura members to act in accordance with basic principle of quadripartite unanimity on all important matters; that sector commander can take unilateral action to end serious threat to security or safety of allies in Berlin, but not if it concerns all Allies as whole, other sectors and adjacent Soviet zone; that Berlin is not only seat of Allied Control organs, but also is chief city in Soviet zone (thus Berlin is not state within a state); that inter-Allied work on Kommandatura reveals many particularist tendencies inconsonant with Allied plan; and that there was nothing inherently vicious in election by democratic means of Berlin Trade Union officials to Soviet

zonal posts. Soviet paper generally attempted justify conference and Berlin Trade Union officials' action, and demonstrate advantage to other three quadripartite powers through great influence thus given Berlin in Soviet zone. (Background note: Soviets might consider vindication Berlin Trade Union officials essential to maintenance Soviet prestige because reportedly some Soviet officials encouraged Berlin officials ignore order of French Kommandatura chairman.) Soviet member concluded statement by suggesting following reply to Kommandatura :

“On basis Potsdam protocol⁴⁸ and because Berlin Trade Union actions or decisions did not contradict existing rules or threaten occupational forces, Kommandatura action unnecessary. Kommandatura concern about merger is baseless; Soviet zonal unions are responsible to Soviet zonal commander, likewise Berlin unions to Kommandatura. Hence merger under present conditions is not so much inadmissible as impossible. Members of Berlin trade unions must obey orders from Kommandatura and where appropriate from individual sector commanders. Election of officials to zonal committees actually benefits Kommandatura which can thus give instructions influencing Soviet zone. This is not distasteful to Soviets because they trust their Allies. They ask only that similar trust be placed in them.”

Soviet member at first declined to make Russian text of statement available, indicating he desired minutes of meeting merely record that he had made statement. Later he had short résumé incorporated in minutes. The résumé, retaining little of sharp disputatious character of the original statement, is more conciliatory both in tone and Russian phraseology. It omits all reference to Berlin as chief city in Soviet zone, unequivocally admits Kommandatura authority over Berlin trade unions, and pleads that there was not only no amalgamation, but not even attempt at one.

United States member emphasized importance of preserving inviolate Kommandatura authority, also that any amalgamation of Berlin trade unions with those of a zone must have prior approval of Kommandatura.

British member said British cannot agree to thesis of Berlin being central city of Soviet zone; on contrary Berlin is international city occupied by quadripartite powers. British reject close association, amounting to domination of Berlin unions by those in Soviet zone, through exchange of members; and they maintain that until conditions warrant it, no national zone may have greater influence than another over Berlin. Control Council authorities direct Kommandatura, which in turn exercises authority over Berlin trade unions.

⁴⁸ August 1, 1945; for text, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1478.

Further discussion of matter postponed until March 28.⁴⁹

MURPHY

862.00/3-2946 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET
PRIORITY

BERLIN, March 29, 1946—noon.
[Received 3 : 59 p. m.]

907. The question of the proposed referendum on the SPD-KPD merger has now become more clarified.

At a meeting held on March 26, the SPD greater Berlin executive committee approved holding the desired referendum, presumably as a result of mounting criticism within the party ranks, and also possibly influenced by General Clay's recent statement of American policy (see my 875, March 25th⁵⁰). To date *Das Volk* has not announced this decision by Berlin executive committee, as a result of which there has as yet been no official announcement that referendum will be held.

Central Committee of party decided the following morning to announce that SPD constitution makes no provision for such a referendum, that party will in no way be bound by results of such a vote, and to urge all members who favor immediate merger to refrain from voting. Public declarations along these lines appeared in *Das Volk* for March 28th, emphasizing that merger decision will be taken only at the party convention called for April 19th, and urgently recommending that Berlin Party members do not participate in proposed referendum.

In deciding on this line of strategy to boycott the referendum, pro-merger group is probably hoping to profit by following considerations.

⁴⁹ Telegram 924, March 30, from Berlin, stated that at the 29th meeting of the Political Directorate, March 28, the U.S., French, and British delegates agreed to a British draft reply to the Kommandatura questions. The Soviet delegate disagreed, and his dissenting views were to be transmitted to the Coordinating Committee separately. Telegram 924 quoted the British draft as follows:

"Political Directorate considers that questions involving association of Germans and German organizations in four zones with each other and with Germans in Berlin are in general, matters for Allied Control Authority, and should be decided by each zonal commander and in Berlin by Kommandatura.

Answer to both questions is therefore that no association between trade unions in Soviet zone and Berlin is permissible without consent of Soviet Zonal Commander and Kommandatura. Simultaneous membership by a German of Soviet zonal trade union and one in Berlin constitutes such an association." (862.5043/3-3046)

⁵⁰ Not printed; the pertinent portion of this telegram reads as follows: "Commenting on the proposed SPD-KPD merger, General Clay stated in press conference held in Berlin on March 23 that merger will only be recognized if demanded by party members rather than a small group of party leaders. In this connection American Military Government insists on democratic referendum by the party members. This holds for both the American zone and the American sector of Berlin." (862.00/3-2546)

No vote ever brings out all those eligible to vote and this case pro-merger group will claim that all who failed to vote favor the merger. Many party members residing in Russian sector of city will be afraid to vote. SPD leaders there expect that Russians will actually endeavor to list all those who vote, i.e., against the merger, or to obtain their names afterwards. Finally, Grotewohl and his comrades presumably desire to accommodate themselves to the rather obvious KPD and Russian opposition to holding any referendum, opposition based presumably primarily on their fear of the results. It is expected that referendum will be held on March 31st, though there is a possibility that pro-merger group, with aid of Central Committee, may have it postponed one week for technical reasons. We plan to observe referendum, particularly to judge whether it is fairly and democratically carried through. Anti-merger group hopes to obtain large turnout in spite of above-mentioned factors. There will obviously be no referendum outside Berlin in the Russian zone.

Following General Clay's recent policy statement, referred to above, British newspaper *Berliner* announced on March 26th that British Military Government held the same view. We understand French position is similar though as yet there has been no public statement. Question of merger and referendum has as yet not been mentioned in Kommandatura.

MURPHY

862.00/4-546 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 5, 1946—4 p. m.
[Received 7 p. m.]

957. See my 931 April 1, 8 p. m.⁵¹ Despite the results of SPD (German Socialist Party) merger referendum it is evident that the question is far from settled. Berlin SPD Committee is now apparently sufficiently under control of Central Committee and pro-merger group that it has refused to press Soviet authorities for permission to hold referendum in their sector. Even if it does, we understand Central Committee will continue tactics of persuading *Kreis and Abteilung* Committees in Soviet sector to oppose referendum locally. Anti-merger group fears that combination of clear Soviet desire to effect

⁵¹ Not printed; this telegram reported the results of voting in the referendum in the U.S., British, and French sectors of Berlin as being against immediate merger of the SPD and the KPD by roughly a 19-2 ratio. The referendum was not allowed to take place in the Soviet sector of Berlin (862.00/4-146).

merger immediately and degree of control already possessed by Central Committee in party offices throughout sector will mean that most of the delegates from there who finally appear at the city party convention scheduled for April 13 will be either open advocates of merger or fear to oppose it despite presumed opposition of majority of party members. Delegates who still oppose merger may be weeded out and new pro-merger delegates elected in the next few days. Meanwhile, a campaign seems to be getting under way to avoid waiting for the party convention at all and instead at once complete the merger, at least on an organizational basis, wherever possible locally. My 956 April 5, cites press items indicative of these developments, *Das Volk* for April 3 being particularly significant.⁵²

For these reasons anti-merger group is making plans, secret as yet, to call their own city convention next Sunday,⁵³ inviting all delegates who have already been elected. Anti-merger group believes that in view of general sentiment among party members, as shown for example by March 31 referendum, this convention will elect a new City Committee, based on platform of continued existence of an SPD in Berlin, sever all contacts with present Central Committee and set up a new organization for Berlin alone, i.e. without any connection with the Soviet zone. Ability of such a party to function legally or in the long run in the Soviet sector seems problematical but its leaders believe it essential to reorganize the party at once, in view of complete disregard by Central Committee of the referendum results, democratic methods and principle of free discussion.

MURPHY

862.00/4-646 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 6, 1946—9 a. m.
[Received April 6—6:22 a. m.]

966. Anti-merger SPD group has applied for permission to hold in American sector the April 7th City Convention referred to in last paragraph my 957, April 5, 4 p. m. In granting this permit, Colonel Howley⁵⁴ announced at April 5 meeting of Kommandatura deputies that General Barker⁵⁵ had approved a meeting requested by certain

⁵² Telegram 956 not printed. The article referred to in *Das Volk* featured a declaration by the Central Committee of the SPD calling for reorganization of those areas of the party where anti-merger elements had been active (862.00/4-546).

⁵³ April 7.

⁵⁴ Col. Frank Howley, U.S. Deputy Member, Allied Kommandatura, Berlin.

⁵⁵ Maj. Gen. Ray W. Barker, U.S. Commandant, Berlin, and U.S. Member, Allied Kommandatura, Berlin.

SPD members from American sector, at which members from other sectors might appear, and that this action and announcement were being taken with a view to aiding in promotion of common Allied supervision and control over political activities in Berlin.

This announcement was made with the aim of helping bring whole question of quadripartite control of Berlin political parties, including proposed SPD-KPD merger, into Kommandatura for discussion, which to date has not faced this question. This will also be the first important city-wide political meeting held outside Russian sector.

Anti-merger SPD group feels that Central Committee's latest declaration, reported in penultimate paragraph my 956, April 5,⁵⁶ marks further and final effort to prevent democratic discussion and settlement of merger issue, indicating as it does that only pro-merger delegates will be admitted to city and so-called national conventions scheduled for April 13 and 19 respectively.

MURPHY

862.00/4-646 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, April 9, 1946—6 p. m.

859. We have been following attentively your telegrams dealing with proposed merger of KPD and SPD and have noted with concern the many indications of pressure, denial of free discussion, and undemocratic methods, employed by those seeking to effect merger. We endorse strongly General Clay's press statement (urtel 875, Mar 25)⁵⁷ that merger will be recognized by US authorities only if demanded by party members rather than a small group of party leaders. We likewise consider entirely proper General Barker's action approving the SPD City Convention (urtel 966, Apr 6). We believe that very important issues are involved in matter of SPD-KPD merger and wish to express our unqualified support for position our military authorities have taken.

BYRNES

⁵⁶ Not printed, but see footnote 52, p. 716.

⁵⁷ See footnote 50, p. 714.

740.00119 Control (Germany)/4-1046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

[Extracts]

SECRET

BERLIN, April 10, 1946—1 p. m.

[Received 2:40 p. m.]

988. Forty-ninth Coordinating Committee meeting April 8 . . .

Discussion of Kommandatura questions (see my 924⁵⁸) led to some interesting Soviet statements, also to categorical stand and serious warning by General Clay. He opened with statement that, with consent of zone commanders concerned, or Kommandatura for Berlin, trade unions in US zone may at any time join those in any other zone or Berlin, and trade union members may accept office in another zone including Berlin, if affiliated there. Although no commander had yet given such consent, US delegation was prepared urge Kommandatura agree to right of Berlin trade unions amalgamate with those in any zone. However, US delegation will not accept that any German subject to Kommandatura authority may perform an act without Kommandatura consent which a German in any zone could not perform without consent of zonal commander; if Kommandatura lacks authority over Berliners, it should be dissolved forthwith.

British and French members confirmed positions of their respective colleagues on Political Directorate (see my 924). Soviet delegate gave full support to position his colleague on Political Directorate (see my 874, March 25).

Soviet stand led General Clay to say US delegation regarded action of Berlin T.U. members at conference as illegal because not approved by Kommandatura; will inform all union members in US sector that joining union in another zone will be punishable; and that he must inform his government Kommandatura authority is not recognized.

With regard to Kommandatura authority, Soviet member (Gen. Dratvin⁵⁹) said Potsdam protocol declared activity of democratic organizations should not be limited unless it menaced security of occupational forces;⁶⁰ French objections stemming from their attitude toward Ruhr, recently led Control Council to reject proposal authorize inter-zonal trade unions.⁶¹ Soviets unable understand position in Political Directorate of three western powers; if they opposed Pots-

⁵⁸ Not printed, but see footnote 49, p. 714.

⁵⁹ Lt. Gen. Mikhail Ivanovich Dratvin.

⁶⁰ See paragraph 10 of Section II of the Potsdam Protocol. *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1483.

⁶¹ See telegrams 820, October 20, 1945; 869, October 28, 1945 and 1010, November 13, 1945, all from Berlin, *Foreign Relations, 1945*, vol. III, pp. 846, 887, and 850, respectively.

dam protocol, they should say so, and as to alleged illegality of elections, protocol does not permit interference in internal trade union affairs when they do not threaten security of occupational forces. Soviet member said he therefore supported view of Soviet member Political Directorate, but more on grounds of principle than in defense of actions of individual trade unionists concerned. General Clay's inquiry whether Soviets would allow Germans in their zone to join trade unions in US zone without consent of Soviet zone commander brought forth affirmative Soviet reply as to principle. Soviet member also said, if both trade unions concerned agreed, Soviets would tolerate Germans in Soviet zone accepting, without permission of Soviet zone commander, office in US zonal or Berlin trade unions. When General Clay rejoined that US zone commander or Kommandatura must decide such question, Soviet member said not necessarily because Potsdam protocol only restricted trade union activity when it menaces safety of occupational forces and Kommandatura thus can interfere only when such is case.

British member pointed out only reference in protocol to trade unions was declaration they may be formed. French member associated self with Britain and US views.

General Clay terminated debate by reaffirming his acceptance in principle of inter-zonal (including Berlin) trade union amalgamation and elections of officers, but he emphasized Kommandatura was vested with authority equivalent to that of zone commanders and US delegation had come to Berlin only on that condition; consequently, US delegation cannot tolerate Berliners exercising any right or privilege not consented by Kommandatura. He regretted conditions now force US restrict certain activities of Berliners in US sector; but he regarded matters at issue as serious threat to quadripartite authority in Berlin, and had no intention participating in quadripartite accord unless US had position of equality. He said he will raise question again at second following Coordinating Committee meeting.

Sent to Dept as 988, repeated to Moscow as 92, to Paris as 96, to London as 159.

MURPHY

740.00119 Control (Germany)/4-1346: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 13, 1946—5 p. m.
[Received April 13—2: 27 p. m.]

1016. Letter from newly organized Berlin Social Democratic Committee came up for discussion at April 12 Kommandatura meeting

(reference my 981, April 9, 9 p. m.⁶²). As presiding commandant, General Barker expressed sympathetic attitude towards new committee emphasizing party sentiment as expressed March 31 referendum and Central Committee's April 3 declaration (reference my 966, April 6, 9 a. m.) which declaration suggests that Central Committee no longer represents party sentiment and is determined to disregard it. Hence anti-merger group's action in organizing April 7 convention should be regarded as reasonable step by democratically-minded party members.

French representative entirely supported American view, as did British who emphasized that Central Committee's April 3 declaration showed that unless anti-merger forces did something, SPD would clearly disappear as Berlin party and that British believe that April 7 convention was properly held, that new committee fairly represents Berlin membership, that British are not inclined to recognize any other committee and agree with American view that Berlin organization should be independent of present Central Committee.

Soviet representative stated that SPD situation was far from clear and asked that further discussion of the matter be dropped. General Barker replied that matter was of such great importance for Berlin political situation that he could not agree. And was again supported by French and British. Barker then suggested Kommandatura should recognize fact that SPD was split in Berlin on the merger issue, and agreed to permitting Social Democrats who wish to preserve their party to do so throughout Berlin, and likewise those who desire to merge with SPD and form proposed SEPD throughout city to have that opportunity. While American policy is entirely neutral towards individual parties and factions within such parties it is opposed to permitting group of party leaders whose authority does not apparently rest on popular support to suppress views of anti-merger SPD group when the size of the latter is obviously so large. Barker therefore recommended that Kommandatura inform both pro- and anti-merger groups of its intention to permit both SPD and SEPD throughout Berlin providing both are organized and function in accordance with democratic principles. Both newly organized SPD and proposed SEPD should submit to Kommandatura for approval their programs, names of leaders, et cetera.

⁶² Not printed; this telegram reported on the special SPD Convention, April 7, referred to in telegram 966, April 6, p. 716. At this meeting, the delegates expelled several members of the SPD Central Committee who had favored merger with the KPD and elected a new leadership, thus bringing into existence two rival SPD organizations in Berlin. The letter under reference was sent by the new Berlin SPD leadership to the Kommandatura, April 8, to introduce itself, explain the situation, and ask for quadripartite support. (862.00/4-946)

Following special SPD and KPD Conventions in the five provinces in the Soviet zone on April 7, announcement was made of the establishment of the new Socialist Unity Party (SED).

Soviet representatives refused to discuss the question at this meeting of Kommandatura, pleading ignorance of necessary details of this complicated question and again requesting that SPD letter be struck from agenda. When representatives of other three Great Powers indicated their unwillingness to do so, Barker emphasizing that this apparently represents the first real attempt since the war by a Berlin political group to express itself democratically, Soviets finally agreed to study matter with a view to discussing it as soon as possible and if possible at next Kommandatura meeting (scheduled in 2 weeks). Soviet flatly refused British suggestion, supported by French and Americans, that SPD letter be acknowledged by simple statement that inquiry was being considered by Kommandatura.

Despite clear division within Kommandatura between Soviets and the other three Powers concerned, discussion took place in a friendly atmosphere. Soviet plea of ignorance over ramifications of the present SPD situation can, however, only be interpreted as a tactical move to postpone actual discussion of the problem.

MURPHY

740.00119 Control (Germany) /4-1946: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 19, 1946—5 p. m.
[Received April 20—5:01 a. m.]

1059. Quadripartite control of Berlin has been adversely affected by latest developments in the field of Kommandatura jurisdiction over political parties.

At April 12 Kommandatura meeting (my 1016, April 13) American representative, supported by British and French, recommended formulation of Kommandatura rules for supervision of Berlin parties. Soviet representative at first maintained there were no "Berlin parties" as such and then stated that this question of Kommandatura jurisdiction and supervision could only be decided by Political Directorate of the ACC.

Dept will note from my 1018, April 13⁶³ that Political Directorate paper on supervision of parties, agreed to on April 11, omitted specific reference to jurisdiction of Kommandatura in Berlin, in accordance with Soviet insistence that this fact was so self-evident that it need not be stated in writing.

Within the last few days the SEPD has begun to function in Berlin but has not yet approached Kommandatura for license to operate. Its

⁶³ Not printed.

operations include publication of a Soviet-licensed daily newspaper (*Vorwaerts*) and holding of public meetings, the latter so far only in Soviet sector of city.

Meanwhile the anti-merger SPD group is unable to function as a political party in Soviet sector, and this situation will presumably continue as long as Soviets refuse to discuss the whole question in the Kommandatura, as they did on April 12. Thus while Soviets have not hesitated to permit action in launching the SEPD as a Berlin political party, those Social Democrats who wish to preserve their party are forced to lie low in Eastern Berlin (see also my 1045, March [April] 18⁶⁴ regarding SPD, and SEPD pressure).

With the object of reversing the present trend toward dividing Berlin into two halves, from point of view of its political parties and their treatment by the occupation powers, and of promoting quadripartite control of the entire city, we propose advising that steps be taken to bring the whole question up at once for positive attention by the occupation powers, with a view to having the SEPD submit to Kommandatura jurisdiction and to obtaining agreement to General Barker's proposal as regards both SPD and SEPD, as reported in my 1016. If Soviets refuse to accept it, claiming for example that SPD has already been merged with KPD, we would advise that SPD's continued existence in our sector should be authorized (British and French will presumably do the same). Consideration would also be given to the position of SEPD in Berlin, which has been formed in a thoroughly undemocratic manner and is now operating without regard to quadripartite jurisdiction. American representative in Kommandatura would then disapprove license SEPD for Berlin, and if Soviets then insist on permitting this party in their sector, we would advise that it be prohibited in the U. S. sector. It is hoped that these tactics would persuade the Soviet representative to accept a reasonably satisfactory and workable quadripartite solution of political problems in the Berlin Kommandatura.

Quadripartite control of Berlin is now an active issue. It seems clear that the American representative in the Kommandatura may have to take a definite position soon, as the settlement of the issues involved cannot be postponed without endangering the whole position of the Kommandatura and democratic processes in Berlin. In view of importance of these issues (including the need to encourage the democratic political parties and their leaders at this juncture) I should appreciate for my confidential guidance any views the Dept may care to express in advance of the next meetings of the Kommandatura and Coordinating Committee, both of which are scheduled for April 26.

MURPHY

⁶⁴ Not printed.

740.00119 Control (Germany)/4-1946: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, April 23, 1946—7 p. m.

943. Urtel 1059 Apr 19. Dept wholeheartedly approves your proposal to urge question Kommandatura jurisdiction be taken up at coordinating committee meeting Apr 26. If as Soviet rep political directorate recently stated Kommandatura jurisdiction "so self evident it need not be stated in writing", failure Soviet rep on Kommandatura to act in accordance that self-evident principle is serious matter. It requires most immediate attention in view urgency settling Berlin party situation and of reasserting principle of Kommandatura (quadripartite) control of Berlin.

US position should be made clear in order to leave no doubt as to our realization serious implications of divided Berlin and our continued belief city must be governed quadripartite basis. At same time demand for immediate reassertion Kommandatura authority (required only because of recent Soviet attitude) would clearly demonstrate where responsibility rested in case of breakdown in Kommandatura authority.

Dept believes Gen Barker's proposal Kommandatura meeting Apr 12 (urtel 1016 Apr 13) eminently reasonable and hopes tactics you proposed (urtel 1059) will accomplish desired results. It is assumed you are in close touch with your Brit and French colleagues.

BYRNES

740.00119 Control (Germany)/4-2746: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 27, 1946—7 p. m.

[Received April 27—2:30 p. m.]

1118. Reference Dept's 943, April 23, 7 p. m., and my 1016, April 13, 5 p. m. Soviets evidently came to April 26 Kommandatura meeting prepared to agree full[y] with General Barker's April 12 proposal regarding recognition of both Social Democratic and United Socialist Parties throughout Berlin. However, no agreement was reached for reasons indicated below.

Prior to meeting, Kommandatura has received via the Berlin Magistrat a letter from newly-organized Berlin SEPD, dated April 24, asking for recognition and enclosing list of leaders and party's program and constitution.

Soviet representative opened Kommandatura discussion by emphasizing desire to avoid complicating Berlin political situation by delaying recognition of either recently-reorganized SPD, led by Germer, Neumann and Swolinsky,⁶⁶ or the SEPD. He therefore suggested immediate recognition of both (thus accepting completely Barker's April 12 proposal).

French representative then expressed view that question of recognizing SPD should be kept separate from that of SEPD, that the former is not a new party at all and in this case Kommandatura had only to recognize change in party leadership, and that as SEPD would be a party which may extend itself throughout Germany, Kommandatura hardly possessed jurisdiction to recognize it. Furthermore, SEPD application as received by Kommandatura claims that new party results from merger of SPD and KPD, a statement which does not agree with the facts, as only part of the SPD thus merged with the Communists.

Following lengthy discussion, in which British representative pretty much supported French, Barker was able to obtain quadripartite agreement on immediate recognition of SPD, which would be instructed to submit Kommandatura for latter's information and possible discussion its program and constitution. However, French and British then refused to grant similar immediate recognition to SEPD, for reasons indicated above. British suggested that only Political Directorate of ACC could decide on recognition of this new party, quoting Soviet statement at last Kommandatura meeting (reported my 1059, April 19). Barker recommended that SEPD's program and constitution be referred to Kommandatura's local government committee for study and approval. At this point Soviet representative said that unless Kommandatura decided both SPD and SEPD questions simultaneously, he could not agree to immediate recognition of SPD. While regretting apparent inability of Kommandatura to settle both questions at this meeting, he was willing to refer status of both parties to either the Control Council or Kommandatura's local government committee.

As a result, Kommandatura decided to submit question of both parties to Control Council (which will presumably refer it to Political Directorate).

It is regretted that Kommandatura failed to settle the question, particularly in view of Soviet willingness to meet April 12 American proposal, which at that time evidently had both French and British support. In accordance with Dept's 943, we will continue to give all

⁶⁶ Otto Germer, Franz Neumann, and Kurt Swolinsky were co-chairmen of the SPD in Berlin.

possible support to this plan for recognizing both SPD and SEPD on city-wide basis, and it is hoped that decision along these lines may be obtained in the Control Council. It is also worth noting that at Kommandatura meeting, Soviet representative repeatedly emphasized that he regards both SEPD and the present SPD as democratic anti-Fascist parties. There is implicit in this position also recognition of the Kommandatura's authority in this matter.

MURPHY

740.00119 Control (Germany)/5-146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 1, 1946—noon.

[Received May 1—7:05 a. m.]

1140. Twenty-seventh Control Council meeting 29 April discussed Kommandatura questions about Berlin and Soviet zonal trade unions. (See my 1129, April 29.⁶⁷) Discussion was noteworthy for success of General McNarney⁶⁸ in extracting from General Sokolovsky⁶⁹ affirmation of Kommandatura authority over Berlin trade unions.

At outset General McNarney stated staunch belief in role of free trade unions as democratizing force in Germany, said US Delegation was interested in zonal amalgamations, recalled that Control Council had never established principle of authority zonal commanders and Kommandatura over trade unions, and said hiatus should be filled to assure that such vexatious problems did not arise again. He recommended members agree following draft principle: "Control Council approves in principle participation by a German in any zone in approved activities of other zones, also affiliation approved Berlin organizations with corresponding approved organizations in the several zones. In each instance, however, clearance for individual and organizations must be granted by both zone commanders concerned and in case of Berlin, by Kommandatura and zone commander concerned."

British member⁷⁰ approved draft in principle and suggested referring it to Coordinating Committee for final drafting.

French member⁷¹ said that although draft principle approached

⁶⁷ Not printed; this telegram reported on inconclusive debate on this subject at the 51st Coordinating Committee meeting, April 26 (740.00119 Control (Germany)/4-2946).

⁶⁸ Gen. Joseph T. McNarney, Military Governor, U.S. Zone of Occupation in Germany; U.S. member, Allied Control Council for Germany.

⁶⁹ General Sokolovsky had succeeded Marshal Zhukov in March.

⁷⁰ Field Marshal Viscount Montgomery, Military Governor, British Zone of Occupation in Germany.

⁷¹ Lt. Gen. Marie-Pierre Koenig, Military Governor, French Zone of Occupation in Germany.

nearer his conception of things than an earlier proposal, it embodied a larger conception of trade unions than he had yet accepted and he must consequently seek instructions from his Government before he could act. In meantime, he did not object to referring draft to Coordinating Committee for deliberation.

There followed long discussion between Generals Sokolovsky and McNarney, latter seeking to elicit definite Soviet acceptance of draft as basis for Coordinating Committee deliberations aimed at working out satisfactory text and implementation. Soviet member said his Delegation considered free trade unions should be allowed everywhere [in] Germany, and that to put obstacles in their way would retard democratization Germany. He expressed perplexity about provision "clearance for individual" in draft, which he felt was unnecessary concern by a zone commander with "every anti-Fascist who might want to join a trade union or political party". He asserted that such responsibility would necessitate enormous force of occupation and administration, whereas Fascist and militarist organizations were real concern and responsibility of zone commanders and Kommandatura. He agreed to principle these authorities should control organizations and activities of trade unions and political parties but could not agree that such control should extend so far as to stifle their activities.

To this General McNarney rejoined that, as zone commander, he had always felt and exercised responsibilities for vetting individuals; he could not agree that a trade union label raised every bearer above suspicion of being a Nazi. Moreover, although an individual desiring join trade union might do so without license, Potsdam protocol had created responsibility for denazification⁷² that obliged zone commanders (including Kommandatura in Berlin zone) to guard against infiltration of trade unions by Nazis and Fascists. Consequently, as zone commander, he could not relinquish control over such individuals particularly should they come to fill responsible positions in a trade union.

General Sokolovsky then said he was satisfied with interpretation of "clearance for individuals" and could completely concur with draft principle.

General McNarney also reassured General Koenig that draft principle would not operate to impinge on his authority or impede him in carrying out his responsibilities regarding trade union activities in his zone.

Adverting to earlier remark by General McNarney, Field Marshal Montgomery suddenly said he believed there is large gulf, not a few

⁷² See paragraph 6 of Section II of the Potsdam Protocol, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1482.

words, separating members. He felt Soviets desired break down zonal barriers to trade unions and thus create one Germany for them. He asked whether Soviet colleague was prepared to have one Germany in every respect ("real Potsdam").

General Sokolovsky expressed astonishment at this question and at his British colleague's belief large gap divided members. He then put same question to Montgomery who, off the record, said he would answer it later.

At this point General McNarney felt obliged to state that the four delegations could not all go separate ways; that as Control Council members they were there to attain agreement even through compromise; that either paper could be referred to Coordinating Committee as agreed in principle, or chaotic condition must continue.

On reiteration by General Sokolovsky that he agreed to draft principle as interpreted by its author but did not agree to control of each anti-Fascist and anti-militarist, General McNarney proposed and obtained general agreement that his draft principle be referred to Coordinating Committee for attempt to determine whether agreement was possible on its text and implementation, and that Committee be instructed to report to next Control Council meeting.⁷³

MURPHY

862.00/6-2446: Airgram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, June 24, 1946.

[Received July 8.]

A-553. As indicated in my 1578 June 22, 8 p.m.,⁷⁴ Soviets have decided to hold local elections throughout their zone in the fall. The following factors are of interest in this connection.

Close coordination between Socialist Unity party and Soviet Military Administration is indicated by timing of the announcement just one day after the party announced its decision that the time had come for such elections to be held. And as in the case with land reform and various other measures, the Communists will doubtless hereafter claim credit for their initiative in this matter.

⁷³ The paper relating to inter-zonal activity of German trade unions and other organizations was referred to the Coordinating Committee where it was debated inconclusively and sent to the Political Directorate for drafting of acceptable phraseology. The new paper was similarly not agreed upon by the Coordinating Committee, which passed it on to the Control Council. After protracted discussion at its 29th meeting, May 20, the Control Council decided to allow the French member to refer the matter to his Government for instructions, thus, in effect, postponing discussion indefinitely. (740.00119 Control (Germany)/5-646, 5-1546, 5-2046, 5-2346)

⁷⁴ Not printed.

Soviet Zonal elections are being held just before the Berlin municipal vote scheduled for October, presumably with the hope of influencing the latter in favor of the Unity Party and at the expense of the independent Social Democrats, as well as the Christian Democrats and Liberal Democrats (CDU and LDP). Zonal elections are first being held in *Land* Saxony, which the Communists and Soviets have apparently for some time recognized as the most solidly Leftist province in northeastern Germany, and which has therefore been used as a vanguard testing ground for new measures, such as the June 30 nationalization referendum. *Land* Saxony election will be followed by the Provinces of Saxony and Thuringia, with the more conservative areas of Brandenburg and Mecklenburg coming last. Here again the first elections are doubtless expected to influence the following ones in a "progressive" direction.

Denying the franchise to "other fascist activists" as determined by the local antifascist-democratic organizations will give the Left an opportunity to further increase its chances of victory by eliminating conservative opponents through this label.

The provision which allows not only the political parties but the other "antifascist-democratic organizations" to put up candidates is also calculated to strengthen the forces of the Left. The Free German Youth, the Trade Unions, the Peasants Mutual Aid, Womens Committees and similar organizations, which are largely Communist-dominated, may thus be expected to enter the electoral arena. For example, peasants with their usual suspicion of the regular political parties may be inclined to vote for candidates nominated by their Mutual Aid organizations, without realizing that these may be mainly Communists. Jakob Kaiser, Chairman of the CDU, has informed us that his party will oppose this inclusion of non-party organizations, though he has no idea whether such opposition will be able to achieve any results.

Finally, the regulations specifically authorize the use of joint lists of candidates. CDU and LDP may generally be able to resist pressure to participate in such lists, but latter may then be used by combinations of the Unity Party and some of the other antifascist-democratic organizations with the aim of attracting votes which might otherwise go to either the CDU or LDP.

Outcome of the elections cannot as yet be estimated with any degree of certainty. It should however be borne in mind that there may be considerable propaganda, possibly of a mouth to mouth nature, to the effect that the future policy of the Soviet Military Administration as regards plant removals and other questions will be influenced by whether or not the elections are a victory for the forces of progressive

democracy and socialism. Pre-election increases in food rations or some public indication of a change in Soviet attitude towards possible revision of present Oder-Neisse river frontier might also be used to swing vote in this direction. From various sources residing in the Soviet Zone, we are informed that local population is already fearful that their votes will not in fact be secret, and for this reason many will be inclined to vote for the Left with the same resigned fatalism as under the Nazi regime.

The above considerations suggest that despite the continued general fear of and aversion towards the Soviets and Communists in this part of Germany, the September elections may well result in the fulfillment of the premise laid down by Walter Ulbricht when he confidentially informed FDGB zonal meeting at beginning of April that the Unity Party must (repeat must) win a majority of the votes in any elections to be held.

MURPHY

740.00119 Control (Germany)/8-346: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 3, 1946—7 p. m.
[Received August 3—5:04 p. m.]

1858. Ref my airgram number A-638 of July 20⁷⁵ describing difficulties encountered by Social Democratic Party in Soviet sector of Berlin.

Jakob Kaiser, chairman of Christian Democratic Union in Soviet zone, was summoned to Karlshorst alone yesterday by Colonel Tulpanoff,⁷⁶ Soviet Political Liaison Officer. Tulpanoff charged CDU with having become shelter for reactionaries and instrument of clerical influence. In face of this frontal attack of which Kaiser has little warning, Kaiser countercharged that Soviet military administration is putting such obstacles in party's path that if situation remains unchanged party will refuse to participate in October elections in Soviet zone. Kaiser states Tulpanoff was apparently taken aback by this bold maneuver and gave impression that Russians are not desirous

⁷⁵ Not printed; it enumerated many instances of interference with the functioning of the SPD in the Soviet sector in Berlin, in contrast with the freedom allowed the SED in the other Allied sectors. The airgram also posed the possibility of informal contracts by American Military Government authorities with Soviet officials to attempt to determine the limitations on SPD activities. (740.00119 Control (Germany)/7-2046)

⁷⁶ Col. Serge Tulpanov, Head of the Political Department, Soviet Military Administration in Germany.

of causing open break with non-Communist parties at this time. Tulpanoff arranged for joint meeting on Aug 5 with Kaiser, Kuelz ⁷⁷ of LDP, and Ackermann ⁷⁸ and possibly Pieck ⁷⁹ of SED. Kuelz was seen separately by Tulpanoff yesterday but results are not known to Kaiser or this office.

It is anticipated that Tulpanoff's reply will not be clear yes or no to Kaiser's demand for reasonable democratic freedom to campaign and organize for elections. If Russians should be rigidly unyielding, Kaiser is prepared to carry through threat and withdraw CDU from active political scene in Soviet zone. If, as expected, Russians stall for further time with compromise plan, CDU is uncertain what attitude to adopt. Present situation, however, creates strong possibility that party will eventually refuse to participate in Soviet zone elections and will do so in manner calculated strongly to attract public attention particularly in US and Britain.

Kaiser and other CDU leaders have been reporting for some time increasing obstacles placed in party's path by Soviet military administration throughout Soviet zone and they are now nearly convinced that these obstacles are so serious as to preclude any possibility of successful or free campaign. Foregoing facts together with position of SPD outlined in airgram under reference and recent reported Russian demand for appointment of entire new LDP executive committee in greater Berlin, makes it obvious that strong campaign is under way to ensure overwhelming zonal victory for Communists (Socialist Unity Party).

Repeated to Moscow as 209.

MURPHY

262A.6111/7-1952

*Memorandum by Major General Harold R. Bull, Chief of Staff,
United States Forces, European Theater*

[FRANKFURT,] 15 August 1946.

1. At 4 pm this date, General Clay transmitted the following message:

2. "I have seen General Sokolovski and we have made a 'gentlemen's agreement' in substance as follows:

"There will be no more 'arrests'—apprehended delinquents will be detained.

"Persons detained as delinquents when identified as Soviet citizens will be reported as such to Soviet authorities within 24 hours if possible and not later than 48 hours after their detention.

⁷⁷ Wilhelm Kuelz, Head of the LDP, Berlin.

⁷⁸ Anton Ackermann, member of the Executive Committee, SED.

⁷⁹ Wilhelm Pieck, Joint Chairman, SED.

"Persons detained will be returned to custody with Soviet authorities within one week with a statement of the reasons for their detention.

"Persons detained will not be treated as prisoners but will be restrained in a manner appropriate to their positions."

3. One modification to this policy is that anyone officially accredited and thus in the Zone on a mission approved by U.S. authorities will be returned to Soviet custody in 48 hours with a statement setting forth in which respect they failed to live up to their official position in the Zone.

4. General Clay stated that this reciprocal agreement would be effective at 6 PM unless the Theater Commander directed otherwise.

5. I have returned General Clay's call about 5 P. M. after discussing the advantages and disadvantages with G-2 and indicated acceptance. At this time I discussed with General Clay the difference between arrest and detention and indicated that of course the nature of detention would depend upon the circumstances of the apprehension and the crime for which committed. He indicated that of course in serious crimes no issue would be raised by the Soviet authorities, and cited by way of illustration objection to arrests of individuals such as those in General Davidov's⁸⁰ mission where identification and official position were apparent.

6. I pointed out also that we might have some Soviet citizens at the present time and he agreed that their release within one week would be acting within the agreement.

7. General Clay also made the following recommendation, which was agreed to, that in the event of border incidents either side in conducting the succeeding investigation would call upon the representatives of the opposite side to furnish an individual to participate in such investigation in order that the facts might be reconciled on the spot. He believed that this should be S.O.P. and I agreed to this and informed him that we would take action to set it up that way as had been done at various times in the past both in Berlin and along the border.⁸¹

H. R. BULL

⁸⁰ Maj. Gen. Alexander Mikhailovich Davidov, Chief Soviet Repatriation Representative, U.S. Zone of Occupation in Germany.

⁸¹ In telegram CC-4324, September 26, to Headquarters, USFET General Clay suggested that the Agreement apply to the following categories of Soviet citizens: "(1) members of Soviet Armed Forces and persons accompanying Soviet Armed Forces; (2) members of Soviet element of Allied Control Authority; (3) official visitors sponsored by Soviet; (4) Soviet nationals connected with any Soviet governmental agency or international agency such as UNRRA or International Military Tribunal at Nuremberg; (5) families of persons falling within above four categories.

"It is assumed that Agreement for present will not apply to other classes of Soviet citizens; in these cases there are many factors involved, such as status of Soviet DP's and PW's who are already dealt with under separate regulations." (262A.6111/7-1952)

740.00119 Control (Germany)/8-346 : Telegram

*The Acting Secretary of State to the United States Political Adviser
for Germany (Murphy)*

SECRET

WASHINGTON, August 16, 1946—8 p. m.

1732. Ur A-638, July 20⁸² and 1858, Aug. 3. Discriminatory treatment pol parties in Sov zone and Sov Sector Berlin is recognized as problem utmost importance. We believe US influence should be exerted in every feasible way to assure conditions which will permit non-Communist parties to maintain their organizations, carry on pol activity, and take part in forthcoming elections with largest measure freedom possible under circumstances. In this connection Dept is requesting War to obtain views OMGUS of situation and its recommendations action to be taken in furtherance free pol activity.

Our tentative view is situation should forcefully be brought to attention Sov auths, and in so doing informal approach in behalf free conditions for all democratic parties might first be made to Sov elements outside ACA and Kommandatura. If there is no marked relaxation repressive practices, issue should be pressed in ACA and Kommandatura on basis documented cases of obstruction as departure from para 9 (ii) Potsdam Agreement.⁸³ To forbid SED in US sector would probably invite Sov retaliation and lead to breakup present system Berlin govt and should be avoided as long as any hope remains for effective quadripartite action in treatment Ger as whole. In any event this step considered inadvisable prior to Berlin and zone elections.

Dept not entirely convinced it is wise for CDU to withdraw from pol scene in Sov zone if impediments to its operations not immediately removed. While Sov auths probably desire continued existence of CDU and LPD within limitations which they impose, non-participation in election might force issue to point of break with Sov admin and effective dissolution of such parties in Sov zone.

There is question here whether situation has already developed so far as to preclude alternative of continued pol participation of non-Communist parties and simultaneous efforts as indicated above to lift existing restraints upon their activity. From long-range standpoint this course might have virtue of preserving party cadres without great impairment until present pol factors are clarified. Although CDU leaders are in immediate position to determine efficacy of further party

⁸² Not printed, see footnote 75, p. 729.

⁸³ Reference is to the Communiqué of the Potsdam Conference, August 2, 1945; see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1499, 1503. The section referred to reads: "all democratic political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany".

efforts in face of Sov restrictions, Dept is inclined to view that decision to withdraw should be postponed until developments have more fully revealed position non-Communist parties in Sov zone.

ACHESON

862.00/9-1746 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 17, 1946—1 p. m.

[Received 3:25 p. m.]

2174. Section I. Remytels 2080, September 5, and 2124, September 11.⁸⁴ Soviet zone elections of September 1 and 8 appear from results and available eye witness accounts to have been free and fair so far as actual polling was concerned. So far as is known, ballots were secret, intimidation at polling places was absent and count was honest. Single exception to date is statement to us by Jacob Kaiser, CDU head, that Bauernhilfe and Frauenausschuss received many more votes in *Land* Saxony than published results show, and major part apparently were added to Socialist Unity (Communist) total.

Pre-election treatment of parties and ability to present candidates according to information from German sources indicate that elections were anything but free and fair. Liberal Democrats and, especially Christian Democrats, were hampered often to point of being hamstrung by inequitable allocations of paper and gasoline, refusals of or limitations on meetings by bribery, removal, intimidations and arrest of leaders, by refusal to authorize party groups and by refusal to allow these parties to present candidates in overwhelming majority of rural communities. Actualities of such tactics nullify fair polling procedure and indelibly stamp these elections as unfair and not free by all democratic standards.

The fair conditions under which actual balloting proceeded can be credited to interest and pressure of western opinion. Russians were well aware of that interest as well as American official and press reaction in previous elections in Eastern Europe. They were well aware of specific interest of American press in Soviet zone elections through articles appearing with increasing frequency for several months. There is evidence that they were aware of the quiet but persistent

⁸⁴ Neither printed. These telegrams reported on results of the voting in local elections on September 1 and 8 in *Land* Saxony, *Land* Province Saxony-Anhalt, and *Land* Thuringia in the Soviet zone. The Socialist Unity Party received 54 percent, 50.5 percent, and 59 percent of the votes in the respective areas, but great surprise was expressed at the strength of the opposition, particularly in view of Soviet favoritism shown toward the SED. (862.00/9-546, and 9-1146)

interest of this mission and other military government personnel in the elections. The result was an apparent Soviet policy of free balloting at any cost short of defeat of Socialist Unity Party.

Results of this strategic defeat are uncertain, pressure and effective intimidation may be unleashed in support of SED to retrieve present policy. Or election results, plus Secretary's speech,⁸⁵ may convince Soviets present tack is unrealistic and too costly and induce some new policy of collaboration with bourgeois parties. Prospect of Communist domination of unified Germany is weakened. Setback lends some credibility to reports that Walter Ulbricht may be replaced as top German Communist. Paul Merker's name crops up as possible new chief. Merker is understood to be here now but has not yet come to public notice. End of section I.⁸⁶

Repeated to Paris for Matthews as 286; repeated to Moscow as 274; Dept please relay to Moscow.

MURPHY

862.00/10-2346: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 23, 1946—6 p. m.
[Received October 23—4:05 p. m.]

2430. Latest German elections, particularly those in Berlin, have undoubtedly been great disappointment Soviets, even if results were anticipated.⁸⁷ Only in Soviet zone, where Social Democrat Party is no longer authorized, has Communist-dominated SED obtained at best slim majority which, in view of obviously preferential treatment given by Soviet military administration, will enable it to dominate administration until next elections. The bankruptcy of forced merger

⁸⁵ Reference is to Secretary Byrnes' restatement of United States policy on Germany, and address delivered at Stuttgart, Germany, September 6. For text, see Department of State *Bulletin*, September 15, 1946, p. 496.

⁸⁶ Telegram 2175, September 17 (not printed), was designated Section II. It elaborated somewhat upon the report contained in telegram 2174, stating that although balloting in the Soviet zone was fair, due to western interest and publicity, campaigning was not regulated in impartial fashion by the Soviet authorities. (862.00/9-1746)

On September 28, Mr. Murphy sent a letter to James W. Riddleberger transmitting the substance of an intelligence report received by Mr. Murphy from General Clay. The letter stated that Soviet authorities were disappointed and angry over the results of the recent voting and that at a subsequent meeting between political leaders and Soviet zone officials, it was made clear that all parties would henceforth be subject to the strictest control (740.00119 Control (Germany)/8-2846).

⁸⁷ In the October 20 municipal elections in Berlin, the SPD received 48.7 percent of the total vote, the CDU 22.2, the SED 19.8, and the LPD 9.3 percent. For statistics on the *Land* elections in the Soviet zone of Germany, see John P. Nettl, *The Eastern Zone and Soviet Policy in Germany, 1945-50* (London, Oxford University Press, 1951), pp. 90-93.

last spring of Social Democratic and Communist Parties, as device to obtain additional votes, has been strikingly shown in Berlin where independent SPD has emerged as far and away most popular party. In three western zones KPD has also trailed far behind its direct competitor, the SPD. In case of Berlin, Communist failure is dramatically shown by fact that independent KPD obtained between 24 and 30 percent of total vote in Reichstag and municipal elections held in 1928, 1932 and 1933, while this time SED, including pro-merger SPD elements as well, got less than 20 percent of total.

Whether these results will induce Soviets to seriously alter their general occupation tactics or policy remains to be seen. Above failure may lead to more moderate policy towards non-Communist parties, including those in Soviet zone and Berlin and, in particular to more conciliatory attitude towards SPD. However, in this connection, it is probably significant to note election eve articles in both *Pravda* and *Trud* mentioned in October 20 *Taegliche Rundschau* which referred to SED as "the largest political party in Berlin" and also to the "true reactionary character" of other parties and particularly the "reactionary policy of the SPD as led by Schumacher".

Rumors continue that Communist leader Ulbricht has lost favor with Soviets as result of general failure of merger and other tactics ascribed to him that he may be replaced by some other leader, such as Paul Merker and that Communists may discard their present relatively conciliatory tactics in favor of more radical policy. It is also rumored that Grotewohl may be dropped and responsible Soviet political officers, such as Col. Tulpanoff, removed from German scene.

There is deep apprehension here that Soviets may vent their displeasure on failure of Berliners to vote "democratically" by tightening screws on Berlin economically which, in view of city's geographical position surrounded by Soviet zone, would present three other occupation powers with difficult problem: Can Berlin, which now has democratically elected administration, be allowed to suffer more than it has under previous undemocratic and Communist-dominated rule?

Local non-Communist political leaders believe Soviets may shortly set up zonal Parliament with no new election but rather based on delegates from five *Landtags* elected October 20, thus enabling them to claim credit for first democratically elected zonal Parliament in all Germany. Fact that so many SED top leaders residing in Berlin stood as key candidates (*Spitzen Kandidaten*) for October 20 zonal election tends to support this belief. Such zonal Parliament could play important part in reorganization of present mutually independent zonal ministries into integrated zonal administrations and also possibly enable Communists and Soviets to magnify influence they

might have in case of establishment of any central German council or other agencies under quadripartite auspices.

Sent Department as 2430, repeated Moscow as 332.

MURPHY

740.00119 Control (Germany)/10-2546: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 25, 1946—9 p. m.

[Received October 25—3:04 p. m.]

2455. At 28th meeting Kommandatura, October 25, Gen Nares⁸⁸ (British) protested as violation of Control Council Order No. 3⁸⁹ and on humanitarian grounds the removal of German skilled workers, including families referred to in my 2435 and 2443 of October 24.⁹⁰ Some workers removed, he indicated, were residents of British sector, Berlin. American commandant associated himself with the British protest which was referred by unanimous agreement to Control Council after General Kotikov, in response to American request for information about removals, refused to make any statement beyond that published in *Taegliche Rundschau*, October 25, which he described as "accurate". This statement, which had not been seen by commandants other than Gen Kotikov⁹¹ at time of meeting, will be sent in subsequent telegram.⁹²

At same meeting Gen Kotikov submitted a written statement complaining against what he described as "report read" by Neumann, leader of Social Democratic Party in Berlin, at meeting of party officials October 22 in Neukoelln (US sector). Statement character-

⁸⁸ Maj. Gen. Eric P. Nares, British Commandant, Berlin; British member, Allied Kommandatura, Berlin.

⁸⁹ Control Council Order No. 3, signed January 17, 1946, dealt with Registration of the Population of Employable Age. For text, see *Official Gazette of the Control Council for Germany*, No. 6 (April 30, 1946), p. 131. Possibly reference was meant to Control Council Proclamation No. 3, Fundamental Principles of Judicial Reform, October 20, 1945, which provided that "No person shall be deprived of life, liberty or property without due process of law." For text, see *ibid.*, No. 1 (October 29, 1945), p. 22.

⁹⁰ Neither printed. Telegram 2435 reported that at approximately 3 a. m. on October 22 a roundup was begun of skilled workers in the Soviet sector of Berlin and the Soviet zone. The workers were told that they were to go to the Soviet Union with their families for 2 to 5 years. An estimated 200 to 500 families were said to be involved.

Telegram 2443 stated that an intelligence estimate placed the number of people involved in the deportations at 10,000 to 15,000. The telegram also said: "Though apparently not formally prohibited by any existing agreement these deportations seem to be particularly inhumane and it is remarked they occurred immediately following the October 20 elections. The action has caused widespread public anxiety." (740.00119 Control (Germany)/10-2446)

⁹¹ Maj. Gen. Alexander G. Kotikov, Soviet Commandant, Berlin; Soviet member, Allied Kommandatura, Berlin.

⁹² See telegram 2466, October 26, from Berlin, p. 739.

ized report as "criticism unheard of because of its insolence . . . against activities of Soviet occupation authorities." He reminded his colleagues that such provocative conduct of Berlin SPD leaders had been subject of more than one discussion and that definite decisions had been taken by the Allied Kommandatura and by bodies of the ACA which warned these leaders against repetition of similar acts, and quoted several instances, as well as portions of paragraphs 2 and 3 of Directive No. 40⁹³ which he regarded as violated by Neumann. His concluding remarks read as follows:

"I am forced to state to my colleagues that similar actions of the Social Democrat leaders of Berlin are a threat to the occupation regime of the Allies in Germany and demand immediate and confident measures to stop this. I would like to point out to my colleagues that the Social Democrat leaders chose the western Allied sectors of occupation for brazen attacks against one of the Allied powers, which makes their guilt all the greater, since by doing this they violate Directive No. 40 of the Coordinating Committee for 'they have as their aim to rupture the unity of the Allies'."

"As concerns the Soviet occupation authorities, we reserve the right to undertake such measures to stop this as the situation may demand."

"This is the fourth protest against anti-Soviet attacks by leaders of Berlin Social Democrats."

"I see in these systematic attacks a continuation of the propaganda hostile to the Soviet Union which was begun in Germany during the Nazi regime."

"I do not intend any longer to limit myself to protests from which the leaders of the Berlin Social Democrats refuse to make the necessary deductions."

"I request my colleagues on their part to take the necessary measures to stop this in respect of certain persons who systematically and flagrantly violate directives of the Soviet control bodies, sowing discord throughout the German population and calling them to disobedience to the occupying authorities."

Discussion follows.

MURPHY

740.00119 Control (Germany)/10-2646: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, October 26, 1946—9 p. m.

US URGENT

[Received October 26—6 p. m.]

2462. With reference to legality Soviet labor deportations, this matter has now been referred to Coordinating Committee by Kom-

⁹³ Control Council Directive No. 40, Policy to be Followed by German Politicians and the German Press, October 12, 1946, prohibited statements aimed at disrupting Allied unity, criticizing Allied decisions on Germany, or spreading anti-democratic ideas; for text, see *Official Gazette of the Control Council for Germany*, No. 11 (October 31, 1946), p. 212.

mandatura. Coordinating Committee expected to discuss question October 29. Reference my 2435 and 2443, October 24.⁹⁴ Latest intelligence plus newspaper accounts bears out my previous reports and adds further details.

According British DPD News Service October 25 persons deported from Berlin include: from A.E.G. Oberspree Works, research engineers, manager and about 200 foremen and skilled workers; from G.E.M.A. in Koepenick, about 10% of employees, including engineers; from O.K.B. formerly Askania in Friedrichshagen and former N.A.G. in Oberschoeneweide, specialists and workers. In Soviet zone, according to DPD, 270 were sent from Zeiss Jena as of late October 24, some from Schott and Sons Glassworks, Jena; about 800 from Henschel in Stassfurt, some from Koetschen in Apolda; about 400 specialists from Siebel airplane factory in Halle; 125 engineers and 4,000 skilled workers from heavy industry plants in Chemnitz area, 1500 from Junkers airplane factory in Dessau; several hundred from Institut Rakettenbetrieb (rockets) in Bleicherode. All enterprises in Soviet zone mentioned above are being dismantled. Works councils of Zeiss and other Jena factories have sent formal protests to Control Council, also published by DPD.

Taegliche Rundschau article October 24 cited by General Kotikov as accurate, states that deportations were on basis of agreement with Soviet economic organizations. However, October 25 *Taegliche Rundschau* prints additional report of statement by Askania Works Council Chairman Hermann Bleimeier, who states that greater part deportees had upon employment in plant signed statement of willingness to go to Soviet Union and that no compulsion was exerted on families to go along. This statement thus tacitly admits that not all deportees had signed agreements before going and that compulsion was used on deported workers and specialists themselves. Admission is confirmed by eye witness accounts including one by deportee who escaped near Frankfurt an der Oder and who was interrogated by Berlin District G-2. There appears to be no doubt that deportations were forced. It seems to be true, however, that deportees are traveling in comfort and are well fed.

Assertion in my 2443, October 24, that deportations themselves apparently are not violations of existing law or agreements may not be entirely true. Article 6(b) and 6(c) of Charter of International Military Tribunal (Nuremberg Court) signed by representatives of Four Occupying Powers August 8, 1945,⁹⁵ define deportation by per-

⁹⁴ Neither printed, but see footnote 90, p. 736.

⁹⁵ For text, see Department of State Executive Agreement Series No. 472; for documentation concerning discussions regarding procedures and scope of the United Nations Commission for the Investigation of War Crimes and the setting up of the International Military Tribunal, see *Foreign Relations*, 1945, vol. III, pp. 1151 ff.

sons acting in interests of European Axis countries during war as war crime and crime against humanity. Court itself confirmed definition under 6(b) on page 120 of verdict and found Fritz Sauckel⁹⁶ guilty on both counts. Department's early comment will be appreciated.⁹⁷ German Social Democratic Party and American newspaper correspondents here have already raised question.

Sent Department as 2462; repeated Moscow as 340.

MURPHY

740.00119 Control (Germany)/10-2646: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 26, 1946—10 p. m.
[Received October 27—12:55 a. m.]

2466. Remytel 2455, October 25. Statement regarding removal of German skilled workers in *Taegliche Rundschau* of October 24 (not October 25 as stated) as follows:

"The Chairman of the Berlin Office of Trade Unions Chwalek⁹⁸ declared to our correspondent that he had requested a collaborator of Soviet Kommandatura for explanation concerning departure German specialists from Berlin. He was told that some groups of German engineers and technicians had in fact left on basis of agreements of Soviet economic enterprises to work in industrial enterprises of Soviet Union.

"Many of them left for Soviet Union with their families. All had been supplied with sufficient foodstuffs. Each was provided with seat in passenger car and special freight car had been placed at their disposal for their personal effects.

"In reply to Mr. Chwalek's question concerning nature of work to be performed by these specialists he was informed that upon their arrival in Soviet Union they would be employed in an enterprise according to their qualifications. Chwalek also inquired whether German trade unions would be furnished chance subsequently of looking into living conditions of these workers in Soviet Union and he was told that this possibility was not excluded."

⁹⁶ Fritz Sauckel, German Plenipotentiary General for Manpower, 1942-45; executed by the Allied Powers as a war criminal, October 16, 1946.

⁹⁷ The Department's reply reads as follows: "Govt approves protest, reported in press, of US member Kommandatura against forced deportation of German labor by Soviet authorities. Govt believes reported forced removal not only represents flagrant violation of fundamental human rights but also is contrary to general principles of international law existing prior to and reaffirmed by Nuremberg judgment. You are urged continue take firm position against such Soviet action in subsequent Allied Control Authority discussions." This message was sent from Secretary Byrnes to OMGUS, Berlin, on November 2, as War Department's telegram 84682 (Department of the Army files).

⁹⁸ Roman Chwalek, Chairman, Berlin Branch, Free German Trade Union Association (FDGB).

By way of reaction to General Kotikov's complaint (paragraph 2 my 2455) British Commandant agreed that Neumann "report" was wrong and that it was forbidden for Germans to criticize allied administrations and moreover it would not be tolerated when administration criticized was in accordance with agreed democratic principles and was not in violation of any quadripartite agreement of Allied Kommandatura or of ACA. British Commandant considered however that in this case action of Soviet administration criticized had violated two of main principles of democracy namely liberty of subject and freedom from fear and moreover was contrary to agreements made and orders issued both by Allied Kommandatura and ACA. He indicated however that he would take action suggested in last paragraph of Soviet Commandant's statement but emphasized he would support no motion which condemned under Directive 40⁹⁹ the SPD actions.

The US Commandant indicated his agreement in principle with British representative. He stated that Directive 40 would be vigorously enforced in American sector. However, he considered that Germans had some right to lodge protests against undemocratic action; that he considered the appeal of SPD not undemocratic.

Sent Department as 2466, repeated Moscow as 341.

MURPHY

740.00119 Control (Germany)/10-3046 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 30, 1946—9 p. m.
[Received October 30—4:40 p. m.]

2503. Mytel 2466, October 26. Extreme sensitiveness of Soviets to any semblance of damaging criticism provoked disagreeable incident at 86th meeting Coordinating Committee 29 October where question deportations technicians was raised by British member in request that information be furnished concerning numbers Germans moved Soviet Union and asking assurances be given that none be removed without contract voluntarily accepted. While basing his request on press reports, he stated British Military Government was besieged by Germans desiring information on matter which had spread consternation and dismay. British member did not object to Germans leaving country but questioned manner of removing possibly large numbers of technicians important for German economic life. He characterized *Taegliche Rundschau* article as "smokescreen" of ac-

⁹⁹ See footnote 93, p. 737.

cusations against other Allies, most of which could be disproved (mytel 2472, October 20¹).

Rejecting as unjustified British and US Berlin commanders' protests, Soviet member attacked German press treatment of question as anti-Soviet propaganda. He stated that after concluding contracts with Soviet economic organizations, numbers of German technicians had left Germany with their families to take up their former professions in Soviet Union. Soviets had never refused to give information and Soviet member asked why question had not been raised in business-like manner in ACA instead of being aired in anti-Communist press, same way as recent alleged kidnapping of children who later proved to be subversive agents of Hitler Youth. Soviets regarded as quite normal US and British removal of technicians and had denied wishes of Soviet press to attack steps taken in this regard. This prohibition had been enforced despite fact that Americans and British had removed specialists for purposes other than repairing damage done by Germans as was case with Soviet Union. Soviet member stated he could not give information desired since it related to different contracts but would try to furnish it.

US and British members indicated they would endeavor to correct any press statements found to be false in light of information when received. For their part, they would be willing to supply information of kind they were requesting. US member pointed out that three questions remained unanswered: (1) Were German workers given free choice; (2) how many were involved; (3) length of contract. In view effect on German economy, he proposed Manpower Directorate be instructed to submit uniform rules for removal and use of German labor outside Germany. Clay then referred to description of deportation of civilians for forced labor in Germany as one of most heinous crimes of Nazism. He said US fully subscribed to this declaration which had been made by Soviet prosecutor Rudenko at Nürnberg on July 30.²

Soviet member stated that in view of tone and remarks by Clay, he had no intention of continuing present discussion and proposed question be referred to Control Council. Clay replied he had simply stated his views on forced labor and had made no charges or criticism.

¹The article in *Tägliche Rundschau*, summarized in telegram 2472, (not printed), stated that the departure of skilled workers in the Soviet areas had been voluntary and carried out on the basis of agreements with Soviet economic enterprises. It also accused the Americans and British of forcibly evacuating scientific and technical personnel from Germany. (740.00119 Control (Germany)/10-2946)

²*Trial of the Major War Criminals Before the International Military Tribunal, Nuremberg, 14 November 1945-1 October 1946* (22 vols., Nuremberg, 1947-1949), vol. xx, p. 1.

Under obvious tutelage of his political adviser, Soviet member asserted he would not accept comparison between Nazis and Soviets and insisted on reference to Control Council. Clay then withdrew his statement to make it clear matter was not being referred to Control Council because of his remarks. Following urgent supplication of British and French who alluded to unfavorable publicity which might result from Control Council dealing with question at this stage, Soviet member consented to further discussion at next Coordinating Committee meeting November 4.

Sent Department as 2503; repeated Moscow as 348; Paris as 352 and London as 364.

MURPHY

740.00119 Control (Germany)/10-3146: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, October 31, 1946—5 p. m.
[Received October 31—3:40 p. m.]

2514. Marshal Sokolovsky³ after Control Council meeting yesterday asked to talk with me privately regarding the deportation of Germans to the USSR recently discussed in Kommandatura and Coordinating Committee (mytels 2503, October 30 and 2466 of October 26). The essence of his lengthy remarks is (1) the Soviet delegation feel no obligation to supply explanation or excuse for the action of the Soviet administration in transferring Germans to the USSR (2) Sokolovsky resents what he insists on terming an anti-Soviet press campaign inspired by the US and UK (3) the Soviet delegation promise to retaliate by means of an increased tempo of press attacks in Germany not on the basis "of an eye for an eye but a jaw for every eye." In other words as Sokolovsky repeatedly emphasized this point the Soviet delegation is determined to use both the Soviet overt and licensed German press to discredit the US and UK in the eyes of the German reading public if criticism of Soviet deportation of German workers does not cease.

Sokolovsky has not betrayed such obvious anxiety and annoyance for a long time. He had spent the entire night studying the question he said. He made bitter allusion to Clay's "provocation in the Coordinating Committee," referring to the indictment by Soviet Prosecutor Rudenko at Nuremberg of deportation and slave labor under the

³ Sokolovsky had become Marshal of the Soviet Union in June after succeeding Marshal Zhukov in March as Chief of the Soviet Military Administration in Germany and Soviet member on the Allied Control Council for Germany.

heading of crimes against humanity for which Sauckel was condemned and executed. Sokolovsky said that he failed to understand why the American delegation and the American administration insisted on indulging in anti-Soviet propaganda and campaigns against the Soviet Union in the German press, nor could he understand why after all that has happened the United States should question the actions of the Soviet Union in transferring German Nationals to the Soviet Union. When the United States forces left Thuringia in 1945, said the Marshal, as everyone knows they forcibly removed large numbers of German scientists. This fact was known to the Soviet Union but it never occurred to the Soviet Government to question American actions. (I pointed out to the Marshal that whatever may have happened in Thuringia on departure of US forces—and I doubted his statement—by some token at that time the US did not question the reported large-scale removals of Germans to the USSR at the end of hostilities in 1945. The Marshal stated vehemently that no German was removed prior to October 21, 1946.) The Soviet Government failed to understand now why the United States should concern itself with similar actions on the part of the Soviet Union. What good could come of press attacks against the Soviet Union, which, if they continued, would meet them blow for blow and give twice and more than it received.

In replying to Marshal Sokolovsky's request for my point of view I informed him that if he believed that the American delegation had instigated a press campaign either in the German or American press directed against the Soviet Union he was sadly mistaken. We did not consider such activity as part of our mission in Germany, had been careful to refrain from it in the past and as far as I am aware will have no intention of instigating such a campaign in the future. I told him that I was greatly puzzled at the insistence of his representative in the Coordinating Committee yesterday who, instead of supplying the factual information requested by the United States representative, harped on press criticism of the Soviet Union. It would seem obvious that regardless of everything that had been said Marshal Sokolovsky still misunderstood the American conception of freedom of the press and continued to believe that the American correspondents in this area were subject to censorship and control whereas they are free agents able to write what they please. It was also our intention in asking for factual information to cooperate with our Soviet colleagues in a matter which was assuming alarming proportions due to an accumulation of stories built up on rumors largely because the only ones who could give authoritative information, namely, the Soviet Military Administration, had thus far refused to state the

facts and enable correspondents to give the public an accurate description. The American delegation had not instigated a campaign in this connection. The campaign had been instigated by the press itself and by German Nationals who apparently were seriously alarmed and dismayed as had been stated by the British representative in the Coordinating Committee.

As for attacks against the Soviet Administration on the part of the American licensed press in the United States zone of occupation and Berlin, the onus in this respect certainly rested with the Soviet Military Administration. For many months we have produced instances of attacks on United States policy and administration appearing both in Soviet-licensed and Soviet overt newspapers, but in that respect neither Colonel Tulpanov nor any other member of the delegation had ever given us the slightest satisfaction. I concluded with remark that if the Marshal desired I am sure that our authorities would be glad to supply him with a large number of examples.

Foregoing for Department's confidential information only.

Repeated to Moscow as 350.

MURPHY

740.00119 Control (Germany)/11-346 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, November 3, 1946—2 p. m.
[Received November 3—10:57 a. m.]

2543. 1. Skrzypczynski, German head of the Soviet Zonal Administration for Industry, said to Heath⁴ today that he understood that the recent dismantling of the Zeiss and other key industrial plants and the deportation of their technicians and skilled workers was only decided upon when it became evident to the Russians that their plan of dominating the zone—politically and economically—through the SED Party was a failure. He said that according to his information some 7 or 8 thousand workers plus dependents had so far been deported. While he did not believe that the Soviets had definite plans for further deportations and plant dismantlings at the present time, he thought it was very likely that Moscow would continue on this line unless Allied action prevented it.

2. He estimated the net output of finished industrial products in the Soviet zone at 2½ billion marks per annum (at 1938 prices). The Soviets were taking reparations out of this current production at the rate of 130 million marks a month or some 60 percent of the total.

⁴ Donald R. Heath, Counselor of Mission, Office of the United States Political Adviser for Germany (Murphy).

As the Russians were not interested in lumber, cement, glass, and other bulk materials, this take represented an even higher percentage—70 or 75 percent—of the zone's output of consumers goods.

3. Skrzypczynski stated the Russians had dismantled and largely moved about 40 percent of the industrial equipment they found when they took over the zone and had destroyed as war industry another 15 percent. He estimated that the real value of dismantled plants amounted to from 6 to 8 million marks. The Russians evaluation, however, was based on the annual balance sheets of the concerns after deducting depreciation, etc., and gave a valuation of from $\frac{1}{4}$ to $\frac{1}{3}$ of the sale value of a plant in normal times. The Russians were paying for reparations out of current production by marks seized when they first occupied eastern Germany.

4. To date the Russians had taken title to and were operating under Russian managers some 220 key industrial concerns in their zone. These 220 plants represented from 30 to 35 percent of the normal industrial output of the Russian zone. Their value on a 1938 basis was from $2\frac{1}{2}$ to 3 billion marks. The Russian evaluation was from $\frac{1}{4}$ to $\frac{1}{3}$ this amount based on the plants balance sheets.

5. He assumed that the Russians would try strenuously to avoid any discussion of their action in taking over these plants, at the next meeting of the Council of Foreign Ministers. Presumably they would try to maintain and control these plants regardless of final action taken regarding Germany. Thus this, in effect, would be yet another means of obtaining reparations for Russia—especially if these concerns could be excluded from all general arrangements as representing Soviet "property".

6. Koval,⁵ the Russian zonal economic director, described as a very competent engineer and executive, told Skrzypczynski that German administrators had recently been sending in analyses and plans which in effect were criticism of the Russian procedures, and which followed too closely the line of English and American press attacks. Koval said he intended to hold conference of the leading German zonal economic administrators to enjoin on them a wholehearted and disciplined execution of Soviet plans for the zone. Skrzypczynski told him it would be impossible in such a meeting to silence German discussion and criticism of certain happenings. The criticism would be based on a desire to achieve better administration which would be in the interest of both the Germans and the Russians. Koval therefore abandoned his plans for conference.

MURPHY

⁵ Konstantin Ivanovich Koval, Deputy, in charge of economic affairs, to the Chief of the Soviet Military Administration in Germany.

740.00119 Control (Germany)/11-646: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, November 6, 1946—5 p. m.

[Received November 7—2 a. m.]

2568. My telegrams 2503, October 30 and 2514, October 31. Eighty-seventh Coordinating Committee meeting held November 4 included further discussion of Soviet removal of German workers.

Soviet member was evidently reluctant to discuss matter further. British member emphasized it could not be regarded as settled until three questions raised by US member at last meeting were answered and that British felt this particularly important in case of removals from Berlin, a quadripartite city. Soviet member stated desired information could be produced in due time but he would first require similar explanations from US and British delegations regarding their removal of German scientists which had been going on ever since war's end, adding that no evidence has come to his attention of use of force by Soviets in their recent recruitment of workers.

Both British and US members stated categorically that no Germans had been removed by force under their jurisdiction and none would be so removed in future. US member continued that his Government does not believe in use of force to remove labor, that he had hoped that Soviet member would state same but latter had evidently not quite done so. US also regarded any unilateral removal of workers from Berlin as violation of city's quadripartite status. Furthermore world labor organizations would certainly look with apprehension on any forced labor removals.

While US ready to answer any specific Soviet inquiries there was only one question of importance, namely was force being used or not? As Soviets evidently refused to answer this question he would have to submit entire question to his Government including available evidence.

British member continued to press for Soviet statement as to alleged use of force. After some further discussion in which US member emphasized great importance of quadripartite agreement on this basic question it was finally agreed that Coordinating Committee should go on record as opposed to use of force in recruiting of German labor for use abroad. After renewed inquiries Soviet member also stated his administration had not violated this principle. French member urged that Manpower Directorate should be instructed to draft uniform rules for future use but US member stressed urgency of reaching an agreement on principle which could settle question here and now

Soviet member pointed out that question was complicated by utilization of war prisoners for which reason French proposal seemed best. It was finally agreed that next Coordinating Committee [meeting] scheduled for November 9 should approve public statement of quadripartite policy as indicated above.

Thus though question of evident use of force or intimidation by Soviets in many of individual deportations which have taken place in last fortnight was settled only by reluctant and not very convincing Soviet denial it is hoped that public statement of future policy which should be reached at next meeting may be of considerable value.⁶

Sent Department as 2568; repeated Moscow as 364 and London as 372.

MURPHY

740.00119 Control (Germany)/11-2146: Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, November 21, 1946—10 p. m.
[Received November 21—6:20 p. m.]

2692. Mytel 2642, November 17.⁷

1. Degree of futility not witnessed recently in any control body was attained in inconclusive 3-hour debate in 47th meeting of Control Council November 20 on question of labor removals.

French member submitted constructive proposal that Coordinating Committee be directed, on basis of paragraph 19A of Proclamation No. 2,⁸ to draft law on future work contracts and that mention of this action be made in communiqué. He added that French authorities might not accept refusal to leave on part of any German workers required but he thought uniform rules would be best way of obviating such refusal.

⁶ No agreement was reached on the issuance of a statement at the 88th Coordinating Committee meeting, November 9, as reported to the Department in telegram 2596, November 10, from Berlin (740.00119 Control (Germany)/11-1046).

⁷ Not printed; it reported on continued failure at the 89th Coordinating Committee meeting, November 16, to reach agreement on issuance of a public statement on labor removals (740.00119 Control (Germany)/11-1746).

⁸ For text of Control Council Proclamation No. 2, Certain Additional Requirements Imposed on Germany, September 20, 1945, see *Official Gazette of the Control Council for Germany*, p. 13. Paragraph 19(a) reads as follows: "The German authorities will carry out, for the benefit of the United Nations, such measures of restitution, reinstatement, restoration, reparation, reconstruction, relief and rehabilitation as the Allied Representatives may prescribe. For these purposes the German authorities will effect or procure the surrender or transfer of such property, assets, rights, titles and interests, effect such deliveries and carry out such repair, building and construction work, whether in Germany or elsewhere, and will provide such transport, plant, equipment and materials of all kinds, labour, personnel, and specialist and other services, for use in Germany or elsewhere, as the Allied Representatives may direct."

Soviet chairman maintained no statement or communiqué should be issued. He regarded French proposal as step to amend Proclamation No. 2 which was agreed upon by govts and which only latter were free to change. British action in raising matter in Coordinating Committee was illegal since it related to matter dealt with in Proclamation No. 2. He saw no reason to issue public declaration simply because of anti-Soviet campaign of German press, otherwise Control Council would have to issue communiqués in case of every German attack on Allies which would mean that future deliberations would in fact be managed by German press.

British member mentioned that he was under pressure from Parliament and British press and that he might have to publicly declare British opposition to forced recruitment of German labor. US member said he was in same position and that statement might be required to allay German apprehension under "disease and unrest formula" which took cognizance of possible threat to occupation mission. Sokolovsky replied that methods used by US intelligence agencies had also caused unrest in Soviet Zone.

US member declared US recruitment of scientists⁹ was based on voluntary contracts valid only for 6 months. He accepted previous Soviet statement that recent Soviet recruitment of German specialists was based voluntary contracts but pointed out that methods of removal had created uneasiness. British member declared that British employment of scientists also was on purely voluntary basis. Sokolovsky asked whether other powers intended to carry out further recruitment of German scientists. Each of other delegations reserved their right to do so but only in relatively few numbers and with employees' consent. Sokolovsky then said that as far as Soviets were concerned they had no desire to continue any further removals of German specialists although German engineers might be employed in same manner that other foreign engineers had been brought to Russia to assist in works like building of Dnieper Dam. Consequently in his view there was no need for additional regulations.

US member pointed out that position of all delegates was thus same. Various members proposed drafts of communiqué which in essence would have stated that all past removals of workers were carried out voluntarily and that Control Council did not contemplate changing this manner of voluntary contract. Sokolovsky offered draft stating simply that removals had taken place according to individually made contracts. He rejected additional sentence suggested by British that Control Council proposed always to proceed on

⁹ For a statement on United States policy on interim exploitation of German and Austrian scientists, see the memorandum by the Acting Secretary of State to President Truman, August 30, p. 689.

this voluntary basis. When asked whether he would recommend to his Govt an implementation of Proclamation No. 2 he said he had no intention of making this approach in view of slander published in German press and presented in British memorandum to Coordinating Committee. He stressed that respective govts had drafted proclamation and that they may have different views. Revision of one article would lead to other revisions. Sokolovsky proposed question be withdrawn and be considered "suspended". US and British members reserved right to make such press announcements as they considered necessary. Sokolovsky acknowledged that each delegation was free to make public statements in "controlled and uncontrolled press".

Sent Dept as 2692; repeated Moscow as 385; Paris as 374 and to London as 387.

HEATH

740.00119 Control (Germany)/11-2746: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

SECRET

Moscow, November 27, 1946—11 a. m.
[Received November 27—9:11 a. m.]

4237. Embtel 4035, November 1.¹⁰ Oleshchuk's reference to "possible emergence of Soviet-German alliance" at a Moscow lecture was as far as Embassy could determine not reported anywhere in Soviet press (Deptel 2015, November 21, 4 p. m.¹¹).

Although this is first instance Embassy has encountered of public (i.e. official) expression of this idea, it does not strike us as surprising. As seen from here Soviet policy in Germany, despite vicissitudes of certain of its political and economic aspects, has maintained constant characteristic of working for perpetuation of Soviet control in first instance over Soviet zone, to be eventually extended if possible over Germany as whole. We have sought in vain for any evidence of tendency on part of Russians to permit Germany to rehabilitate itself in

¹⁰ Not printed; this telegram reported on a speech by F. N. Oleshchuk, Assistant Chief of the Administration of Propaganda and Agitation, Central Committee of the Communist Party of the Soviet Union. In his speech, Oleshchuk analyzed the Paris Peace Conference in relation to postwar trends. He indicated that the United States and Great Britain were seeking to establish an opposing regime in the western zones in Germany to combat the democratization program in the Soviet zone and the possible emergence of a Soviet-German alliance. This, Oleshchuk asserted, was a continuation of the western Allies' wartime policy of seeking to forestall Germany's complete defeat (740.00119 EW Peace/11-146).

¹¹ Not printed; this telegram requested verification and comment by the Embassy on the reference to a possible Soviet-German alliance (740.00119 EW Peace/11-146).

some way other than according to Orthodox Soviet plan. Constant reiteration by Soviet officials and press of necessity to complete "democratization" of Germany can have but one meaning to the initiated. Russian opposition to development of federalism in Germany and highly centralized unitary character of new Soviet draft constitution¹² is adequate proof that Kremlin has not yet given up thinking in terms of controlling all of Germany. In Soviet experience, time is on their side and setback they encountered in recent elections is from their point of view just that and no more. In addition, ever-growing strength of French CP cannot but constitute an encouragement for further persistence.

An alliance between Moscow and a Sovietized Germany would follow pattern already established for satellite states bordering Soviet Union and would simply be extension in depth of evergrowing Soviet constellation. It is logical next step to follow upon "democratization" of Germany. The complementary character of the two economies and present Soviet interest in raising level of German industry make conclusion of an alliance of satellite pattern potentially most attractive. Use of term "possible" in reference quotation must be read to indicate a reasonable measure of uncertainty as to successful outcome of this Soviet program, but one could hardly have expected a less qualified assertion regarding something, no matter how desirable, which is at best still on far side of horizon.

It seems most improbable that present Soviet thought of an alliance with Germany could envisage anything comparable to balanced cooperative relationship following First World War. The situation is so utterly different. But an alliance with Sovietized eastern Germany would be logical product of failure of more ambitious Soviet plans to control whole of Germany through establishment of now familiar Soviet controlled unity front type of totalitarian government.

SMITH

740.00119 Control (Germany)/12-246 : Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

CONFIDENTIAL

BERLIN, December 2, 1946—11 p. m.
[Received December 2—7: 15 p. m.]

2783. Pending Department's instructions we have refused concurrence in a paper briefing US member Coordinating Committee on question of most effective method for increasing coal mine manpower.

¹² Presumably the reference is to constitutions being drafted at this time by the *Landtage* in the Soviet zone for approval and promulgation by the Soviet Military Administration.

This question scheduled for discussion in near future after Labor Supply Committee of Manpower Directorate and Manpower Directorate unable reach agreement. All four powers agree on necessity for compulsory placement of unemployed. Question now is whether it is also necessary to effectuate compulsory transfers to coal mines from other work and to compel retention of those already working in mines.

British delegation actively urge quadripartite approval for compulsory transfers of employed persons to coal mining and if necessary for universal compulsory service in mines. They argue it is impossible to obtain sufficient voluntary workers. They have actually been making compulsory transfers from nearly all industries in their zone to Ruhr coal mines.

French and Soviet delegations agree that compulsory or "slave labor" is unsatisfactory from economic viewpoint and fundamentally undemocratic. They believe other means of increasing output would be more effective and should be tried first. They emphasize that coal report shows June coal production in Ruhr to be only 38 percent of 1938, while employment was 83 percent of 1938, showing primary problem is utilization of existing labor supply.

Proposed brief holds that in American opinion British have direct responsibility for operation Ruhr mines and in view of their firm conclusion that compulsion is necessary, it is probably necessary to grant such powers on emergency basis. Additionally, principle is upheld that in [*basic*] economic matters US delegation should not differ from British in quadripartite negotiations. US delegation does not favor compulsory labor in principle and would not use such measure in our zone. At same time precedents exist in all zones. Brief states that compulsory labor may temporarily be necessary evil in view of emergency existing in basically important coal mining industry and these considerations temporarily override consideration of democratic principles. Brief instructs US delegate to agree to drafting of law for universal compulsory service of all males reaching 21 years if labor supply in Ruhr remains inadequate by January 30. Otherwise US delegate is instructed to assume position permitting other delegates to express opinions and determine final position as compromise between British on one hand and French and Soviet positions on other.

I should suggest explaining with British Government possibility providing additional inducements to miners, such as more food for families, emergency lodgings and other consumer necessities, financial benefits, etc. More than likely US would prefer offer substantial aid to British along these lines before sanctioning proposed compulsions even for grave national emergency in Germany.

As stated above, we are withholding concurrence and request Department's views.

Please advise Ambassador Murphy.¹³

HEATH

740.00119 Control (Germany)/12-246 : Telegram

The Acting Secretary of State to Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy)

CONFIDENTIAL

WASHINGTON, December 6, 1946—8 p. m.

2411. You should advise strongly against accepting Brit proposal cited urtel 2783 Dec 2. Dept feels overriding political considerations, such as public reaction this country, lineup on this issue in Berlin vis-à-vis other Allied reps with attendant repercussions in Germany, make approval of Brit proposal for compulsory transfers highly inadvisable.

Despite critical manpower needs principle of compulsory labor transfers considered unjustifiable. US and UK position compulsory labor transfers outside Germany was recently clearly enunciated in connection arbitrary Soviet action. While that problem concerned transfers outside Germany principle of compulsion also applicable to labor within Germany. Present Brit position inconsistent. US should consistently oppose compulsory transfers on principle.

From practical angle persons transferred to mining on compulsory basis less likely prove productive workers than voluntary workers. In any case compulsory transfers hardly likely improve productivity of workers. Additional inducements to miners mentioned urtel and improvement in administration of Ruhr mines and higher priorities for mine supplies and equipment should be attempted before even considering drastic proposal for forced labor transfers. Inducement program has not been exploited to full. If pressed it might solve major difficulties. Without it compulsion may reduce production.

Repatriated POWs many whom working French Belgian mines may offer additional sources labor supply although progress affecting repatriation this category POWs has been slow and no assurance satisfactory arrangements be worked out at early date.

Re your statement that US might aid Brit in providing substantial inducements to miners this Govt contemplates no such assistance except as it might be forthcoming within frame of UK-US zonal arrangements. For your info Dept recently turned down Brit request for large scale imports for rehabilitation of Ruhr and restoration

¹³ Mr. Murphy was at this time a member of the U.S. delegation to the Conference on Economic Unification of the British and American Zones in Germany, being held in Washington.

of mining industry stating that question should be taken up in Berlin and that such supplies should be obtained first from indigenous resources.

Amb Murphy and Gen Clay have been consulted and concur in foregoing.

ACHESON

862.00/12-2046 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, December 20, 1946—11 p. m.
[Received December 20—9 : 28 p. m.]

2959. Mytel 2865 December 10.¹⁴ In discussion of Delius case yesterday head-on-collision developed in Kommandatura between US and Soviet positions regarding question Kommandatura approval Magistrat members. Soviets maintained Delius unfit as he had harbored Nazis in Saxon postal administration and had opposed Soviet orders. French concurred and British stated they were willing to "sacrifice one German in the interest of Allied unity". US member asserted there was nothing against Delius except his advanced age but that several world leaders of today are over 70 and that question was one of principle since US information showed him to be clear and a most competent postal official. US member developed the standpoint that elected Magistrat members automatically take and hold office until removed by Kommandatura by unanimous agreement. He pointed out otherwise one commander had power to set aside every Magistrat member and every decision of city assembly without being called to give reason. In his view acceptance requirement of unanimous approval might unduly influence elections to Magistrat since a candidate could be eliminated by rumors that he was *persona non grata* to one of occupying powers. Soviets held to their interpretation that article 36 Berlin constitution¹⁵ envisages unanimous Kommandatura approval of Magistrat and acts of city assembly. Resulting deadlock referred to next meeting.

¹⁴ Not printed; it reported on a difference of opinion at the December 10 Kommandatura meeting between the representatives of the Soviet Union and those of the three other powers over Allied approval of Berlin Magistrat members. The British, French, and American members maintained that the new Magistrat should take office without specific Kommandatura approval of each member except for those against whom a complaint was lodged by unanimous vote. The Soviet representative asserted that unanimous Kommandatura approval was necessary for all decisions of the municipal assembly including election of a new Magistrat. The Soviet representative had objected to several of the proposed Magistrat members including Karl Delius of the LDP. (862.00/12-1046)

¹⁵ For text of the Temporary Constitution of Greater Berlin of 1946, see Elmer Plischke, *Berlin: Development of Its Government and Administration* (Office of the U.S. High Commissioner for Germany, 1952), p. 214.

British are weakening in their original support of US stand and British political officer yesterday stated privately he believed an individual commander should retain right to eliminate Germans obnoxious to him since Berlin political future was not clear. Language of constitution is admittedly ambiguous but US element on Kommandatura is very much concerned with preventing Soviet obstruction of operation of city assembly which is now predominantly anti-SED. Dept's views and suggestions would be welcome.

MURPHY

862.00/12-2046 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, December 31, 1946—7 p. m.

3075. Urtel 2959, Dec. 20. Dept supports position US Kommandatura representative re question Kommandatura approval duly elected member Magistrat. We believe US position is clearly supported by Berlin constitution which defines instances which require approval Kommandatura for actions under constitution. Article 36 provides that only resignation of members of Magistrat require approval Kommandatura. The special provision in Article 36 referring to appointment and discharge of leading officials cannot be construed to apply to Magistrat because members of Magistrat are not appointed but elected, nor discharged but resign or are forced to resign. According to Articles 3 and 9 members of Magistrat if elected take office after being sworn in and old members have to quit office as soon as newly elected member has been obligated. This distinction between elected and appointed leading officials is sound and rests squarely on democratic process which we wish to foster. Of course if all four national elements in Kommandatura agree to disapprove a duly elected member of Magistrat, such action would override normal process of city government as established in Berlin constitution.

Dept has no adverse information re Delius. Any question of Delius political fitness on account charges of harboring Nazis should be settled, it is believed, before German denazification tribunal according to agreed Allied policy.

Although personal case of Delius not considered particularly important, it would be desirable in our opinion to maintain general principle that freely elected democratic German assembly be permitted function in Berlin without requiring Kommandatura approval of every act. Such a requirement would also be incompatible with Allied aim agreed at Potsdam of restoring local self-government.¹⁸

BYRNES

¹⁸ See section II, paragraph 9(i) of the Potsdam Protocol, *Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945*, vol. II, p. 1482.

EFFORTS OF THE UNITED STATES TO PROVIDE FOR EXTENSION
OF EXISTING AIR CORRIDORS AND FOR FREEDOM OF FLIGHT
OVER GERMANY¹⁷

740.00119 Control (Germany)/4-846

*Memorandum by the United States Member of the Coordinating
Committee (Clay)*¹⁸

[BERLIN,] 6 March 1946.

CORC/P(46)84

REPORT TO THE CONTROL COUNCIL CONCERNING THE EXTENSION OF
EXISTING AIR CORRIDORS IN GERMANY

A. *Problem.*

To establish the net of air corridors that is required to provide for safe and economical operation of aircraft over Germany.

B. *Discussion.*

1. Air transportation of passengers, cargo, and mail to meet Allied requirements between certain key areas is a present-day necessity in Germany.

2. Passengers, cargo, and mail, transported by air, will arrive from and depart for other populated areas in Europe. In the interest of economy, air corridors for Germany should be co-ordinated and integrated into the system of airways serving densely populated areas in Europe outside of Germany.

3. Some progress has been made in this direction by the establishment of the three corridors, Berlin-Frankfurt, Berlin-Buckeburg, Berlin-Hamburg. Flight rules have been established for these air corridors and radio aids are under discussion.

4. Unfortunately, the agreed corridors do not provide the number of direct routes required, and the nations operating aircraft over Germany are forced to fly indirect routes with the resulting low utilization of aircraft, loss of time and waste of fuel.

5. In view of the desires of the Control Council as expressed in the Thirteenth Meeting of the Control Council 30 November 1945,¹⁹ it is deemed appropriate to reopen the question of air corridors to make a more complete pattern covering transit between the principal cities of Germany and to other prominent European centers.

¹⁷ For previous documentation relating to air corridors, see *Foreign Relations*, 1945, vol. III, pp. 1606 ff.

¹⁸ This paper, transmitted to the Department as an enclosure to despatch 2799, April 8, from Berlin was considered at the 43rd meeting of the Coordinating Committee on March 12 and referred by that body to the Air Directorate for study and submission of recommendations (740.00119 Control (Germany)/4-846).

¹⁹ For text of the minutes of this meeting, see *Foreign Relations*, 1945, vol. III, p. 1582.

C. *Recommendation.*

It is recommended:

1. That the present system of agreed air corridors in Germany be extended and augmented by other air corridors over Germany which are required to form parts of the following direct routes (see Annex "A" ²⁰):

- a. Hamburg-Copenhagen
- b. Hamburg-Bremen-Amsterdam
- c. Buckeburg-Amsterdam
- d. Buckeburg-Brussels
- e. Buckeburg-Bremen
- f. Frankfurt-Brussels
- g. Frankfurt-Paris
- h. Frankfurt-Buckeburg
- i. Frankfurt-Prague
- j. Frankfurt-Vienna
- k. Berlin-Copenhagen
- l. Berlin-Warsaw
- m. Berlin-Prague

2. That the aircraft of the four nations governing Germany be permitted full freedom of use of these corridors without notice; and

3. That air traffic along all air corridors conform to the rules of flight now prescribed for the three existing air corridors.

740.00119 Control (Germany)/3-946: Telegram

The Chargé in the Soviet Union (Kenman) to the Secretary of State

RESTRICTED

Moscow, March 9, 1946—10 p. m.

[Received March 9—8:55 p. m.]

743. We have just received upon our request a copy of paper dated January 24 (CORC/P)46(35)²¹ from OMGUS Berlin entitled "Report on Provision of Airfield Facilities to the Soviet in Western Zones of Germany" which was agreed to by Coordinating Committee on basis of unanimous agreement of Air Directorate at its twentieth meeting on Jan 28.²² Under this arrangement airfield facilities in western zones are to be granted Soviets in connection with reparations removals while "Soviets will in reciprocal manner afford air facilities to meet requirements of other three powers and also that each of four

²⁰ Annex A, not printed, consisted of a map delineating the routes listed.

²¹ Not printed.

²² As reported in telegram 312, January 31, from Berlin (not printed), the paper on reciprocal rights in the use of air fields was approved by the Allied Control Council at its 18th meeting, January 30 (740.00119 Control (Germany)/-1-3146).

nations governing Germany shall assist the aviation of the other by granting of like facilities and privileges as and when required".

Inasmuch as we are not in a position to claim "like facilities and privileges" in Soviet zone in Germany since we have no claim for reparations there it is unfortunate that Ambassador Harriman's warning against accepting general assurances from Marshal Zhukov²³ on reciprocal air facilities (contained in Moscow's 4068, Dec 5 to Dept²⁴ which referred to Berlin telegram to Dept repeated to Moscow as 90, Dec 1, 8 p. m. third paragraph²⁵) was apparently not repeated to Berlin at that time. Since Soviet proposal presented admirable opportunity to obtain from Soviets in return for privileges granted them similar consideration for our need of better air communications with our missions in Balkan countries I think it regrettable that these concessions were made without reference to more immediate and concrete needs of our Govt.

As we are now about to propose to Soviet Govt plan for regular ATC flights (reDeptel 402, March 6²⁶) to various Balkan capitals from Vienna I wish to support views expressed by Deak in telegram to Dept from Budapest 451, Mar 5, 9 p. m.²⁷ I would recommend that a procedure similar to the one now followed by Soviet authorities in granting clearance for American flights to Balkan countries be instituted in Germany in connection with Soviet requests for clearances for Soviet aircraft to proceed to American occupation zone under terms of agreement referred to above. This might then be continued unless and until we obtain improvement we are seeking in Balkan air communications.

Sent Dept 743 repeated Berlin 52, Vienna 18, Budapest 13, Bucharest 20, Sofia 23.

KENNAN

²³ Marshal of the Soviet Union Georgiy Konstantinovich Zhukov, Chief of the Soviet Military Administration in Germany, Soviet member, Allied Control Council for Germany.

²⁴ See *Foreign Relations*, 1945, vol. III, p. 856, footnote 50.

²⁵ Reference is to telegram 1154, December 1, from Berlin, reporting on the 13th meeting of the Allied Control Council; for text, see *Foreign Relations*, 1945, vol. III, p. 854.

²⁶ Not printed.

²⁷ Not printed. This proposal was subsequently taken up with Soviet authorities in Moscow but nothing came of it. Mr. Francis Deak was Civil Air Attaché at Belgrade, Berlin, Bucharest, Budapest, Praha, Sofia, and Vienna.

740.00119 Control (Germany)/4-446: Telegram

*The United States Political Adviser for Germany (Murphy) to the
Secretary of State*

SECRET

BERLIN, April 4, 1946—10 a. m.
[Received 12:04 p. m.]

947. Reference Department's 687, March 18, and 142, January 17.²⁸ Study of air situation here leads me to believe that there has been considerable misapprehension about our position vis-à-vis the USSR in regard to exchange of flight courtesies and privileges. The seven-to-one balance of clearances granted Soviets against clearances granted US by Soviets mentioned your 142 is far from representing the position as we see it here. According to USAFE, US clearances granted Soviet planes from November 1 to March 25 totaled 35 as against 47 granted by Soviets to US planes. These figures do not include corridor flights over Soviet zone to and from Berlin where (see CC-2377, April 2²⁹) the balance is completely one-sided in our favor.

Thus, the position of US air officials in Berlin largely because of location of city in Soviet zone, has been that of continually having to press the Soviets to agree to air arrangements mainly of interest to US and our other Allies. Awareness of this position, coupled with the belief that granting of air courtesies useful to Soviets would give us bargaining power and redound to our longer-term advantage were among the considerations behind the Control Council action referred to in Moscow's 743 to Department³⁰ (repeated Berlin as 52), and Budapest's 451 to Department²⁹ (repeated Berlin as 29).

Procedure for clearing US planes over Soviet-occupied Germany, moreover, has been functioning satisfactorily for some time with clearance generally obtainable in less than 24 hours.

In these circumstances I do not feel that there is any latitude, on balance, for administrative or other use of clearance procedure for Soviet planes over the US zone to obtain more favorable Soviet treatment for US planes in other areas. Air officials here believe, and I

²⁸ Neither printed. Telegram 142 requested information on the number of permits granted for Soviet flights over U.S.-controlled territory and that for U.S. flights over areas controlled by the Soviet Union. The Department stated that it had received reports that the ratio of permits granted by the United States to those granted by the Soviet authorities was 7 to 1. (740.00119 Control (Germany)/1-1746)

Telegram 687 expressed the Department's view in favor of restrictions on the movement of Soviet aircraft over U.S.-controlled territory similar to those imposed by the Soviets on U.S. flights over Soviet-controlled areas. The telegram also called for closer coordination between the Air Directorate and the State Department. (740.00119 Control (Germany)/3-946)

²⁹ Not printed.

³⁰ *Supra.*

agree, that obstacles placed in the way of Soviet flights over American zone to western Europe (which may seem a possible means of exerting some pressure) might be countered by any number of aggravating restrictions on American craft flying over Soviet-occupied German territory with real disadvantage to our operations.

I should like to add that air officers of OMGUS have been meticulous about keeping my office informed on quadripartite and American civil air projects and in seeking our advice. If there has been any failure to coordinate with Department, it is our fault not theirs.³¹

Repeated to Moscow as 86, and Budapest as 22.

MURPHY

740.00119 Control (Germany)/4-1246

The Secretary of War (Patterson) to the Secretary of State

SECRET

WASHINGTON, April 12, 1946.

DEAR MR. SECRETARY: I have your letter AV of 18 March 46³² which relates the State Department views as to the desirability of imposing restrictions on the movement of Soviet aircraft in United States Zone, Germany, similar to those imposed by the Soviet Government on the movement of United States aircraft in the Balkans.

Although it would seem that some such arrangement might be desirable, the disadvantages which would arise in the Western Zone of Germany would make it impractical to attempt this at present.

The paper dated 24 January 1946 (CORC/P) 46 (35)³³ to which you refer is a quadripartite agreement relating to the exchange of airfield facilities among the four powers occupying Germany. This paper, as well as all other negotiations on aviation matters in Germany, was coordinated with the Office of Political Affairs prior to agreement.

As the Allied Control Council for Germany does not have any authority to make agreements relating to matters outside Germany, nor is it logical to condition quadripartite negotiations in Germany upon the granting of privileges in other countries, it would seem more advantageous to exact real reciprocity within Germany and exchange granting of aviation privileges within the United States Zone for equal privileges in the Soviet Zone. An attempt to use our ability to

³¹ The Department's reply contained in telegram 905, April 18, to Berlin, reads as follows: "Dept concurs views expressed 947 April 4 and regrets delay in receiving this info which contradicts info previously given Dept and with which Dept would probably have pursued different course of action. Every effort should be made to keep Dept currently informed of aviation developments." (740.00119 Control (Germany)/4-446)

³² Not printed.

³³ Not printed, but see telegram 743, March 9, from Moscow, p. 756.

restrict Soviet aviation privileges in Germany as a lever to apply pressure on Russia elsewhere might jeopardize and would at best cause a delay in reaching control council agreements.

In addition, the location of Berlin in the midst of the Soviet Zone places us in a disadvantageous position with regard to aviation rights in Germany because every flight into Berlin is a flight across Soviet occupied territory. As we have approximately one hundred times as many flights into Berlin as the Soviets have into our Zone and as we have had a slightly greater number of flights elsewhere across Soviet territory than the Soviets have had across our Zone, it is obvious that we are not in the best position for bargaining.³⁴

With respect to your request that a procedure be evolved whereby State can comment on Soviet requests for aviation privileges, it is believed this procedure already exists for United States Army controlled Zone in Austria and Germany by the presence of the Political Advisors on the United States Representation to the Allied Control Council. I am instructing Generals Clark³⁵ and McNarney³⁶ that Soviet requests will continue to be coordinated with the Political Advisors in order that State Department can be kept informed but with a minimum of delay in meeting General McNarney's and General Clark's operational requirements.

Sincerely yours,

ROBERT L. PATTERSON

740.00119 Control (Germany)/5-2346

*Memorandum by the Air Directorate, Allied Control Authority, to the Coordinating Committee*³⁷

RESTRICTED

BERLIN, 14 May 1946.

CORC/P(46)177

REPORT ON EXTENSION OF EXISTING AIR CORRIDORS IN GERMANY
CORC/P(46)84³⁸

I. *History:*

1. A paper on this subject was presented to the Coordinating Committee and discussed in their Forty-third Meeting. The Coordinat-

³⁴ A letter to Secretary of War Patterson from the Secretary of State, dated April 18, indicated the Department's withdrawal of its recommendation for the imposition of restrictions on flights of Soviet aircraft over U.S.-controlled territory (740.00119 Control (Germany)/4-446).

³⁵ Gen. Mark W. Clark, Commanding General, United States Forces, Austria; U.S. Representative, Allied Council for Austria.

³⁶ Gen. Joseph T. McNarney, Military Governor, U.S. Zone of Occupation in Germany; U.S. member, Allied Control Council for Germany.

³⁷ Transmitted to the Department in despatch 3653, May 23, from Berlin (not printed). This paper was discussed at the 55th meeting of the Coordinating Committee, May 17; for minutes of the pertinent portions of that meeting, see *infra*.

³⁸ For text of CORC/P(46)84, March 6, see p. 755.

ing Committee agreed that since the paper was an air matter and involved technical aviation problems, they would refer it to the Air Directorate for study and recommendations.

II. *Discussion:*

1. The British, French and United States members of the Air Directorate agreed on the following:

(1) Their respective governments and governmental agencies in Germany consider it essential to have air communications into and across Germany.

(2) These lines of air communications must provide unrestricted and reasonably direct routes to the various parts of Germany and across Germany to the principal European centers of population.

(3) Civil aviation companies will inevitably increase their operations into and across Germany as the military air transport, which has been serving the needs of all, restricts its operation to purely military usage.

(4) For civil aviation to operate without excessive governmental subsidy, it must be encouraged and enabled to operate at peak efficiency. Efficient operation demands direct routes, planned schedules of operation for maximum utilization of aircraft and crews, and freedom from the uncertainties and delays caused by restrictions which require individual aircraft clearances.

(5) The existing air corridors are inadequate to meet the requirements for air communications into and across Germany.

(6) With slight modification, the proposal contained in CORC/P(46)84 will fulfil the requirements for an adequate system of air corridors in Germany.

2. The Soviet Member of the Air Directorate dissented in the following statement:

(1) The Soviet delegation thinks that the existing system of Air Routes through the Soviet Zone of Occupation in Germany is fully sufficient, not only to meet the requirements of the Allied troops in the sector of Greater Berlin, but also to carry out successfully all the allied transportation needs for commercial cargoes regardless of their volume.

(2) The argument put forward by the American delegation concerning the directness of the flights in order to ensure an efficient use of civilian aviation for commercial purposes, cannot be considered convincing, because, the air corridors established by decision of the Control Council of Germany CORC/P(45)170,³⁹ the air corridors Berlin-Frankfurt-am-Main, Berlin-Buckeburg, Berlin-Hamburg, and the air routes in use Berlin-Copenhagen, Berlin-Prague, and Berlin-Warsaw are direct lines of air traffic and geographical considerations do not permit shortening them.

(3) The question of establishing commercial aviation within the boundaries of Germany does not come within the competence of the Air Directorate.

³⁹ Dated November 22, 1945; for text, see *Foreign Relations*, 1945, vol. III, p. 1576.

III. *Recommendations:*

By a majority vote, the Soviet member dissenting, the Air Directorate recommends:

1. That CORC/P(46)84 be amended:

a. To include four additional corridors: (see Annex B)*
 Cologne-Prague
 Strasbourg-Frankfurt-am-Main
 Strasbourg-Munich-Vienna
 Strasbourg-Innsbruck

b. To stipulate that all corridors will be twenty (20) statute miles wide.

2. That CORC/P(46)84 as amended be approved and adopted by the Allied Control Council.

740.00119 Control (Germany)/5-2346

Minutes of the Fifty-Fifth Meeting of the Coordinating Committee

[Extracts]

RESTRICTED

BERLIN, May 17, 1946.

CORC/M(46)26

THERE WERE PRESENT:⁴⁰

Lieutenant General Robertson (Chairman)
 Lieutenant General Koeltz
 Lieutenant General Dratvin
 Lieutenant General Clay

ALSO PRESENT:

GREAT BRITAIN

Mr. Steel
 Major General Erskine
 Sir Percy Mills

SOVIET UNION

Minister Semenov
 Counsellor Kudriavtsev

FRANCE

Consul General Tisseau
 Major General Noiret
 Brigadier General Bapst

UNITED STATES

Ambassador Murphy
 Major General Adcock

SECRETARIAT

Brigadier Grazebrook
 Consul General Baudier
 Major Kudriavtsev
 Colonel Gerhardt

*Restricted distribution. [Footnote in the original. Annex B, not printed, consisted of a map delineating existing and proposed air corridors.]

⁴⁰The four members of the Coordinating Committee were Deputy Military Governors of the British, French, Soviet, and U.S. Zones, respectively.

297. *Report on Extension of Existing Air Corridors in Germany*

The Meeting considered CORC/P(46)177.⁴¹

The Chairman drew the attention of the Meeting to the fact that the recommendations contained in the paper started with the words "By a majority vote". This was unusual in the light of agreed procedure and it should be recorded that the paper should not have been submitted by the Directorate in this form.

General Dratvin agreed with these remarks and further stated that the Soviet Delegation withdrew the wording given at the Air Directorate by the Soviet representative.⁴²

General Robertson said that the paper covered two points. The first, practical, was whether there should be an extension of existing air corridors. The second question, a rather wider one of principle, was whether the Control Council has authority in matters of civil aviation.

General Dratvin declared that the Soviet authorities had already provided the Allied Occupying Powers with sufficient air corridors. As to air service to other countries, in his opinion, this should be referred to the Governments as it was a subject beyond the competence of the Control Authority, and he therefore proposed withdrawing the paper from the agenda.

General Robertson stated that although in the opinion of the Soviet Delegation sufficient facilities for flights over Germany had been provided, the facilities were not sufficient in the opinion of the Occupying Power which he represented, and he was puzzled to know why there should be a disinclination to provide facilities which were considered necessary and advisable.

As regards the second point General Robertson did not understand how General Dratvin reconciled the view that civil aviation was beyond the competence of the Allied Control Authority, with the principles of the Berlin Protocol by which supreme authority in Germany was exercised by the Zone Commanders on instructions received from their respective governments.⁴³

⁴¹ *Supra*.

⁴² For text of an extract from the minutes of the 29th meeting of the Air Directorate, April 30, 1946, concerning air corridors, see *Documents on Germany, 1944-1961*: Senate Committee on Foreign Relations, 87th Cong., 1st sess. (Washington, Government Printing Office, 1961), p. 54.

⁴³ See section II, paragraph 1 of the Protocol of the Potsdam Conference, August 1, 1945, *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1481.

General Clay and General Koeltz agreed entirely with General Robertson, but in view of the position of the Soviet Delegate

The Meeting

(297) withdrew the paper

[For text of Flight Rules by the Air Directorate of the Allied Control Authority for Aircraft Flying in Air Corridors in Germany and Berlin Control Zone, October 22, 1946, see *Documents on Germany, 1944-1961*: Senate Committee on Foreign Relations, 87th Cong., 1st sess. (Washington, Government Printing Office, 1961), pages 63-72.]

740.00119 Control (Germany)/11-1046: Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

[Extract]

SECRET

BERLIN, November 10, 1946—9 p. m.

[Received November 10—7:32 p. m.]

2598. Mytel 2596, November 10.⁴⁴ Following additional matters of interest were discussed at 88th meeting Coordinating Committee November 9.

(1) Coordinating Committee considered US proposal on freedom of air transport based on JCS 1151⁴⁵ and first raised in Air Directorate last December. Soviet delegation had previously maintained matter was beyond competence of Directorate but in Coordinating Committee meeting acknowledged that under terms of reference of new Combined Services Directorate⁴⁶ operational problems of air transport could be considered at Directorate level but basic matters must be decided by Control Council. He maintained it was premature to deal with question of freedom of flight over Germany since four zones not yet merged. As regards proposal for additional corridors over Soviet zone, he said present arrangements were adequate to meet needs of Allied forces in Berlin. US, British and French members held issue was not premature and British member referred to Potsdam Declaration on economic and political principles and favored submission of question to Control Council. Soviet member stated situation had not changed sufficiently to facilitate an over-all solution but while maintaining his reservations regarding freedom of flight

⁴⁴ Not printed; this telegram reported on matters discussed at the 88th Coordinating Committee meeting not related to aviation (740.00119 Control (Germany)/11-1046).

⁴⁵ Not printed.

⁴⁶ The Combined Services Directorate was to take the place of the existing Air, Naval, and Military Directorates.

and additional corridors, he agreed to reference back of US proposal to Air Directorate for further study of other problems.⁴⁷

HEATH

740.00119 Control (Germany)/11-2146: Telegram

Mr. Donald Heath, Chargé in the Office of the United States Political Adviser for Germany (Murphy), to the Secretary of State

SECRET

BERLIN, November 21, 1946—10 p. m.

[Received November 21—6 p. m.]

2693. Please bring attention Ambassador Murphy.⁴⁸ Completely negative results obtained 47th meeting Control Council 20 November on US proposal for freedom of flight over Germany (paragraph 1 mytel 2648, 18th November⁴⁹). Burden of Soviet argument was that present air corridors are adequate and that other Allies could fly many more aircraft over them than at present. Governments agreed on zones of occupation which specified where forces including aircraft are to be located. Infantry and tank units in one zone do not trespass upon other zones and why should aircraft be excepted? Stalin suggested at Berlin Conference that there should not be zones of occupation but Truman and Churchill rejected this proposal. Sokolovsky concluded that since Governments came to this decision Control Council not authorized to change it.⁵⁰

US, British and French members urged that new air corridors be opened and referred to Zhukov's assurance at 13th meeting Control Council, 30 November 1945 (paragraph 3 mytel 1154, 1 December⁵¹). French member pointed out there is complete liberty of flight over

⁴⁷ This matter was raised again at the 89th Coordinating Committee meeting, November 16. In telegram 2648, November 18, from Berlin, Mr. Heath reported: "US and British members requested confirmation of reservations made by the Soviet delegation at last meeting on freedom of flight over Germany and additional air corridors (mytel 2598 November 10). They stated that if they had clearly understood these reservations they would have requested reference of question to Control Council rather than to Air Directorate, Soviet member reiterated his objections on these two points and paper was consequently put on Control Council agenda for November 20." (740.00119 Control (Germany)/11-1846)

⁴⁸ Mr. Murphy was a member of the U.S. delegation at the Conference on Economic Unification of the British and American Zones in Germany, held in Washington; for related documentation, see pp. 481 ff.

⁴⁹ See footnote 47 above.

⁵⁰ No such assertion is attributed to Marshal Sokolovsky in the minutes of this meeting, transmitted to the Department as an enclosure to despatch 8203, December 27, from Berlin, not printed (740.00119 Control (Germany)/12-2746). No evidence has been found that Marshal Stalin made such a suggestion at the Potsdam Conference.

⁵¹ For text of telegram 1154, see *Foreign Relations*, 1945, vol. III, p. 854; for text of the minutes pertinent to air corridors, see *ibid.*, p. 1582.

French zone and asked that direct route Berlin–Vienna be first opened and British member acknowledged restriction AMG military aircraft might be necessary but that civilian aircraft should have flight freedom particularly from Berlin direct to other countries. US member challenged right of Soviet delegation to pass on US Army air requirements saying he would be similarly unjustified in passing on number Soviet Control Council personnel. Sokolovsky said he would be offended if remark had been made by any person other than US commander and accused latter of misusing issue to make relations more tense. He claimed Soviets had never rejected individual requests for flights to Vienna or Praha. In his view regular communication between Berlin and outside countries was unjustified since Control Council had no diplomatic relations with latter. When French member suggested at least corridor to Nuremberg, Sokolovsky referred to present route over Kassel and maintained that changes in air policy respecting Germany lay only within competence of four governments. US, British and French members asked whether Sokolovsky could request his Government's authority to discuss question. Sokolovsky rudely ignored question and in his capacity as chairman brought forward next item on agenda for discussion (mytel 2692⁵²).

Sent Dept as 2693, repeated London as 388, to Paris as 375, and Moscow as 386.

HEATH

**INTEREST OF THE UNITED STATES IN GERMAN COAL PRODUCTION
AND DISTRIBUTION**⁵³

862.6362/1-346 : Telegram

The Chargé in the Soviet Union (Kennan) to the Secretary of State

CONFIDENTIAL

Moscow, January 3, 1946—9 p. m.

[Received January 4—9 : 50 a. m.]

33. Letter addressed to Molotov⁵⁴ on January 3 in accordance with instructions contained in Department's 2641, December 27⁵⁵ (repeated Berlin as 2), on appointment of coal advisers by Governments of US, Soviet Union, France and UK to their zone commanders in Germany.

⁵² Dated November 21, p. 747.

⁵³ For previous documentation, see *Foreign Relations*, 1945, vol. III, pp. 1521-1558, *passim*.

⁵⁴ Vyacheslav Mikhailovich Molotov, People's Commissar for Foreign Affairs of the Soviet Union.

⁵⁵ This telegram contained the text of a directive on coal, transmitted at the request of the President from the Joint Chiefs of Staff to the United States Military Governor for Germany, and also the suggested form of a note to be presented to the Soviet Foreign Ministry. The same message, *mutatis mutandis*, was sent to Paris in telegram 6047, *Foreign Relations*, 1945, vol. III, p. 1554.

I did not feel justified in Ambassador Harriman's absence to endeavor to deliver this note personally to Molotov. In first place, I doubt that I could have obtained any appointment with him in less than several days which would have delayed transmission to Soviet Government of suggestion. Secondly, since Soviets will presumably see little to be gained by this scheme for themselves or for areas where they feel themselves responsible, they will not be inclined to regard it as an important matter and I feel that for me to insist on seeing Molotov for this purpose would prejudice my future access to him in cases where I might have a stronger case to present and better chance of serving our Government's interests by personal interview.

I hope that our military authorities in Germany will not delay in making it clear if necessity arises that their directive to cooperate with coal production experts of other occupying powers by permitting them free access to our area will be administered on a strictly reciprocal basis. I am afraid that otherwise Russians may attempt to exploit this directive for purposes not strictly connected with coal.⁵⁶

KENNAN

862.6362/2-1146 : Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, February 11, 1946—8 p. m.

387. French Govt has presented to Dept *aide-mémoire*⁵⁷ protesting statement allegedly made by US representative Economic Directorate in meeting of Jan 10. US position described as having been that since German domestic coal requirements were not being met that no expansion in coal exports could be considered. French position described as having been that coal exports should be maximized within limits of transport capabilities. French protest made on basis alleged US position violates July coal directive.⁵⁸

Would you report fully relevant portion Jan 10 meeting.

BYRNES

⁵⁶ Telegram 245, January 26, from Moscow reported the reply of the Soviet Government to the effect that it saw no present need for the appointment of civilian coal advisers since the German coal question lay within the competence of the Allied Control Council (862.6362/1-2646).

⁵⁷ Dated February 8, not printed.

⁵⁸ For text of the directive issued to General Eisenhower by the Joint Chiefs of Staff, July 26, 1945, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1028.

862.6362/2-846

The Secretary of State to the French Ambassador (Bonnet)

The Secretary of State presents his compliments to His Excellency the Ambassador of France, and has the honor to reply to the French Embassy's note, Number 103 of February 8.⁵⁹

The Department of State has inquired of the American representative in Berlin concerning the circumstances of the statement made by the American member in the Economic Directorate of the Allied Control Council on January 10.

Assurances have been received that this statement did not relate to the general principles for the allocation of German coal, which remain those set down in the President's Directive of July 1945.

The statement of the American member in the Economic Directorate sought to correct a temporary deficiency of deliveries to the United States Zone of Occupation. Deliveries to the American Zone, within the agreed allocations, had not been met in the months of October, November, and December 1945. In December, export deliveries exceeded allocations. The American member, in these circumstances, expressed the view that an increase in export allocations should not be made until the level of allocations within Germany, which had been agreed on a quadripartite basis, was being currently met by deliveries. This view appears to be consistent with the Coal Directive of July 1945.

The Secretary of State takes this occasion to assure His Excellency the Ambassador of France of his continued concern that, within the terms of the Coal Directive, the level of German coal exports be maximized in order to make the largest possible contribution to the recovery of the French economy.⁶⁰

WASHINGTON, March 13, 1946.

840.6362/3-2046 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, March 20, 1946—11 p. m.
[Received March 21—12:55 a. m.]

822. At 44th Coordinating Committee meeting, 18 March, French member⁶¹ read paper expressing his Government's alarm about second

⁵⁹ Not printed, but see telegram 387, to Berlin, *supra*.

⁶⁰ In note No. 183, dated March 14, from the French Embassy, the request was reiterated, in view of the assurances contained in the Secretary's communication, that the United States representative on the Coordinating Committee be instructed to consider the needs of the French economy when coal was discussed at the Coordinating Committee meeting scheduled for March 18 (862.6362/3-1446).

⁶¹ Lt. Gen. Louis Koeltz, Deputy Military Governor, French Zone of Occupation in Germany.

quarter allocation coal exports by Fuel Committee of Economic Directorate. British, Soviet and United States members⁶² had agreed this allocation. French member had disagreed, believing proposed allocation excessively favored domestic German needs at expense of exports. He cited figures indicating steady drop in ratio of exports to total of exports and domestic German deliveries: in October the former constituted 24% of latter, whereas projected second quarter allocation is only 18.4% thereof. He also said total coal exports through April 30, 1946 would fall far short of 25 million ton goal set by President Truman last June [*July*] 26.⁶³ He proposed second quarter allocation to zones be reduced to February–March level and difference transferred to export.

General Clay made sharp denial United States zone had failed deliver agreed quotas of coal. He also said industry, including fertilizer, agricultural equipment and processed foods, in United States zone operates at less than 15 percent, and priority as to coal actually had been given to requirements for security of Allied forces, disease and unrest formula etc.; furthermore it would be impossible to accomplish quadripartite program in Germany when all capital equipment, coal, etc., removed from Germany. He said that while United States program contemplated expenditures of 200 million dollars to bring to Germany food, exclusive of large quantities lent Allies, it had received no payments for exports, although agreement called for dollars in exchange. He believed lack of central German agencies hampered production and transport of coal, and failure receive adequate coal in United States zone had greatly increased burdens there. He proposed paper be sent to Economic Directorate with request it prepare and present impartial report to Coordinating Committee. British members seconded this, and after more debate Coordinating Committee agreed.

MURPHY

862.6362/3-2146 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

RESTRICTED

LONDON, March 21, 1946—2 p. m.

[Received 6:36 p. m.]

3233. Interim reply now received from Bevin⁶⁴ to Ambassador's letter based on Deptel 11096, Dec 27⁶⁵ with apologies for delay. He

⁶² Lt. Gen. Sir Brian Robertson, Lt. Gen. Mikhail Ivanovich Dratvin, and Lt. Gen. Lucius D. Clay, respectively, each of whom was Deputy Military Governor in his zone.

⁶³ See footnote 58, p. 767.

⁶⁴ Ernest Bevin, British Secretary of State for Foreign Affairs.

⁶⁵ Not printed; this telegram was the same, *mutatis mutandis*, as telegram 6047 to Paris, cited in footnote 55, p. 766.

states he has been informed French have appointed civilian coal adviser⁶⁶ but understands Russians have not been willing to appoint one. He states British Govt has been in considerable doubt whether similar appointment for British zone would be of real assistance inasmuch as until recently limiting factor on coal exports to liberated areas had been transport rather than production. He continues that measures taken by ECITO⁶⁷ appear to have been most successful in removing transport difficulties, that British Govt is now giving further consideration to our proposal and that he hopes to give us further reply in near future. He concludes by expressing apprehension that present food situation in Germany will provide new limiting factor on production.

GALLMAN

862.6362/4-546 : Telegram

The Secretary of State to the Chargé in the United Kingdom
(Gallman)

SECRET

WASHINGTON, April 5, 1946—7 p. m.

3007. On Thorp's⁶⁸ request Makins⁶⁹ of Brit Embassy called. He was told that the U.S. protests urgently the reported cut in exports of coal from Brit zone Germany as unjustified in view present high German consumption, especially in Brit zone. U.S. feels exports should be increased in April, especially in view American coal strike. U.S. also believes food rations of mine workers in Germany should and can be restored to pre-March 1 levels without significant drain on German food supply. U.S. will shortly present to Brit and Fr proposals for division of Ger coal involving substantial increase in share of U.S. zone and exports.

Sent to London as 3007 repeat[ed] to Berlin as 843 and Paris as 1563.

BYRNES

840.6362/4-846 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 8, 1946—10 p. m.
[Received April 8—8:01 p. m.]

970. For Willard Thorp. Your 843, April 5.^{69a} I discussed this subject matter with General Clay. Both of us are disturbed over the

⁶⁶ The French Government had formally accepted the proposal for appointment of zonal coal advisers on February 19, as reported to the Department in telegram 803, February 19, from Paris, not printed (862.6362/2-1946).

⁶⁷ For documentation relating to U. S. participation in the European Central Inland Transport Organization, see *Foreign Relations*, 1945, vol. II, pp. 1389 ff.

⁶⁸ Willard L. Thorp, Deputy to the Assistant Secretary of State (Clayton).

⁶⁹ Roger Makins, British Minister in Washington.

^{69a} Same as telegram 3007, *supra*.

notion that you may not fully understand the allocation system now in effect. The Quadripartite Coal Committee sitting in Berlin makes these allocations. The American member, for example, has expressed no dissatisfaction with the share of coal from the British zone allocated to the US zone. We are struck with your statement that "food rations of mine workers in Germany should and can be restored to pre-March 1 levels without significant drain on German food supply." As you know, it is not just a question of food for the man who wields a pick in a mine but a far greater complex of workers (together with their families) in actual mining and in associated industries and transport.

We do not agree with the statement that the food rations of all the workers necessary to produce and transport coal constitute an insignificant drain on German food supply. It should also be mentioned that the British zone, in addition to coal, is supplying steel and products essential to the US zone. Their production requires coal and also constitutes a drain on the food supply.

May I suggest that it would be, from our point of view, exceedingly helpful if OMGUS could have an opportunity to examine the proposals for division of German coal which you indicate will shortly be presented to the British and French.

I have suggested to Clay my opinion that in this matter you are actuated by a desire to support his position in the quadripartite allocation arrangement.

MURPHY

840.6362/4-2046: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, April 20, 1946—1 p. m.

927. Reference urtels 970, 972 and London's 4165, 4166.⁷⁰ Statements of Dept's position on problem of new coal directive and on reparations removals affecting production of mine supplies transmitted to Clay by War for comment. These messages follow for your info.

⁷⁰ Telegram 970, April 8, printed *supra*; telegrams 972, 4165, 4166 not printed. Telegram 972, April 8, reported on the difficulty of increasing coal production in the face of reparations removals of plants manufacturing equipment essential to the coal mining industry (862.60/4-846). Telegram 4165, April 15, indicated that there had been no agreement at a conference between French and British officials on French requests for increased coal allocations from the Ruhr (840.6362/4-1546). Telegram 4166, April 15, reported informally that the British Government considered the end of April 1946 to be the termination date of the 1945 coal directive, and inquired, in case the directive should terminate as of that date, whether Department considered it worthwhile for a new directive to be issued (840.6362/4-1546).

Dept anxious to make clear that no intervention in Berlin negotiations was intended. On the contrary Dept's inquiries are the result of French notes delivered insistently, failure of Brit-Fr negotiation at Essen ending Feb [*Apr*] 14 and necessity new directive to supplant expiring one after April. French recently requested detailed discussions in Wash. We have avoided them until we receive Clay's comments on new directive.

MESSAGE TO CLAY

No action will be taken by State on German coal problem without full consultation with you. State appreciates your views and recognizes importance of points you make. They desire to lay before you aspects of policy having greatest impact here and secure agreement future policy and action.

I. Expiration of July 1945 directive, Fr notes and desire for conversations make it necessary to attempt to frame a policy which provides attainable goals and machinery adequate for implementation rather than unsatisfactory directive of type used in past. Discussion of background of policy follows.

II. U.S. policy on German coal must be accommodation of (1) policy of reactivating Ger economy to level of 1949 [*sic*] decisions as quickly as possible and thereby easing various burdens and risks occupation and (2) policy of strengthening non-Ger nations of Europe by reparation removals, US loans and Ger aid such as coal exports. Necessity of accommodating two types of objectives clearly posed by dependence of Ger coal production on supplies from other industries, avoidance unrest and adequate food for workers contributing to coal production, all of which have been given priority since beginning occupation.

III. Fr obstructionism on central agencies, etc., results partly from desire Fr assure coal supplies for future by control Ruhr. Therefore Fr insist on coal exports now and in future and are not likely to allow difficulties securing Ger coal to affect their position. On contrary only confidence that their coal supply is assured is likely to help change their present position.

IV. Recovery in Fr and Western Europe proceeding well as result of their own efforts and some US aid. Coal is bottleneck in Fr, especially in steel making. US coal extremely expensive and must be paid for in scarce dollars at time when loan is sought here and not suitable for steel making. Brit coal not available in quantity as pre-war, while present US strike makes extra effort Ruhr exports advisable Apr-May. State basically interested in longer term settlement which will resolve legitimate Fr desire for assured Ger coal supply and permit steady Ger recovery.

V. State believes Brit not following this policy. Level of industry positions and other evidence indicates Brit desire avoid weakening Ger economy as far as possible, even at cost other objectives. General recovery Brit zone also believed evidence, especially levels of steel and vehicle production, power consumption. Believe Brit have revived industry generally rather than giving highest priorities to mining and ancillary industries. We cannot, after careful study of statistics available on distribution of industry Brit and US zones, believe that recent Brit zone activity levels are comparable with 15 percent production in US zone.

VI. Technique by which Brit have accomplished disproportionate recovery believed comprised two elements. First and minor based our knowledge from intelligence reports and Ger personnel North Germ Coal Control is coal stealing, blackmarketing and evasion of priorities through excessive use at mine and local use by industry connived in by Ger officials. Brit efforts to prevent such leaks not believed adequate. Second major technique appears statistical, obvious, and remediable. Transport shortage in early months occupation made allocation of transport rather than coal necessary. No ACC supervision consumption coal not requiring movement. Brit secured what they desired of this plus their share of allocations made on basis of higher concentration industry and population in their zone. Despite end of transport shortage for coal movement as proven by fall in stocks at mine no change has been made in allocation methods.

VII. State believes that allocation must be expanded to include numerous types of coal consumption, mainly in producing areas, not now counted. Objective is to include in deduction from pithead production only coal used strictly in mining. Among these categories are: (1) that part of colliery consumption of coal chargeable to commercial sales of power. Present high figures indicate Brit zone figures must include such coal use to explain why they are about as high as all hard coal, Germ colliery consumption in 1938. (2) Black markets. (3) Brown coal shipped directly to power plants. (4) Coal chargeable to gas or by-product production resulting from coking operations. (5) Other industrial uses not now included in allocation. Total of these categories will result in large amount of unallocated coal consumption, we believe.

VIII. Final State objective simply to secure revised statistical basis for coal allocation including all amounts coal consumed for purposes other than coal getting so that Ger consumption, properly proportionate in each zone so that recovery is equalized, can be compared with that of liberated countries; and thus Ger consumption of coal at an increasing level may be justified.

IX. Following is proposed new policy statement on which your comments are requested. Principal elements which State feels obliged to support urgently are inclusion of all categories consumption and use of comparison consumption levels Ger and importing countries. State feels your comments urgent so that some statement may be given Fr who are pressing them.

TEXT OF DRAFT COAL DIRECTIVE

"The following statement of policy with respect to Ger coal production and distribution supplants Pres Truman's directive of July 1945. It applies to the period beginning May 1, 1946.

It is US policy:

1. To seek to maximize production and movement of Ger coal by assigning highest priority to the coal mining and related industries, especially those producing supplies essential to mining;
2. To seek to allocate coal within Germany in a manner such as to achieve uniform rates of industrial recovery and activity among the four zones of occupation;
3. To seek to allocate coal as between use within Ger and exports to countries dependent on Ger coal in a manner such as to achieve a level of coal availability for the importing countries which are United Nations relatively higher by 15 per cent than the level of coal consumption in Germany; coal availability in the importing countries to be measured by the standard of their consumption in 1938 and that in Ger by estimated 1949 consumption based upon level of industry agreement. (110,000,000 tons hard coal equivalent);
4. To seek to concert with the other zone commanders with a view to ensuring that each will take effective measures to secure payment for current and past coal exports from Germany;
5. To seek agreement to provide food supplies for mine workers adequate to maintain labor supply and efficiency at levels which will provide maximum production and movement of coal;
6. To seek a system of coal allocation based upon net pithead coal production less only such coal as is used strictly for the operations of mining and is issued to coal miners, rather than upon 'merchantable coal', thus taking explicitly into account in allocations those quantities of coal consumed in mining regions for other purposes.

It is realized that the accomplishment of the policy stated in para 6 above, will require time to prepare new methods of statistical reporting, to examine the various uses of coal hitherto not reported in order to decide what portion of each must be considered in allocations and otherwise, to introduce a new method of allocating Ger coal. Until the new method is worked out and installed it is believed that an interim formula should be applied. The following formula is suggested for the interim.

'Ger consumption of merchantable coal should be permitted at a monthly level of 3,500,000 tons, hard coal equivalent, or 70 per

cent of merchantable coal, whichever is higher; and the remainder of merchantable coal should be exported. All consumption of coal outside the allocations, i.e., those categories of coal consumption which together with merchantable coal are net pithead production, should be held at the amounts consumed in Dec. 1945.'"

State offers the above formula as suggestion only with request for your special comment and suggestion as to whether this or any similar formula is feasible.

State emphasizes desire to have coal question settled by quadripartite agreement Berlin but urges necessity for taking into account policy considerations cited above.

New Subject: Reparations and Coal Production

Difficulties of adjustment inherent in the removal of plants under the reparations program, reurtel 972 of Apr 8, are appreciated by Dept, and it is evident that simultaneous removals and reactivation programs will require careful planning and careful timing. It is, also fully appreciated that success demands maximizing inter-zonal economic planning and treatment of Ger as an economic unit.

It seems important, however, to distinguish cases where:

a) level of industry allowed is, in fact, incompatible with a production goal, over long period; which would be the case should supporting industry be incapable of maintaining a production level of 155 million tons production hard coal equivalent. In this case revision, at appropriate time, of level of industry settlement is called for.

b) level of industry allowed is not sufficient to make good urgent capital requirements, in order to put industry on a sustaining basis, where only normal depreciation allowances are required. In this case, which we assume to be the case of mining supplies referred in CC-2862 of April 10,⁷¹ capital formation must come at expense of delay in revival of industries of lower priority; and appears to require concerted interzonal planning on agreed strict priority basis.

c) level of industry capacity in gen is adequate, but composition of capacity and production in each branch has not shaken down in such a way as to mesh with requirements at each stage. This problem is basic in level of industry settlement, and will undoubtedly prove troublesome over next several years. The Edlelstaalwerke relation to VKF seems to be a case of this kind.

Dept suggests, for your consideration, that:

1. Highest priority to production of supplies and parts for mining in plants within level of industry plan. This must involve sufficient control so that (2) below is unassailable.

2. Presentation to Control Council for quadripartite agreement of each case in which plant removal will endanger coal output. Each

⁷¹ Not printed.

case so presented should be supported with proof that all efforts to secure necessary supplies in plants retained have been made and should include: a) statement of period for which reparation plants must be retained. b) Proposal for securing alternate source of supply by the end of this period.

Sent to Berlin as 927 repeat[ed] to London as 3396 and to Paris as 1792.

BYRNES

840.6362/4-2846 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, April 28, 1946—3 p. m.

[Received 4:30 p. m.]

1122. Re Department's 927, April 20, 1 p. m. Current estimates indicate that exports from May 1945 through April 30, 1946, will amount to approximately 8.2 million tons or slightly under one-third of the objective set forth in the July 1945 directive. The Department will realize that when Colonel Koenig was head of Solid Fuels, SHAEF, he stated objective could only be reached under a variety of assumptions such as adequate transportation, adequate food and local supplies for miners and their families in order to allow an incentive to increase production, a minimum of dislocation by military authorities in the operation of the mines and an adequate supply of mining machinery and equipment. As the Department is aware, no such ideal conditions have existed. The circumstance is particularly regrettable that there could not be compliance with a directive as important as this dignified as it was with the President's signature. I believe that it has already been pointed out that the directive in question was not coordinated with Military Government prior to presentation to the President for signature.

With reference to Department's general statement of current status of problem, it is our view that Department has over-stressed the alleged unbalanced revival of industry in the British zone. It has appeared to us that maximizing of coal exports could best be accomplished by allowing a general revival of industry in the coal mining region and in regions related industrially. For example, it has been our view that coal used to produce steel which in turn has been largely used directly or indirectly in coal mined and in improving transportation facilities, represented over a short period of time, a net increase rather than decrease, in coal available for export.

In the statement of policy, point V, we would prefer somewhat wider application by favoring food supplies for miners' families and also for supplying miners with certain essential consumer incentive items which would increase their desire to speed up production.

During the past year, the Polish coal mines and the Silesian mines "under Polish administration" have not contributed coal to the areas of eastern and southern Germany, which they previously served. At the conclusion of the Potsdam Conference, Assistant Secretary Clayton and other Department officials attempted to stimulate a flow of this eastern coal into Germany.⁷² Since that time this office has explored such possibilities here and in Poland and has reported in detail to the Department that the Poles are prepared and willing to ship very considerable quantities of coal into Germany. To date the American control authorities have not made any firm commitments because of doubts as to whether Germany as an exporter of coal should also be an importer of coal, and also as to inability to pay for the Polish imports.

We have argued that if the Ruhr did not have to supply Berlin and parts of southern Germany, that this would result in increased availability of transportation equipment (except possibly locomotives which the Poles still lack) and also coal for shipment west. To date, the Department has given no reaction to these proposals, although it must be obvious that if this more normal use of European coal resources could be effected, France and the other western countries would benefit by increased imports.

However, as long as France is not paying in US dollars for coal imports from Germany (as agreed), we are faced with inability to pay for Polish coal imports. Thus, the French failure to pay in dollars has the direct effect of reducing the quantity of coal available from Germany. We would suggest that in any further statement of coal policy for Germany, that this fact be given consideration.

Reference is made to suggestion 2 of the Department in connection with reparations and coal production. I doubt practicability of suggestion that case of each individual point which might be temporarily retained should be presented with all pertinent statistical data to the Control Council and that it would only be retained in the event of unanimous agreement.

Sent to Department as 1122; repeated to London as 180, Warsaw as 125, Vienna as 57, Paris as 113, and Moscow as 106.

MURPHY

⁷² For the record of a conversation between Mr. Clayton and Polish Deputy Prime Minister Mikolajczyk during the Potsdam Conference on July 28 relating to Silesian coal, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1532. Concerning United States interest in securing Silesian coal from Poland for use in Germany, see telegram 606, October 4, 1945, to Berlin, and telegram 781, October 14, 1945, from Berlin, *Foreign Relations*, 1945, vol. III, pp. 1530 and 1533, respectively.

862.6362/5-1346 : Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*⁷³

SECRET

WASHINGTON, May 13, 1946—6 p. m.

2300. For Secretary from Hilldring.⁷⁴ To be delivered to the Secretary by 9:00 am Tues morn.⁷⁵ Gen Clay in teletype conversation today with Dept and War Dept states he will raise with you problem of Fr Saar coal mines proposal described in our 2109 to Paris of May 4.⁷⁶ We agree this is a matter for your judgment in light of general position at present conference.

Dept has taken position that Fr willingness to invest capital and technical resources in Saar coal mines on condition that resulting increase in production be treated as Fr production was compatible with our pursuit centralized administrative agencies in Germany, and that US should support this proposal with other occupying powers. In this, Dept has been affected by likelihood ultimate separation of Saar. Clay, on other hand, evidently desires avoid any action which would in his judgment weaken US position on central German agencies at this time.⁷⁷

Depts basic position was determined by real political and economic advantages to France and Western Europe of increased coal production resulting from this proposal; and we presumed Clay's basic objection would be met if the French Saar coal proposal is accepted at the CFM on a quadripartite basis.

Dept is impressed with fol factors in connection Fr proposal:

(A) Methods proposed by Fr have produced very large increase in coal production in France; and their application in Saar would serve to relieve, over six month period, western Europe coal bottleneck;

(B) Further Fr industrial revival appears absolutely dependent on increased coal imports, current Fr coal production being above 1938 level;

(C) Stagnation or decline in Fr industrial production would have undesirable political effects in France from US point of view;

(D) Brit appear to be moving very slowly in Ruhr with respect to coal production measures of type recommended by Fr and US experts (Boyd,⁷⁸ Forester⁷⁹);

⁷³ Secretary of State Byrnes was in Paris for the meeting of the Council of Foreign Ministers.

⁷⁴ Assistant Secretary of State John H. Hilldring.

⁷⁵ May 14.

⁷⁶ Not printed. The French had proposed that, without prejudice to the ultimate disposition of the Saar, they be allowed to apply their methods to increase the coal production of that area on the understanding that the increase above the January 1946 level go directly to them. (862.6362/5-446)

⁷⁷ For documentation concerning centralized agencies, see pp. 701-754, *passim*.

⁷⁸ Col. James Boyd, Chief of the Industry Branch, Economic Division, OMGUS.

⁷⁹ Max Forester, Head of the Coal Section, OMGUS.

(E) Fr actively resent efforts to exploit control over their coal supply to force alteration in their German policy; and in fact desire to avoid such leverage in future is a principal factor helping determine their attitude towards Rhineland-Ruhr. Dept is doubtful that economic pressure on French, retarding rate of economic recovery, will prove successful in altering their basic national policies in favor US views.

Dept fully in accord with Clay that Fr should pay for German coal exports, and that settlement of outstanding Ger policy issues in which Fr have dissident views is highly desirable, so that full Fr adherence to Potsdam may be obtained.

Would you inform Dept outcome your discussion with Clay in this matter. [Hilldring.]

ACHESON

840.6362/5-1546 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

SECRET

WASHINGTON, May 15, 1946—1 p. m.

NIACT US URGENT

2334. For the Secretary from Acheson and Clayton. Monnet⁸⁰ has urgently requested that we inform you of French concern over German coal production and export situation and request that you support favorable consideration of French position in CFM meeting today⁸¹ or take advantage of presence of principals for discussion with Bevin, Bidault,⁸² Clay.

Our view is that U.S. is vitally interested that immediate steps be taken to increase coal production in Ruhr. European coal production now limiting factor on entire European recovery and virtually equal in urgency to food supply to which it is intimately related. U.S. economic policy for Europe as expressed in our loan to France, our food program and our exports of coal and other supplies requires that increasing amounts of German coal be made available to help recovery in France and other Western European countries.

Efforts to increase production and exports fall into three groups.

1. Steps to improve production through improvement of management, food rations, mine supplies and equipment. This depends

⁸⁰ Jean Monnet was a member of Léon Blum's special economic mission to negotiate lend-lease and commercial agreements; for documentation, see pp. 399 ff.

⁸¹ German coal was not treated as a separate topic of discussion at the 7th informal meeting of the Council of Foreign Ministers, May 15; for a record of that meeting, see volume II. Coal was subsequently given special consideration at the 39th meeting of the Council of Foreign Ministers, July 10, *ibid*.

⁸² Georges Bidault, Minister for Foreign Affairs, Provisional Government of the French Republic.

largely on British. We believe they can and must immediately make greater, more concentrated effort.

2. Saar proposal made by French which was described to you in ourtel 2109 to Paris of May 4.⁸³

3. Agreement on proportion of German production which should be exported. Last point cannot be settled at present. Detailed discussions being undertaken with OMGUS. However US position is clearly sympathetic to French request for increased exports, keeping in mind necessity for gradual revival of German industry at a lower rate than that of liberated areas. [Acheson and Clayton.]

ACHESON

840.6362/5-2146 : Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 21, 1946—11 p. m.
[Received 7:50 a. m. (p. m.?)]

1305. Personal for Matthews.⁸⁴ As you know the Secretary discussed with Clay the Saar coal problem. Clay advised him that the granting of the French request for all increases in production after January would establish a dangerous precedent relative to increases in production in all other zones. It would also be inconsistent with quadripartite control. As I understand it, the Secretary expressed his concurrence. At the meeting with Bidault and Bevin,⁸⁵ it was agreed that every effort would be made to raise 500,000 tons for France in June to replace the coal formerly shipped from the US. Generals Robertson and Clay were instructed to return to Germany and to develop the maximum additional tonnage which could be raised here for France in June.

Clay met with Robertson today after inquiry. During the meeting it was developed that the American authorities believe that it will be possible to allocate for this purpose 60,000 tons from US military as distinguished from civilian supply. Robertson stated that subject to London's approval he was suggesting that 100,000 tons would be available from the British for this purpose.⁸⁶ Clay is making formal report through WarCAD.

MURPHY

⁸³ Not printed, but see footnote 76, p. 778.

⁸⁴ H. Freeman Matthews, Director of the Office of European Affairs.

⁸⁵ Reference is to a meeting, outside the Council of Foreign Ministers, which took place on May 16; no record of this meeting has been found in Department files.

⁸⁶ In Department's telegram 2474, May 22, to Paris, not printed, Secretary Byrnes transmitted for M. Bidault an informal report on the figures mentioned by Generals Clay and Robertson (862.6362/5-2246).

840.6362/5-2746 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Harriman)*

SECRET

WASHINGTON, May 27, 1945—7 p. m.

US URGENT

4306. For Ambassador: Please deliver immediately following message as personal from Secretary to Bevin.

Referring to our conversation with Bidault re the June shortage of coal for France, we agreed to make every effort to raise 500,000 tons additional to replace coal formerly shipped from US. I am advised that in spite of the coal situation here we will ship in May and the first few days of June, for June arrival, approximately 195,000 tons of anthracite fines suitable for making into briquettes. In addition, General Clay has arranged to divert from US coal supplies in Germany 60,000 tons of coal. This diversion is on a loan basis, to be made up out of future German production. The US will therefore have made available in June over one-half of the 500,000 tons M. Bidault asked for.

I understand that Gen. Robertson has agreed to lend France from British reserve military stocks in Germany an additional 100,000 tons subject to confirmation by you. I would appreciate your confirming the availability of the 100,000 tons extra from the British Zone Germany and your advice as to what other arrangements you have been able to make so that we may advise M. Bidault at the earliest moment what progress has been made in obtaining the 500,000 tons.

BYRNES

840.6362/5-3146 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, May 31, 1946—5 p. m.

U.S. URGENT

2625. Please transmit following message to Bidault from Secy.

“When Mr. Bevin and I discussed coal with you in Paris, we agreed to do what we could to assure that France would receive coal in June to make up for losses caused by the stoppage of production in the U.S. I am glad to inform you that we have made substantial progress. Although the regular export allocation from Germany had been estimated at 900,000 tons, it has been possible to raise this to 1,125,000 for June. This increase will of course benefit France in the allocations which are recommended by the ECO. In spite of the critical situation in the US in the past weeks, it has been possible to ship large quantities of anthracite fines, suitable for making into briquettes, and I expect that approximately 195,000 tons will have been shipped in May and

the first few days of June. With the end of the coal strike, it is my hope that substantial shipments of coal from the US will resume shortly.

In addition to the above, I have made arrangements for a loan of 60,000 tons to be made from US military reserves in Germany, the allocation of this amount to be agreed in ECO. I have instructed the US Rep in ECO to give strong support to the French claim for a major part of this special allotment, as well as of the special allotment being made by the Brit.

I am informed that Mr. Bevin has been able to arrange an allocation of an additional 100,000 tons for export from Brit domestic production and that it has been proposed in ECO that 85,000 tons of this should go to France. I also understand that another 100,000 tons will be made available from Brit reserves in Germany and that the Brit Rep in ECO will likewise strongly support the French claim against this special allotment.⁸⁷

From all these efforts it appears that the June losses of US shipments will be largely offset and that, with the Polish coal which I understand will be received by France in June, French industrial recovery will be able to continue its advance."⁸⁸

You are authorized to make information in above message public if and as you deem desirable except that release of statements of Brit action and intentions should be cleared with Brit Ambassador.⁸⁹ Sent Paris repeated London for Ambassador and Blaisdell⁹⁰ to inform FonOff.

BYRNES

851.6362/6-646

The Secretary of State to the French Ambassador (Bonnet)

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to refer to his note No. 375 of June 6, 1946,⁹¹ dealing with the coal supply of France.

The Secretary of State regrets that there has been an apparent misunderstanding of the position expressed by officials of the Department

⁸⁷ This information concerning the British response to Secretary Byrnes' message contained in telegram 4306, *supra*, had been transmitted to the Department in telegram 5580, May 30, from London, not printed (840.6362/5-3046).

⁸⁸ Telegram 2725, June 6, from Paris, reported M. Hervé Alphan's comments on the note addressed to M. Bidault. M. Alphan, Director General of Economic, Financial, and Technical Affairs, French Ministry for Foreign Affairs, expressed appreciation of United States efforts to send coal to alleviate the shortage in France resulting from the interruption of American coal exports, but he also stated that the French Government was dissatisfied with the production and distribution of Ruhr coal and intended to raise the subject at the next meeting of the Council of Foreign Ministers. (840.6362/6-646)

In addition, in note 375 of June 6, to the Department the French Embassy expressed disappointment at the unwillingness of the Allied authorities in Berlin to increase France's share of German coal for June and July and urged that the German economy be required to bear more of the burden of France's postwar recovery (840.6362/6-646).

⁸⁹ Alfred Duff Cooper.

⁹⁰ Thomas C. Blaisdell, Chief of the U.S. Mission for Economic Affairs, London.

⁹¹ Not printed, but see last paragraph of footnote 88 above.

of State regarding the problems of German coal and it seems desirable to clarify the American position.

The Department of State has given frequent assurances of its desire to increase French coal supplies and to accomplish this end, has helped to effect measures in the United States to enlarge American coal exports, taken steps to increase production of coal in Germany, and advocated recognition of the needs of France in the allocation deliberations of the European Coal Organization. The President of the United States, in the statement announcing the loan agreement with France, renewed the assurance of our earnest desire and continuing support for increases in French coal supplies.⁹²

The French representatives, in discussing in the Department of State the difficult situation in June and July of this year resulting from the severe curtailment of American coal shipments, appear to have misunderstood the American position regarding German coal exports. While it was agreed that the American representatives on the Allied Control Authority and the European Coal Organization would be urged to obtain the greatest volume of coal exports practicable from both the United Kingdom and Germany, there was no agreement to limit German consumption in the three Western Zones to 3,000,000 tons nor to insist on the export of any particular amount from German stocks. The Department of State has indicated many times to the American element of the Allied Control Authority that it desires to increase German coal exports. The American representative is fully aware of his Government's interest in the provision of coal for France and of its policy of clear priority with respect to the recovery of the liberated countries as against Germany. The representatives of the four occupying powers in Germany sitting in the Allied Control Authority, having the direct responsibility for the administration of Germany and its coal resources, are in the best position to know the minimum requirements of Germany and to make the quantitative decisions necessary.

The Secretary of State, in his conversation with the Foreign Minister of France in Paris made it clear that no definite quantities of coal could be promised to the French Government as a result of these facts.

The steps taken by the United States Government to relieve the situation in the month of June were outlined in the note delivered by the American Ambassador in Paris to the French Foreign Minister on June 3.⁹³ From present indications, it appears possible to resume substantial shipments of coal from the United States in June, which will greatly relieve the whole European coal situation.

WASHINGTON, June 18, 1946.

⁹² For text of the President's statement, see Department of State *Bulletin*, June 30, 1946, p. 1127.

⁹³ The text of this note is contained in telegram 2625, May 31, *supra*.

862.6362/6-2646

The Department of State to the British Embassy

AIDE-MÉMOIRE

Mr. John Kenneth Galbraith⁹⁴ of the Department of State and Mr. Thomas Blaisdell, Chief of the Mission of Economic Affairs, London, conferred with Mr. Mark Turner of the Control Office for Germany in London two weeks ago. The purpose of the discussion was to explore a number of points of concern to the United States Government relating to German coal production.

Mr. Turner stated that steps would shortly be taken to restore the food rations of Ruhr miners to the levels that prevailed prior to the reduction last March first. He stated that this step would be taken as soon as the food position in the British Zone of Germany looked reasonably secure, or, more specifically, when June deliveries of food were assured. He added that steps would also be taken to improve the quality of the miners' rations.

Mr. Turner and Mr. Galbraith explored generally the question of increasing steel supplies for the mines and providing incentive goods for the miners. Mr. Galbraith stressed the importance of maximizing the amount of steel available for mine supplies, equipment, and mine use from German sources. Mr. Galbraith raised with Mr. Turner the possibility of supplementing German supplies from external sources although stating that no detailed conclusions had been reached as to program or procedure.

In order to increase the incentive to German miners, Mr. Turner and Mr. Galbraith agreed on the desirability of expressing the principle that increases in coal production, as they occurred, should be shared between Germany and export. Mr. Turner suggested the desirability of further discussions especially on steps to increase the supply of steel and incentive goods for miners. He indicated that advantage might be taken of the presence of principals at the conference in Paris.

Following the discussions with Mr. Turner, Mr. Galbraith, in accordance with an understanding reached with Mr. Turner, conveyed the sense of these discussions to M. Monnet and M. Alphanh, representing the French Government in Paris. Both M. Monnet and M. Alphanh expressed their cordial approval of the steps proposed, and M. Alphanh concurred in the desirability of enunciating the allocation principle just cited.

The Department of State attaches great importance to the desirability of increasing coal production in Germany and believes that action along the lines indicated above, will provide substantial impetus

⁹⁴ Director of the Office of Economic Security Policy.

to greater production. The Department of State hopes especially to be informed in the near future of action to increase miners' rations as indicated.

WASHINGTON, June 26, 1946.

740.00119 Council/6-2646 : Telegram

*The Secretary of State to Assistant Secretary of State Clayton and
Assistant Secretary of State Hilldring*

SECRET

PARIS, June 26, 1946—5 p. m.

US URGENT

[Received June 26—4:31 p. m.]

3144. This is Delsec 636. From the Secretary for Clayton and Hilldring. Re Secdel 339 [337].⁹⁵

While Bevin has not yet talked to me concerning any coal discussions in Paris, Alphand has suggested some side talks on this problem. I told him that General Clay would be here the end of this week and we would then see what the French have in mind with regard to increased Ruhr production and allocation. I do not believe that there should be extensive coal talks during this conference and see no need for anyone to come over from the Department for this purpose at the present time.

The European Coal Organization, of which we and the British and French are members, was set up specifically for the purpose of dealing with problems of coal allocations and I think it would be a mistake to divert consideration of this aspect of the problem to other channels.

[BYRNES]

740.00119 Council/6-2646 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

SECRET

WASHINGTON, June 28, 1946—1 p. m.

NIACT URGENT

3138. Secdel 365. For Secretary from Clayton and Hilldring. We concur in your 636⁹⁶ to limit or avoid side discussions of coal problem at present meeting. We are advising Brit of this and propose suggesting that a subsequent meeting wholly apart from issues facing CFM would be more appropriate. In suggesting such postponement to

⁹⁵ Reference is to telegram 3047, June 25, to Paris (not printed), which informed the Secretary that the British Embassy had advised the Department that Mr. Bevin planned to propose discussions among the governmental coal experts at Paris in order to implement suggestions for increasing German coal production already considered by Mr. Galbraith and Mr. Turner (740.00119-Council 6-2546).

⁹⁶ *Supra*.

French and Brit urge you stress serious view Dept takes of coal problem. In fact, coal shortage is major single obstacle to Eur recovery economic stability at this time. Dept has stressed to France desire to help in all possible ways and to Brit serious view we take of their responsibilities in Ruhr. Most anxious there be no relaxation of interest or pressure either direction.

For your information, there are broadly three issues:

1. Increase of Ruhr coal production. Only part of this problem within competence of OMGUS. For remainder it requires governmental collaboration with Brit as well as pressure on Brit to improve and tighten management. This is not a problem on which the Eur coal organization can be helpful.

2. Problem of allocation of coal supply as between Germany and export. This is properly problem of Allied Control Authority except to extent that disagreements there have passed issue to Govt level. This also is outside competence of ECO on which Allied Control Authority is unrepresented.

3. Allocation of German, US and other export coal supplies. This is purely problem for ECO.

For your further information two of most urgent production measures are prompt restoration of miner's rations as already agreed in principle and maximum allocation from present Ruhr steel production for rehabilitation of mines. [Clayton and Hilldring.]

ACHESON

740.00119 Council/7-1246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, July 12, 1946—7 p. m.

[Received July 13—8:39 p. m.]

3462. This is Delsec 704. Am forwarding by pouch record⁹⁹ of informal discussion on German coal held Paris at request of French July 4, 5 and 8. As main subject was question increasing coal production in Ruhr and Saar only French, British and US participated. Russians were informed such talks taking place and were handed copy of report on July 9. Hall-Patch,¹ Robertson, Brigadier Marley² and Mark Turner represented British; Alphand, Sargent, Baraduc³ and other experts represented French; General Draper,⁴ Forester and Lightner⁵ represented US.

⁹⁹ Not printed.

¹ Edmund L. Hall-Patch, Deputy Under-Secretary, British Foreign Office.

² Brig. Cuthbert D. Marley, Controller General, North German Coal Control.

³ Pierre Baraduc, Office of Economic Affairs, French Ministry for Foreign Affairs.

⁴ Brig. Gen. William H. Draper, Chief, Economic Division, OMGUS.

⁵ E. Allan Lightner, Acting Assistant Chief, Division of Central European Affairs.

All agreed necessity for rapid increase coal production Germany and that special group investigators should examine on spot ways and means of accomplishing this. Suggested terms of reference, drawn up for possible use of any committee appointed. Since questions to be investigated involved matters which could only properly be implemented by four occupying powers it was agreed to recommend that ACC Germany handle investigation with object covering all Germany. French Delegation reserved right raise question at CFM.

At meeting CFM July 10,⁶ Bidault, after discussing broad German problems, raised question of coal. He stated it was essential have assurance that considerable portion German coal be put at disposal Allied Powers and not at the exclusive and principal disposition of reconstruction German industrial power. It was not necessary to talk about long term measures to be taken but it was important to agree now on arrangements which would enable occupation authorities to take into account needs for restoration of neighboring countries, notably France. French efforts to this end so far unsuccessful. Bidault circulated paper⁷ providing that committee experts of four powers be instructed report to CFM by August 10 on steps to be taken to increase coal output and general principle re allocation of output as between domestic consumption and exports. Bidault stated he felt this was question of broad policy which CFM should consider rather than ACC Berlin, which he said was merely an executing body.

Molotov in commenting on Bidault's statement briefly stated he had no objection discussing coal problem in CFM.

As indicated in report of informal coal discussions British and US position is that problem this kind should be implemented through ACC Germany, whose representatives would, of course, submit investigating committee's report and their own comments to their governments.

In CFM meeting July 12, resolution⁸ was adopted to instruct ACC appoint committee experts who submit report by August 10. Report to be considered by ACC Berlin who will report to CFM before September 1.

Bevin indicated that in agreeing to resolution he had to make reservation that CFM failure reach agreement in carrying out Article 15, Potsdam Agreement⁹ must be taken into account when considering coal situation in Ruhr.

CAFFERY

⁶ For a record of this meeting, see volume II.

⁷ For text, see *ibid.*

⁸ For text, see *ibid.*

⁹ Reference is to paragraph 15 of section II of the Potsdam Protocol, dealing with limitations on Allied controls to be exercised over the Germany economy. The preceding paragraph indicated that Germany was to be treated as an economic unit. For texts, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, p. 1484.

740.00119 Control (Germany)/7-2846: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 28, 1946—6 p. m.
[Received July 28—11:59 a. m.]

1813. Long and acrimonious debate took place sixty-seventh meeting Coordinating Committee July 27th on terms of reference Committee of Coal Experts which owing to lack of agreement were reported to Coordinating Committee in following two parts:

(1) US, British and French proposal that Experts Committee should confine itself to essentials relating to coal production which would enable it to submit report to Council Foreign Ministers by September first; and

(2) Soviet proposal that Experts Committee should undertake critical investigation of zone commanders efficiency in operating mining plants, analysis of financing and control mining enterprises, such should be completed by October 10th for presentation of CFM in November.

Soviet Chairman Coordinating Committee,¹⁰ without mentioning that Soviets themselves, owing to lack of instructions, had been responsible for delay in getting experts started, referred to short time available to make report by end of August which he argued would preclude investigations on the spot in the various zones as envisaged by CFM. (My telegram 1785, July 24 and 1769, July 20¹¹). He claimed that CFM had set earlier date for report before they fixed meeting for November and that they would wish comprehensive material envisaged in Soviet terms of reference. British and French members insisted that Control Council and Experts Committee were bound by CFM instructions to submit report by September 1st. US member states that in view of Europe's crying need for coal control, Council and CFM would welcome an investigation of all factors bearing on increased production in Germany and he thought points suggested by Soviets should be examined. As compromise he proposed that Experts Committee should present preliminary report in late August as called for by CFM and should then continue work on comprehensive report for completion by October 10th.

¹⁰ Col. Gen. Pavel Alekseevich Kurochkin.

¹¹ Reference to telegram 1769 is presumably incorrect, since the content of this telegram is not related to German coal. The pertinent portion of telegram 1785 reported that at the 66th Coordinating Committee meeting, July 23, the governments named their representatives on the Committee of Coal Experts and agreed that they should begin work as soon as possible and maintain contact with the Economic Directorate (740.00119 Control (Germany)/7-2446). For that part of the text of telegram 1785 dealing with reparations and disarmament, see p. 581.

British member referred to specific task of Experts Committee and said he would have to see report requested under CFM instructions before agreeing to necessity of further comprehensive examination. General Clay states that in that case he would support terms of reference for Committee suggested by Soviets and proposed that minutes of discussion reflecting disagreement be referred to CFM. While he did not object to Experts Committee continuing this work, he doubted they could accomplish useful purpose owing to lack of agreed directive.

Coordinating Committee decided to refer question to next meeting Control Council July 30th but agreed that Experts Committee should in meantime proceed with their work.

For what it may be worth. A member of British delegation in informal conversation after meeting expressed considerable bitterness about Soviet stalling procedure and claimed that comprehensive examination was suggested for purpose of making political capital out of social conditions in Ruhr. He justified British reservation on grounds that their zone would be primarily affected since only minimal coal production took place in other zones, excepting of course Polish area which Soviets would presumably exclude from investigation.

He expressed surprise at the sudden change over to support of the Soviet program, particularly in view of the fact that consideration is being actively given to joint economic arrangements for the American and British zones.

Repeated to Moscow as 119. (Dept please relay this message to Moscow). Sent London as 260 and Paris as 217.

MURPHY

740.00119 Control (Germany)/7-3046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 30, 1946—9 p. m.

[Received 9:32 p. m.]

1826. After protracted and fine argumentation in which British were chiefly concerned with excluding Coal Experts Committee from examining political questions, Control Council accepted solution of terms of reference for Committee based substantially on General Clay's compromise proposal made at last meeting of Coordinating Committee. (See mytel 1813, July 28.) British member at first objected that enlarged terms of reference suggested by Soviets covered many points which were the primary responsibility of the zone commander and he said he could not accept these implications as long as

there was failure to agree on the treatment of Germany as an economic whole.

French member indicated that in report due for submission to Council of Foreign Ministers on September 1 primary emphasis might be given to coal distribution, whereas the more complicated question of production could be dealt with more fully in subsequent study.

Control Council finally agreed to following conclusion: (a) Preliminary report on coal production and apportionment to be presented by experts by August 25 with a view to submission to CFM by September 1, after examination by Coordinating Committee and Control Council. (b) Second and final report to be completed by coal experts by October 10. (c) First report would cover points envisaged in proposed US, British and French terms of reference, plus such points from proposed Soviet terms of reference as might be found necessary, and in addition any other matters found to be appropriate for study on the spot. (d) Full and final report would contain complete program determined by Experts Committee.

Sent Department as 1826; repeated to Moscow as 204 (Dept please relay to Moscow), Paris for Matthews as 223; London as 264.

MURPHY

740.00119 Control (Germany)/9-1046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 10, 1946—9 p. m.
[Received September 10—3:56 p. m.]

2119. ACC at thirty-ninth meeting September 10 approved decisions Coordinating Committee re Coal Experts Committee's report and special minutes (mytel 2120¹²). Koenig requested that continued study to be made of allocations be completed within two or three days and asked that following be agreed: (1) Total amounts of coal in all four zones should be available for all of Germany and for export. (2) The needs of any zone commanders could be examined and checked at any desired moment. US member said he favored screening of all German resources and not only coal. Soviet member observed that planning should be undertaken of coal production in addition to allocation but Clay pointed out that this would be covered in second comprehensive report by Experts Committee.

ACC decided that Allied Secretariat should send copies of following documents to individual Ministers on CFM: Coal Committee's

¹² *Infra.*

agreed report, its special minutes, Coordinating Committee recommendations and minutes of present ACC meeting when confirmed.¹³

Sent Department as 2119; repeated Moscow as 260; London as 317; Paris for Matthews as 274.

MURPHY

740.00119 Control (Germany)/9-1046: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 10, 1946—9 p. m.
[Received September 10—5:50 p. m.]

2120. Mytel 2098, September 8.¹⁴ 76th Extraordinary Session of Coordinating Committee September 9 noted agreed report by Experts Committee on coal production as well as special minutes on disagreed points.¹⁵ Both documents will be submitted to ACC September 10 for transmission to CFM. Zone Commanders will be invited to give effect to agreed recommendations and to furnish monthly reports on their actions to ACC. Coal Experts Committee reports will also be referred to Economic Manpower and Finance Directorates for continued study of measures to increase production.

Owing to divergence between US, British and French views on one hand and Soviet on other regarding coal availabilities in relation to internal needs and Potsdam principles of creating Germany as economic whole no agreement was reached on allocations. In reply to question by Clay, Soviet member on Coordinating Committee stated his delegation had not refused to make coal available for quadripartite allocation and he suggested Experts Committee meet again to resolve this point. This was agreed and supplementary report will be forwarded to ACC and CFM when completed. At Clay's request Economic Directorate will attempt concurrently a clearer definition of "needs of occupying forces". (Clay's intention is to endeavor to limit coal quantities which Soviet Zone can withhold from availability on grounds that they might be needed for general and probably very broad requirements of Soviet forces and military administration.)

Coordinating Committee agreed to await study of present preliminary report by CFM before instructing Experts Committee to proceed with second comprehensive report (mytel 1826 of July 30).

¹³ None printed.

¹⁴ Not printed; this telegram merely reported that discussion of coal was deferred from the 75th to the 76th meeting of the Coordinating Committee (740.00119 Control (Germany)/9-846).

¹⁵ Neither printed.

Following is brief summary of agreed preliminary report which General Clay yesterday described as "disheartening": Hard coal production is respectively 40% and 50% of prewar levels in British and French zones. There are only three-quarters of number of mine workers employed before war. Productivity per manshift is 60% in Ruhr and 70% in Saar of prewar levels. Absenteeism runs from 40% to 100% above 1938 figures. Recommendations are that zonal authorities combine other branches of economy to obtain essential mine workers. Incentives must be offered such as food, consumer goods, housing, increased wages, social insurance and special inducements. There should be better technical control and discipline including denazification measures, improvement of trade unions relationships, etc.

Following is summary of Special Experts Committee's minutes on disagreed points consisting largely of 30 pages comments and rebuttal on British zone. In general Soviet and French representatives criticized "inadmissible backwardness" of Ruhr whereas British emphasized unique position as result of great war damage. French survey of their own zone was accepted without comment. Brief Soviet comment on US zone is that workers organizations are not sufficiently consulted, equipment is inadequate and production is based on mine-owners self-interest. Comments on Soviet zone by other representatives criticized equipment, maintenance, incomplete denazification, apparent 7-day work week.

Sent Department, repeated London as 318, Paris for Matthews as 275, Moscow as 263.

MURPHY

840.6362/9-1246: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 12, 1946—10 p. m.

[Received September 12—3:49 p. m.]

2144. Current status coal report described in mytels 2119 and 2120, September 10. Following in answer to other questions in Department's 1866, September 11:¹⁶

1. There is no agreement on amount of tonnage reduction in coal exports covering any temporary period.

¹⁶This telegram reads as follows: "What is current status coal committee report to CFM? Is there agreement on amount by which coal exports should be reduced for temporary period, and if not, what is view of each member of committee? Do French take position reduction German coal exports contingent corresponding increase US coal availabilities?" (840.6362/9-1146)

a. French have indicated willingness to accept a reduction of 150,000 tons from August total of German export and Austria combined.

b. British have indicated generally that a considerably higher tonnage reduction would be necessary.

c. Soviets have indicated nothing beyond a desire to help France with a special allocation of coal from Saar or Ruhr.

d. US member has indicated to all the necessity of a reduction with a desire to bring the British and French extreme positions to a compromise.

2. The French have made no mention of balancing any reduction in German coal availability with increased imports from US. They have been receiving some coal currently from Poland.

3. Coal Experts Committee has not met since ACC meeting September 10, because Soviet member not available. It is endeavoring to meet September 13.

Sent Dept as 2144: repeated to Paris for Matthews as 280.

MURPHY

840.6362/9-2446: Telegram

The United States Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, September 24, 1946—9 p. m.
[Received September 26—9:55 a. m.]

2245. Committee of Coal Experts having been again unable to reach agreement on principles of allocation, 79th meeting of Coordinating Committee discussed question further on September 23 (2119 and 2120 September 10). Discussion served to clarify basic differences of opinion. While three western powers are willing to agree to quadripartite allocation of all coal mined in Germany, Soviets maintain that each zonal commander must first deduct needs of his occupying forces and authorities following which balance of coal produced in his zone will be available for quadripartite allocation. Soviets stated they are willing to agree to quadripartite allocation of all coal produced only if there is also quadripartite planning of coal production throughout Germany. Coordinating Committee agrees to inform CFM of above after reporting to Control Council.¹⁷

Repeat to Moscow as 282; Paris for Matthews as 299; London as 337.

MURPHY

¹⁷ The Allied Control Council, at its 41st meeting, September 30, merely took note of the failure of the Coordinating Committee to agree on coal allocations, the report on which was being forwarded to the Council of Foreign Ministers. This information was sent to the Department in telegram 2281, September 30, from Berlin (740.00119 Control (Germany)/9-3046).

CONCERN OF THE UNITED STATES REGARDING THE REPATRIATION
OF GERMAN OFFICIALS, AGENTS, AND OTHER NATIONALS FOLLOW-
ING THE END OF THE WAR¹⁸

740.00119 Control (Germany)/1-246 : Telegram

*The Secretary of State to the United States Political Adviser for
Germany (Murphy)*

SECRET

WASHINGTON, January 2, 1946—5 p. m.

2. It will soon be four months since Control Council passed its resolution¹⁹ regarding recall of German officials, agents and obnoxious persons from neutral countries. Information reaching Dept indicates that compliance has been complete in Afghanistan, moderately satisfactory in Sweden, partial in Switzerland and negligible in Spain, Portugal, Ireland and the Vatican. It is to be borne in mind, however, that Spanish Govt at least can allege that no actual facilities for repatriation of Germans have been offered.

Consider in connection with this problem Bern's 4919, Dec. 4 to Dept repeated to you as 89; Lisbon's 2329 Dec 4 to Dept repeated to you; Amvat 225, Nov 21, to Dept repeated to you; Madrid's 2363, Nov 21 repeated to you as 40; Madrid's 2428, Nov 30 repeated to you as 69; Madrid's despatch no. 1176, Nov 15 copy of which was sent you; and Madrid's despatch 1140 Nov 10 copy of which was sent you.²⁰ Dublin does not appear to have repeated relevant telegrams to you but has been unable to elicit from Eire Govt any indication of cooperation in this matter.

Jan 10 may be appropriate date for some statement by Control Council preparatory to subsequent efforts to arouse world opinion in behalf of repatriation of obnoxious Germans from neutral states. Please consult your colleagues informally in this sense and unless your and their reactions are negative initiate action in this sense.

Repeated to London as Dept's 8.

BYRNES

740.00119 Control (Germany)/1-246 : Telegram

The Chargé in Spain (Butterworth) to the Secretary of State

RESTRICTED

MADRID, January 2, 1946—8 p. m.

MOST IMMEDIATE

[Received January 4—8:23 a. m.]

7. This Embassy's study of Spanish note on German repatriation despatch 1345²¹ establishes following general reaction: (1) Expul-

¹⁸ Continued from *Foreign Relations*, 1945, vol. III, pp. 784 ff.

¹⁹ The text of the Resolution of the Allied Control Council for Germany, dated September 10, 1945, is quoted in circular telegram of September 17, 1945, *ibid.*, p. 808.

²⁰ None printed.

²¹ Despatch 1345, December 21, 1945, not printed, but for text of Spanish note dated December 11, 1945, see telegram 2573, December 20, 1945, from Madrid, *Foreign Relations*, 1945, vol. III, p. 819.

sion and repatriation are not refused in principle. (2) Paragraph 2 of note apparently leaves door open for SAFEHAVEN categories of which no mention yet made to Foreign Minister.²² (3) Disposition of Spanish Govt to authorize travel (and exit from Spain) of all those to be repatriated. Expected prompt issuance of such authorizations in individual cases will be most helpful. (4) It is admitted there are groups whose presence in Spain is unjustified who should be expelled. (5) Spanish Govt requests for definite accusations only in certain cases of long time residents, considered as "incorporated in Spanish life" although number thereof may prove large. (6) Present list 100 names will be followed by others. List (despatch 1345) includes several high Embassy officials and many important Abwehr and Gestapo among the four [*two?*] selected by Foreign Minister from our first and second priorities; 24 are on official A list and 18 on agents B list, 36 from first priority list and 6 from second. One Emtel 2533, December 14, London 697²³ [?] not named. (7) Contrary to previous oral statements Spanish Govt for first time accept legal capacity HCC [*ACC?*] to it as Govt of Germany.²⁴

In oral discussion by British and this Embassy with official of Spanish Foreign Minister [*Ministry*] regarding Spanish understanding of certain points in note following were covered. (a) Embassy's tentative proposal that 400 our candidates be removed if possible by plane and then 400 guards by train will be studied by Foreign Minister. All concerned agreed ship is best solution. Please indicate present status this possibility (London's 343, December 22, to Madrid Dept 13428 Berlin 423 Lisbon²⁵). (b) Minister stated another list would not be ready for a month but at our request undertook to endeavor to expedite. We will be provided with list of those considered incorporated into Spanish life against whom our accusations requested.

We pressed for rounding up persons to be removed by plane prior to actual arrival planes in accord with USFET's request; Minister felt fortnight would suffice to produce candidates and agreed in principle. (d) Minister agreed to intern at once any further dangerous German we may name.

Further conversation will occur about January 4. Despatch follows.

Berlin is requested to ascertain whether planes for removal 42 to 50 can be made available tentatively about January 25. If answer affirmative we shall at once inform Minister and follow up on concentrating passengers.

²² Alberto Martin Artajo.

²³ Not printed; it stated that the Embassy considered that former German funds available to Allied trusteeship in Spain were sufficient to cover costs of air lifting of Germans to be repatriated from Spain (740.00116 E.W./12-1445).

²⁴ This paragraph is garbled.

²⁵ Not printed.

Spanish reply to our repatriation proposals thus represents immediate concrete basis on which to begin. Although the note contains may [*many*] ambiguous terms and as is customarily the case in Spain its satisfactory execution will require persistent efforts on part of both Embassies. Departure shortly of important group named above will have definite effect upon entire German colony and pro-Axis.

Spanish requests that Allies pay expenses of internees will be made subject another telegram.

While British Embassy agree in general with these views it has not yet concluded its study of Spanish reply.

Repeated London as No. 1. London please repeat to Berlin as Embassy's 1. Repeated Lisbon by pouch.

BUTTERWORTH

740.00119 Control (Germany)/1-446: Circular telegram

*The Secretary of State to Certain Diplomatic Representatives*²⁶

WASHINGTON, January 4, 1946.

US representative, as acting chairman of Control Council for Germany,²⁷ has been requested to transmit note on behalf of Control Council through US diplomatic missions.

Accordingly, please present note to FonOff, text of which follows:

"The Allied Control Council for Germany understands that there are a number of German military internees in neutral countries, and it desires to obtain certain information with a view to effecting the return of this personnel to Germany. With respect to such German military internees as may be held in the territory of blank (under scored) the Control Council would be grateful if it could be informed of the number of the internees by roster showing name, rank, branch of service and former place of residence in Germany. It would be appreciated if this data could be furnished not later than 1 March 1946, as it is urgently required."

BYRNES

740.00119 Control (Germany)/1-546: Telegram

The Chargé in Spain (Butterworth) to the Secretary of State

RESTRICTED

MADRID, January 5, 1946—9 p. m.

NIACT

[Received January 12—11:28 a. m.]

21. Despatch 1345, December 21²⁸ Embtel 7, January 2 London 1 Berlin 1 Lisbon. Concluding portion Spanish FonMin note on re-

²⁶ Sent to representatives at Kabul, Dublin, Lisbon, Madrid, Stockholm, Bern, Tangier, Vatican City: sent to Berlin for information only.

²⁷ Gen. Joseph T. McNarney.

²⁸ Not printed.

patriation of Germans calls for Allies to meet high repatriation expenses and expenses all German internees, pointing out that German funds for latter purpose have been turned over to US; Spanish have no objection to internees engaging in public work to support themselves.

FonMin official now presses for early Allied payment of expenses of internees indicating that no Spanish funds are now available and that men run danger of severe suffering. He states FonMin understands expenses of those interned should be charged to authority replacing German Government, that obligation to intern belligerents of military age ceased and men should have been released moment war ended.

In approving deduction 283,683.40 pesetas for camp support Deptel 2052, December 20 London 10958, Paris 5958, Paris 5974 ²⁹ we stressed that same was not to be considered precedent for further deductions or payments. We also directed attention to the apparent disappearance of some 2 million pesetas believed to have been disbursed by German Embassy for internee support just prior to closure. However, this is a disputable point and a minor matter which cannot be allowed to interfere with major repatriation problem and the present reality is that FonOff regards camp support as legitimate charge against Allies and in event of our failure to assume same we run risk of Spanish Government releasing promptly the interned espionage agents as well as customs guards with concurrent repercussions on repatriation program and loss Allied prestige. It must be stressed that continued cost of camps is regarded by Spaniards as due in final analysis to failure of Allies to initiate repatriation program promptly after surrender of Germany.

Embassy considers best procedure to advance funds under close control for all and in any event to secure prompt exodus all guards via train as soon as possible. It no longer appears their remaining here at our expense would in any way force Spanish to speed up removal our candidates for repatriation or effect movement thereof by air or sea; trusteeship would desire such expense stopped by prompt removal guards.

Former German funds in pesetas sufficient to cover costs of short period of maintenance and transport (Embtel 2533, December 14 paragraph 2 London 697 Berlin 87 ²⁹) Embassy therefore requests that USFET promptly arrange train transport of customs guards via Hendaye about January 31 (tel S-34583, December 11 HQ Main to MA Madrid ²⁹). Please keep Embassy informed as to progress. Embassy will endeavor to persuade Spain to expel all 1253 customs guards.

²⁹ Not printed.

Repeated London as 7. London please relay to Berlin as Embassy's 3.

BUTTERWORTH

862.20252/1-746 : Telegram

The Chargé in Spain (Butterworth) to the Secretary of State

RESTRICTED

MADRID, January 7, 1946—7 p. m.
[Received January 9—4:05 a. m.]

28. In further conversation between British and this Embassy officers and FonMin Emtel 7, January 2 London 1 Berlin 1 Minister agreed to permit expulsion with Germans of at least certain espionage agents of other nationalities now interned and to try to speed up examination of their records on our 255 candidates for repatriation named to Minister of which they hope to have further 55 in two areas in addition to 44 already named to US for tentative removal January 25 by plane. FonMin agreed to add at once as well members of Abwehr, Gestapo SD and SS of whom we have sure knowledge.

Minister agreed to remove all 1253 customs guards via train (Emtel 21, January 5 London 7 Berlin 3 Paris 7) tentatively set for January 31 if USFET can provide train from Hendaye or Irun.

British and our officers received impression that Embassy recommendation that we cover costs internment and our preparations for speedy removal customs guards, as well as plans for prompt removal others has created more favorable atmosphere on part of Minister toward whole repatriation scheme which of course can only be put to the test but should be as soon as possible.

Repeated London as 10 Paris as 5 Lisbon by pouch. London please relay to Berlin as Embassy's 4.

BUTTERWORTH

701.6266A/1-746

The Apostolic Delegate in the United States (Cicognani) to the Department of State

MEMORANDUM

The Apostolic Delegate in the United States has been informed by the Secretariat of State of the Holy See that the question of the German diplomats residing presently in Vatican City has not yet been decided. The Holy See is most anxious to reach a solution of the problem and invokes the aid and assistance of the United States Government for that purpose.

The above mentioned diplomats are willing to be repatriated to Germany and to submit to an examination regarding their past activities. However they feel that they are entitled to some assurance that they will not be interned, and that they will be given fair treatment, so that their families which are now without homes and means of subsistence will not be exposed to needless and grave hardships. They wish to be permitted to choose a place of residence in Western Germany, and declare at the same time that they are willing to be interrogated and to be placed under the vigilance of the Allied authorities.

The Acting Secretary of State further indicates that while the Allied authorities had previously declared that such a procedure would be followed, more recent communications on the subject state that these diplomats "would not be interned immediately on their arrival in Frankfurt".

This latter reservation leaves much anxiety in the minds of the German diplomats, and the Holy See, for its part, does not wish to force them to leave Vatican City without greater guarantees of personal immunity, especially in view of the unfavorable reaction that such a forced departure from Vatican City may arouse among the German people either at once or in the future.

The Apostolic Delegate earnestly requests the kind consideration of the Department of State in the above stated problem, and confidently trusts that some suitable solution may be found in the near future.

JANUARY 7, 1946.

740.00119 Control (Germany)/12-2245 : Airgram

*The Acting Secretary of State to the United States Political Adviser
for Germany (Murphy)*

WASHINGTON, January 8, 1946.

A-24. Reference is made to Department's 1085, December 14, 1945, 8 p. m. and your 1324, December 22, 4 p. m. in response.³¹

Department has instructed Missions in other American republics to make representation against grant of citizenship to dangerous

³¹ Neither printed. Mr. Murphy, in telegram 1324, stated that Department's telegram 1085, which suggested an amendment to the note to United Nations Governments relating to expulsion of German agents, had not been received until after the note had been approved by the Coordinating Committee. In telegram 1085 the Department had proposed that Mr. Murphy, if the occasion presented itself, suggest an amendment to the note designed to cover some cases of naturalization of obnoxious Germans (740.00119 Control (Germany)/11-2745, 12-2245). See circular telegram dated December 18, 1945, for quoted text of note as sent to 37 American Diplomatic Missions, *Foreign Relations*, 1945, vol. III, p. 818.

German nationals, especially individuals recommended for repatriation, as contrary to obligations of American republics under Resolution XVII of third meeting of Foreign Ministers held at Rio de Janeiro,³² Resolution XV of Emergency Advisory Committee for Political Defense,³³ and Resolution VII of Mexico City conference.³⁴ Information has been received that former head of Banco Alemão Transatlantico in Rio de Janeiro and other objectionable Germans considered by Rio de Janeiro Embassy for repatriation have been granted Brazilian citizenship by naturalization within past few months. It is obviously desirable to forestall any tendency toward indiscriminate award of local citizenship to German nationals as injurious to execution of plan to return to Germany German officials, German agents and other obnoxious Germans.

ACHESON

740.00119 Control (Germany)/2-1846

*The British Embassy in Portugal to the Portuguese Foreign Office*³⁵

AIDE-MÉMOIRE

In their *Note Verbale* No. 1015 of November 23rd, 1945, His Majesty's Embassy emphasised the problem presented by the provision of transport for the repatriation of German officials from Portugal and requested the Ministry to be good enough to give an assurance that the Portuguese Government would agree to the repatriation of certain categories of Germans, if necessary without the consent of the individuals concerned. It was explained that this assurance was required in order that a clear idea should be formed in advance of the number of persons to be transported.

The Embassy have now been informed that the British S.S. *Highland Monarch*, which is engaged in the repatriation of Germans from South America, may be able to call at Lisbon to pick up repatriates from Portugal provided that the number of the latter whose embarkation can be guaranteed is sufficient to justify this voyage. The Embassy need not stress the advantages both to the Portuguese Government and to the Allied powers of taking this opportunity to

³² Department of State *Bulletin*, February 7, 1942, pp. 117, 128-130.

³³ For text, see Emergency Advisory Committee for Political Defense, *Annual Report*, July 1943 (Montevideo, 1943), p. 139.

³⁴ For text, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 38.

³⁵ Copy transmitted to the Department in despatch 743, February 18, 1946, from Lisbon; received March 6, 1946. The *aide-mémoire* was presented to Dr. Marcello Mathias, Director General of Political Affairs in the Portuguese Foreign Office, by representatives of the American, British, and French Missions in Lisbon on January 8, 1946.

remove from Portugal those officials of the former German Government who have been recalled by the Allied Control Council. The Ministry are therefore requested to be good enough to inform the Embassy at the earliest convenient date whether the Portuguese Government, in the event of the S.S. *Highland Monarch* calling at Lisbon, will ensure the embarkation of the following categories of persons whose names are listed in the Annex ³⁶ to this Note:—

1. The German Service Attachés and those of their staffs who held military rank.
2. German officials left behind from the *Drottningholm* exchange.
3. Germans who have entered Portugal illegally or clandestinely, since the termination of hostilities.
4. Thiele von Winkler, who was expelled from Mozambique.
5. Germans who have worked for espionage and sabotage organisations such as the Abwehr and Sicherheitsdienst.
6. Germans who, on the receipt of the Allied Control Council's order to return, announced their readiness to obey this order but could not leave last November.

Although no written reply has yet been received from the Portuguese Government to the Embassy's *Note Verbale* under reference, His Majesty's Minister was given to understand by the Head of the Political Department of the Ministry that the Portuguese Government were prepared to consider the expulsion of categories 1 to 4 above. Further comment on these categories is therefore not considered necessary in the present *aide-mémoire*.

With regard to category 5, it is clearly apparent that members of espionage and sabotage organisations who have entered a neutral country under diplomatic or commercial cover for the purpose of carrying out their illicit tasks have no claim whatever to the continued hospitality of the country which they have thus abused. The Embassy assume that this is also the view of the Portuguese Government.

With reference to category 6, all that is required is to hold these officials to their previous undertaking that they were prepared to obey the orders of the Allied Control Council.

The Embassy wish to emphasise that, in requesting an assurance that the above categories will be expelled, they reserve the right to revert in due course to their request for the expulsion of all the German officials who are affected by the instructions of the Allied Control Council and of whom a list was presented to the Ministry with His Majesty's Ambassador's Note of 24th August, 1945. By assisting in repatriating these persons to Germany, Portugal would be making a positive contribution to the task undertaken in the interests of future peace by the Allied Powers of preventing a recrudescence of Nazi

³⁶ Not printed.

activities not only in Portugal but throughout the world. The Embassy's object in requesting an early decision on the subject of categories 1 to 6 above, numbering in all some 152 persons, is that they represent both the minimum number for the transport of which the Embassy would feel justified in asking the S.S. *Highland Monarch* to divert her voyage to Lisbon and those whose expulsion appears to raise no difficult question of international law or practice.

The Ministry will recall that at the request of the Portuguese Government the three Allied Missions made elaborate arrangements for the return to Germany without compulsion of all the officials affected by the Allied Control Council's order and that the results were unsatisfactory. The Ministry will also recall that on a previous occasion certain Germans whose expulsion had been decided upon by the Portuguese Government failed to appear when transport was provided for them. It is therefore hoped by the Embassy that any measures decided upon by the Ministry with regard to the categories of Germans set out above will be implemented to the full.

This *aide-mémoire* has been drawn up after consultation and in agreement with the United States Embassy and the French Legation.

740.00119 Control (Germany)/1-1246

The Acting Secretary of State to the Acting Secretary of War
(Royall)

WASHINGTON, January 12, 1946.

MY DEAR MR. ROYALL: I attach a series, in copy or paraphrase, of telegrams and other reports from representatives of this Department in Europe relating to the repatriation of German officials, German agents and obnoxious Germans as called for by the Resolution of the Allied Control Council at Berlin which was addressed to neutral countries on September 10, 1945 and was subsequently transmitted to the United Nations by a note of the Control Council, forwarded through channels of this Government.

According to the reports from the United States Political Adviser for Germany, the American military authorities in Germany, after a prolonged discussion, came to the conclusion that they should not facilitate the repatriation of Germans in accordance with the Control Council Resolution unless, first, quadripartite responsibility was acknowledged and, second, a scheme was developed for the equitable financing of that repatriation on a quadripartite basis. The first condition has apparently been met but the Political Adviser doubts the feasibility of arriving at an arrangement for equitable financing.

Both he and this Department's other representatives clearly believe that the military decision referred to imperils the chances of success for the entire program. I am inclined to share their views.

For example, despatch no. 1249 of December 5, 1945 from the American Embassy at Madrid,³⁸ reports that the Spanish Government, after months of negotiation, has finally brought itself to agree to the repatriation of obnoxious Germans. The Embassy at Madrid, having achieved this agreement, is in urgent need of providing facilities for the repatriation of such Germans in the immediate future if it is not to lose the results of these negotiations and if Allied prestige in Spain is not to be irreparably damaged.

The paraphrase of a report from the American Embassy at Lisbon shows that the American Embassy there feels that the military authorities in Germany are unwilling to cooperate in the repatriation of Germans, that Allied prestige at Lisbon is imperiled thereby and that there is no use in continuing efforts for the repatriation of Germans until the attitude of the military authorities in Germany is changed.

The report of the American Embassy at London under date of December 21³⁸ indicates the belief of specialists in the subject that Allied success in obtaining control of German external assets for reparations purposes is imperiled if key German nationals are not promptly repatriated. Numerous other reports from military, naval and diplomatic sources abroad, which are understood to be available to the Military Intelligence Service, clearly indicate that there is extreme danger of a renaissance of Nazi activities in such places as the Iberian Peninsula, Argentina and China with ensuing political, economic and military danger unless effective repatriation measures can be carried out in the near future. According to War Department correspondence that has been made available to this Department, General Wedemeyer³⁹ has ruled that the removal of dangerous Germans from China is a matter of military necessity.

So far as concerns funds to defray the cost of repatriating Germans, there are now available to the Allied diplomatic missions in the neutral countries in Europe liquid German assets more than sufficient to finance the transportation to Germany of the German nationals falling within the scope of the Control Council Resolution if only the means of transportation can be made available. The ruling of General Wedemeyer that the removal of the Germans from China constitutes a military necessity is understood to establish military responsibility

³⁸ Not printed.

³⁹ Gen. Albert C. Wedemeyer, Commanding General, United States Forces in the China Theater.

for the cost of repatriation of these Germans. On the grounds that such removal is necessitated by international commitments of this Government and by considerations of its political, military and economic security, the Department of State is willing to approach Congress or take any other necessary steps to find funds for the removal from the Western Hemisphere of obnoxious Germans whose repatriation can be effected through the cooperation of the other American republics. The British Government, as is evidenced in the report dated December 22 from the American Embassy at London,⁴¹ is willing to bear its part in the program. The Department concurs in the opinion of the British Foreign Office cited in that report that in terms of facilities and expenses the British Government has already contributed more than any other government to the repatriation of obnoxious Germans.

In view of the important objectives which are at stake I hope you will agree with me that no step which can effectively be taken, by this Government or by any other government irrespective of the distribution of expenses, to repatriate any Germans or category of Germans falling within the scope of the Control Council Resolution should be deferred. If you are in agreement I should appreciate being informed of any steps which you may find it feasible to take to facilitate the provision of facilities for transportation to Germany and reception in Germany of obnoxious Germans whose repatriation the representatives of both our Departments stationed outside Germany may be able to arrange under the program of the Allied Control Council.

Sincerely yours,

DEAN ACHESON

701.6266A/1-1246

The Acting Secretary of State to the Apostolic Delegate in the United States (Cicognani)

WASHINGTON, January 19, 1946.

MY DEAR ARCHBISHOP: I acknowledge the receipt of your letter of January 7⁴¹ and enclosed memorandum⁴² regarding the former German officials presently residing in the Vatican City and the concern of the Holy See that they receive suitable treatment upon their return to Germany.

I am informed in a communication from the American Political Adviser on German Affairs that due consideration will be given to the age, sex and state of health of any German ex-officials and their

⁴¹ Not printed.

⁴² *Ante*, p. 798.

families who may return to Germany from the Vatican City pursuant to the recall order of the Allied Control Council and that the maximum consideration extended to any German of the same category will likewise be extended to these Germans.

I hope that with the receipt of this assurance the Holy See will find it possible to agree to the departure of the individuals in question.

Sincerely yours,

DEAN ACHESON

800.515/1-2146: Telegram

The Minister in Ireland (Gray) to the Secretary of State

SECRET

DUBLIN, January 21, 1946—1 p. m.

[Received 2:42 p. m.]

5. Under Secretary's recent statement that no reply had been received to our request to Irish Govt for cooperation regarding SAFE-HAVEN and repatriation German officials etc., definitely helpful to us here. On other hand, published reports on plans for putting economic pressure on recalcitrant neutrals fail of purpose as regards Eire. In first place, in view of our much advertised allocation of surplus aircraft to Irish Govt without political *quid pro quo*, suggestion of economic pressure is not taken seriously. In second place, if such suggestions should be made officially they would unquestionably rally Irish electorate in support of de Valera's⁴³ policy of noncooperation. We believe that publication of the diplomatic correspondence at proper time is the most effective defense we have as Irish Govt dreads unfavorable publicity in America. Believe British colleague⁴⁴ takes same view of undesirability of threat of pressure. In the event of unfavorable reply which we anticipate strongly recommend joint publicity, followed if considered desirable by economic discrimination not previously threatened.

Sent Dept, repeated London as 2.

GRAY

740.00119 Control (Germany)/1-1246: Telegram

The Acting Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, January 23, 1946—8 p. m.

202. Your 104 and 105 Jan 12.⁴⁵ Following are Dept's comments on Report of Finance Division:

Dept believes Swiss Govt will be found to have charged cost repatriation military internees against German Govt funds blocked

⁴³ Eamon de Valera, Irish Prime Minister and Minister for External Affairs.

⁴⁴ Sir John Maffey.

⁴⁵ Neither printed.

Switzerland. Delivery of message to other neutrals suggesting they pay cost repatriation German military internees or other Germans up to frontiers of Germany and that they might make claims against Germany at a future date would in Dept's opinion in view situation Spain be surest way of ensuring release of military internees from internment in Spain forthwith since Spanish Govt already has expressed desire collect costs of interning these persons for period commencing 6 months after German surrender. Position of Spanish Govt is that Allied Govts should have repatriated this personnel promptly after German surrender and that delays have compelled it to keep individuals interned longer than duties of neutrals require. Dept notes that Soviet Govt without question provided facilities for repatriation military internees in Sweden at its own expense.

Dept questions qualification of Finland as neutral country.

Military internees Eire all repatriated except certain escapees not yet found by police. No military internees known to exist in Afghanistan or Portugal.

Paragraph 4 of report overlooks fact that Control Council Powers have authorized use diplomatic funds German Govt in neutral countries for purposes management and repatriation. Such funds were in custody of Allied representatives prior to vesting decree and have not been considered as falling directly under that decree.

ACHESON

740.00119 Control (Germany)/1-3146

The Secretary of War (Patterson) to the Secretary of State

WASHINGTON, January 31, 1946.

DEAR MR. SECRETARY: Reference is made to letter from your Department dated January 12, 1946, to the Acting Secretary of War relative to the repatriation of German officials, agents, and obnoxious Germans from Neutral Countries pursuant to the Resolution of the Allied Control Council for Germany of September 10, 1945.

I am advised that at a conference of State and War Department representatives, under the chairmanship of Mr. Clattenburg of the State Department, held on January 22, 1946, to discuss the problems outlined in your letter, it was agreed that the repatriation would be greatly facilitated if the State Department were to undertake responsibility for the repatriation movement, and the War Department were to instruct the Office of Military Government for Germany (US) to endeavor to secure Control Council authorization for the reception of the repatriates in Germany. I should be glad to receive your confirmation of the foregoing arrangement.

I understand that the State Department is to approach the War Shipping Administration for the necessary shipping space and to defray the cost of shipping by use of German diplomatic funds presently available to the Allied diplomatic missions in the neutral countries. The War Department is informing the Commanding General, Office of Military Government for Germany (US)⁴⁶ of the State Department's proposed plan for repatriating these Germans from the neutral countries. In addition, the Commanding General, Office of Military Government for Germany (US) is being requested to secure Control Council authorization for the reception of these Germans in Germany and to forward this authorization together with any information or other details which the Control Council would require incidental to this repatriation. When this necessary authorization and other information has been received by the War Department from the Office of Military Government for Germany (US), it will be forwarded to the State Department.

Sincerely yours,

ROBERT P. PATTERSON

701.6266A/2-746 : Telegram

Mr. Franklin C. Gowen, Assistant to the Personal Representative of President Truman to Pope Pius XII, to the Secretary of State

SECRET

VATICAN CITY, February 7, 1946—5 p. m.

[Received February 8—11:30 a. m.]

17. Department's 2, January 18.⁴⁷ Re German ex-Diplomats now Vatican Montini⁴⁸ discussed matter with me today expressing opinion it would be well if we could officially inform Holy See that on return to Germany they will be permitted to reside in localities indicated Vatican's note December 22 (my despatch 485, December 25)⁴⁹ under Allied supervision and pending interrogation. He said that suicide in Germany of Kocher, German ex-Minister to Switzerland, has greatly alarmed these Germans and made matters more difficult. He said unless they can be officially assured prior to repatriation that family units will not be separated and that they will be permitted to reside places indicated and allowed seek gainful employment their anxiety and nervousness especially regarding ultimate fate women and children would continue to make it still more difficult for Vatican to induce them to depart. He repeated these Germans are destitute, in poor

⁴⁶ Lt. Gen. Lucius D. Clay.

⁴⁷ Not printed, but see letter of January 19 to the Apostolic Delegate in the United States, p. 804.

⁴⁸ Msgr. Giovanni Batista Montini, Papal Under Secretary of State.

⁴⁹ Neither the despatch nor enclosed Vatican note printed. The Vatican in its note indicated that the repatriated Germans "would like to be authorized to cross into the different zones of Western Germany". (701.6266a/12-2545)

health generally and fearful lest they be delivered to Soviet authorities. He feels that in view peculiar attending circumstances which unavoidably place Vatican in difficult position these assurances would seem plausible and if forthcoming might bring about desired repatriation not as a concession but as speedy and practical solution to have Germans leave Vatican but believes this cannot now be accomplished unless foregoing general conditions can be met if possible. Please instruct.

Sent to Department as Amvat 17 repeated to Murphy as Amvat 2.
GOWEN

701.6266A/2-2746 : Telegram

Mr. Franklin C. Gowen, Assistant to the Personal Representative of President Truman to Pope Pius XII, to the Secretary of State

SECRET

VATICAN CITY, February 27, 1946—noon.
[Received 12:26 p. m.]

25. I pointed out to Montini Feb 23 that German ex-diplomats at Vatican will apparently continue remain there indefinitely unless Vatican notifies them to leave and that unless this is done they will continue to quibble and stall as long as they are made to feel that Vatican is prone to entertain and transmit their endless objections which in view our assurances (Dept's 2, Jan 18⁵⁰) are not warranted. Montini replied he appreciated my remarks and confidentially repeated Vatican is not responsible for what happens to Germans after they leave Vatican but that he hopes we will give Vatican written assurances merely as a formality, however, that on return to Germany conditions set forth in Vatican note of Dec 22 will be met (my despatch 485 Dec 25⁵¹). He repeated this is mere formality but that if desired conditions are not met when these Germans are back in Germany the Vatican will not object. He emphasized he is most anxious to get rid of Germans. In conclusion our written assurance to Vatican would be on confidential understanding that they are merely a means to an end.

Please instruct.⁵²

GOWEN

⁵⁰ Not printed.

⁵¹ Not printed, but see footnote 49, p. 807.

⁵² In Amvat 18, March 5, 1946, the Department instructed the President's Representative at the Vatican to draft some written assurances to the Vatican that German officials expelled would receive proper treatment (701.6266A/2-2746).

740.00119 Control (Germany)/3-1346

*Memorandum of Conversation, by the Second Secretary of Embassy
in Portugal (Rose)* ⁵³

[LISBON,] March 7, 1946.

When Dr. Marcelo Mathias received me this afternoon, I assured him that we were grateful to him for his efforts to meet our wishes in expelling from Portugal a considerable number of former German officials and agents contained on the list of 6 categories of Germans whose expulsion we had requested.

I then told him that the Embassy had been instructed, in reference to the recent departure of German nationals on the SS *Highland Monarch*, to express to the Portuguese Government the American Government's displeasure at the failure of his Government to seize every opportunity to deport obnoxious German nationals who had worked for German espionage and sabotage organizations during the period of hostilities.

Dr. Mathias was clearly taken aback by our protest and informed me that far from expecting criticism, he had been confident that the American, British and French missions would send him a note of thanks for the zeal of the Portuguese Government in respect of the *Highland Monarch* program. He asserted that in Categories 1 to 4 inclusive, and in Category 6, everyone we had named had been expelled, with the possible exception of some who were unable to travel. With respect to Category 5, which was the subject of American criticism, the Portuguese Government had forced the return to Germany of all except the following: those married to Portuguese nationals, those certified as unfit to travel by a doctor appointed by the Allied Missions, and those who had children born in Portugal, who were considered potential Portuguese citizens who could not be deprived of the protection of their parents. Dr. Mathias added that one German in Category 5, Fritz Sumbeck, was not deported for the reason that representations had been made on his behalf by the Brazilian Embassy. Dr. Mathias added that he was prepared to deport in the future only those whose deportation had been ordered on the present occasion, and who had avoided compliance therewith, or had been prevented by their physical condition from returning to Germany at this time.

Dr. Mathias then went on to describe the juridical basis of the Portuguese point of view in respect of the deportation of Germans. This is, in effect, that no national should be forced to return against

⁵³ Copy transmitted to the Department in despatch 791, March 11, from Lisbon; received March 27, 1946.

his will to the country of his previous residence and that there is no basis in international law for a contrary opinion. I pointed out, in accordance with our instructions, that Spain, for example, had agreed to deport all German nationals falling within our Category 5. He was neither impressed with this remark nor did he comment upon it. Instead he cited the address of Mrs. Roosevelt before the recent U.N.O. Assembly in London opposing the Soviet suggestion for forcible return of displaced persons to their former country of allegiance.

Comment: My interview with Dr. Mathias was amicable, but he left no doubt in my mind that we may expect no further assistance from the Portuguese Government in the repatriation of German nationals.

H. L. R[OSE]

740.00119 Control (Germany)/4-146: Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

SECRET

MADRID, April 1, 1946—3 p. m.

[Received April 1—2:35 p. m.]

629. Emtel 177, March 25, Paris, 98, Berlin, 171, London, 594 Dept.⁵⁴ Spanish Police state that of 75 Germans Madrid named by Spanish Foreign Minister for airlift they have been unable to arrest anyone this week. It will, therefore, be impossible to proceed with air removals pending their ability to secure Germans.

In conversation with Foreign Minister March 25 and 26 by British Ambassador and myself, we emphasized that of about 1,400 former German officials, only 113 have left and of some 400 agents, only 44 (Emtel 589, March 24, Dept only; despatch 1853, March 28⁵⁵).

Embassy suggests that Department call in Cárdenas⁵⁶ and inform him of very poor showing made to date and very strongly request that Spanish Government realize seriousness of situation, inevitability of strong reaction in American public opinion because of failure to remove Nazi elements and urge utmost expedition in executing program particularly of removal high ranking members on air priorities of whom only 70 have left, although list of 255 presented November 12. Emtel 321, February 16, London, 101; Berlin, 62.⁵⁴ British Ambassador is making similar suggestion to London.

Spanish Foreign Minister recently stated any statement which could be given Spanish press re conditions in Germany more favorable

⁵⁴ Not printed.

⁵⁵ Neither printed.

⁵⁶ Juan Francisco de Cárdenas, Spanish Ambassador in the United States.

than those now being published would perhaps influence Germans here to come forward, particularly on assurances as to security of life and property and food conditions. Alleged kidnapping by French of Karl Heilmann, customs guard, (Emtel 590, March 24, Berlin 96, Paris 175, London, 169; Paris telegram 36, February 8, Dept 640, Berlin 53⁵⁷) was also declared to have had detrimental effect on German departures. Embassy concurs that any assurances which can be given would be helpful. Embassy has noted reports German mails being re-established, Spain excepted, and invites attention Minister's request families of those airlifted be advised their welfare direct preferably by carefully censored messages through official channels.

Emtel 578, March 21, Paris, 168; London, 165; Berlin, 94.⁵⁸ Embassies consider that in spite unfavorable picture presented above we can still expect reasonably successful ship movement due largely to efforts repatriation center, and Consuls request advice as to progress procuring vessel. Prompt announcement sailing date will have beneficial effect.

It will, of course, not have escaped Dept's attention that possibility real cooperation from Spanish authorities in repatriation matters is necessarily affected by our Government's attitude toward regime (tripartite statement, so-called White Book etc.⁵⁹). Foreign Minister has repeatedly told British Ambassador and myself that help he has rendered on repatriation has evidently not improved Spanish international position and is, therefore, hard to justify to his Cabinet colleagues.

Although Embassy, in cooperation with British Embassy, plans to keep this whole matter and especially repatriation of high priority officials and agents energetically before Spanish Government, Embassy suggests Dept may wish in light of experience in Spain and other countries to re-examine whole program on basis present conditions and possibilities with a view to restatement of directives.

Repeated London, 180; Paris, 191; Paris, please relay Berlin as Embs 104.

BONSAL

⁵⁷ None printed.

⁵⁸ Not printed.

⁵⁹ For text of joint statement by the United States, United Kingdom, and France on relations with Spanish Government of Franco released to the press March 4, 1946, and partial texts of the 15 documents, sometimes referred to as Spanish White Book, see Department of State *Bulletin*, March 17, 1946, pp. 412-427. For complete text of the documents, see Department of State publication No. 2483, European Series No. 8.

740.00119 Control (Germany)/4-146: Telegram

The Secretary of State to the Chargé in Spain (Bonsal)

SECRET

WASHINGTON, April 20, 1946—3 p. m.

560. Deptel 520 April 12.⁶⁰ Now that date for repatriation is fixed repatriation program should be pressed to maximum extent possible. Incidentally this enables us to exploit achievements in various countries in negotiations with others. (Your 629 April 1 and Desp 1788 March 14).⁶¹

From urtel it appears that Span Govt regards cooperation this repatriation as favor to us. You should disabuse them this attitude. In effect we are giving them opportunity to contradict by their deeds widespread impression their complacency in giving refuge to Germans whom we consider obnoxious and whose continued presence in Spain we believe to be against true interests all peace loving peoples. Their failure to produce specified Germans on schedule merely serves confirm in world public opinion adverse impression. If they wish to improve their international position this seems to us to be one easy way for them to start. If Span Govt fails avail itself of opportunity offered to cooperate in removing these obnoxious Germans, international criticism will inevitably become more severe. Taking advantage of facilities offered does not, however, eliminate other grounds public criticism.

Dept does not plan to call in Cárdenas on this question pending further developments.

Repeated to London 3399, Berlin 928.

BYRNES

740.00119 Control (Germany)/5-2646

Memorandum of Conversation, by the Chargé in Spain (Bonsal) ⁶²

[MADRID,] May 22, 1946.

Participants: Foreign Minister, Alberto Martín Artajo
British Ambassador, Sir Victor Mallet
American Chargé, Philip W. Bonsal

The Foreign Minister received us at 6:20 p. m., May 22, 1946.

Repatriation of Germans

The British Ambassador and I expressed as forcibly as possible our disappointment at the slow progress which has been made in the

⁶⁰ Not printed.

⁶¹ Despatch 1788 not printed.

⁶² Transmitted to the Department in despatch 2202, May 24, from Madrid; received June 7, 1946.

repatriation from Spain of the Germans whom we have named to the Spanish Government. While we recognize the good will which has been shown in this matter by various officials of the Foreign Office, we were constrained to take the position that their good will was by no means reflected by many of the Spanish officials upon whose efforts we must count if effective results are to be obtained. We referred specifically to the arrival of the vessel *Marine Perch* at Bilbao on June 6 and expressed the view that a failure to take advantage of the capacity of this vessel (over 900 persons) would produce a most unfortunate effect particularly taking into account the fact that since the departure of the *Highland Monarch* in early March the Spanish Government in spite of its expressions of good will has been able to produce only twelve candidates for repatriation.

The Foreign Minister said that he had on this same day had a conversation with the Minister of the Interior on this subject and that he had urged the necessity for making a good showing on the *Marine Perch*. He said, however, that the matter was one in which the Government did not have the support of Spanish public opinion which was unable to see why these Germans had to be removed, particularly those who had resided for many years in the country or who had rendered special services during the Spanish Civil War. Among such services he included the saving of lives of Franco's supporters from the Reds. He said that the Cardinal Archbishop of Toledo had mentioned the matter to him.

We furnished the Foreign Minister with figures showing what a small proportion of the important officials and agents whom we named last November have been repatriated or even located. We also pointed out to him that the German Government had had over 2,000 Germans in its employ in Spain, counting officials and agents. The Minister's attitude throughout was one of endeavoring to make a deal with us whereby we would agree to limit the number of persons in whom we are interested in exchange for greater Spanish cooperation in regard to these people.

The Minister said that he intended to try to catch and hand over to us almost all the Germans on our first two priority lists which he presumed to be the principal officials and agents. There might be one or two exceptions among those who had rendered special services during the Civil War and of course it might not be possible to find some of those Germans who were in hiding but he would do his best. He obviously wanted us to withdraw our claim for compulsory expulsion of those on the lower list but we gave him no hope whatever that we would agree to this.

The Minister made the suggestion that it might be desirable for the *Marine Perch* to stay several days, perhaps a week, in Bilbao. He

said that he believed that large numbers of Germans were finally making up their minds to leave Spain and that if the opportunity for departure could be held open for them the number going might be increased. The British Ambassador referred to the cost of holding the vessel and to the fact that we had no authority over its movements.

The British Ambassador then left with the Foreign Minister an *aide-mémoire* regarding the case of Meyer Doehner, the German Naval Attaché who failed to show up on the occasion of our last air lift to Germany. The *aide-mémoire* deals with the Minister of Marine's interference in the matter and his indication to Meyer Doehner that he not depart as he had given his word of honor to do. The Minister said he would look into the matter. I raised the question of DeGrelle and Lagrou.⁶³ The Minister asked the British Ambassador whether he had received any reply from London regarding the possibility of trying these men by an international tribunal instead of turning them back to the Belgians. The Ambassador replied in the negative but expressed doubt as to whether such a solution would be feasible. The Minister stated that DeGrelle had given some indication of a desire to depart voluntarily from Spain.

740.00119 Control (Germany)/5-2946: Telegram

The Secretary of State to the Chargé in Spain (Bonsal)

WASHINGTON, May 29, 1946.

758. Following statement is being released to press by Dept. today.

"On May 18 US Govt. presented to United Nations Security Council Subcommittee on Spain statement which included information on Germans remaining in Spain. There still remain in Spain 2,205 Nazis exclusive of families whose repatriation US Govt. wishes to effect as soon as possible. These Germans include 931 officials 794 intelligence agents 450 technicians scientists engineers and businessmen and 30 border guards. To expedite removal of these Germans US Govt is making available *Marine Perch* vessel capable of carrying 947 passengers which will arrive June 6 at Bilbao on way to Germany. The American Embassy in Madrid, in cooperation with Brit. and French representatives there, has made available to Spanish Govt. this information, giving that Govt. one month advance notice in which to concentrate an adequate number of Germans for removal."

BYRNES

⁶³ Léon DeGrelle and René Lagrou, two Belgians considered by the Belgian Government as traitors, had entered Spain as members of the German armed forces asking for asylum. The Belgian Government requested extradition of the two men.

740.00119 Control (Germany)/7-2246

The Secretary of State to the Spanish Ambassador (Cárdenas)

WASHINGTON, July 22, 1946.

EXCELLENCY: I have the honor to call to your attention the pressing matter of the repatriation from Spain of German officials and agents and other obnoxious Germans.

As the Spanish Government is aware, an opportunity to demonstrate its good faith by helping to eliminate from Spain a large number of the most dangerous of these Germans was offered when the American vessel, the *Marine Perch*, with a passenger capacity of approximately 900, was made available to transport repatriates on June 9, 1946.

In a *Note Verbale* addressed to the Spanish Foreign Ministry on May 16, 1946, the American Embassy at Madrid pointed out this opportunity and emphasized its desire that the total passenger capacity of the vessel be utilized and that repatriates should be from among those Germans, with their families, whose repatriation had been most urgently requested in various Priority Lists which had been presented to the Ministry. It was especially requested that there be included 40 specifically named and particularly obnoxious Germans, who had repeatedly been mentioned in previous communications to the Foreign Ministry.

Notwithstanding the frequently expressed intentions of the Spanish Government to cooperate in matters of repatriation, and the fact that ample advance notice of the sailing of the *Marine Perch* had been given, only 341 Germans were made available, thus leaving almost 600 spaces unfilled. Only one of the 40 Germans most urgently requested in the *Note Verbale* referred to above was included. The following table shows, furthermore, the number of Germans, without families, on each of four priority lists presented to the Spanish Foreign Ministry, who were still in Spain prior to the sailing of the *Marine Perch*, and the number of persons from each list who were actually repatriated on that vessel:

<i>Priority List</i>	<i>Number Requested</i>	<i>Number Repatriated</i>
I	105	1
II	75	5
III	221	31
IV	227	46
	—	—
Totals:	628	83

These figures clearly illustrate that the Germans repatriated on the *Marine Perch* were largely either voluntary repatriates or relatively

unimportant persons, and that the Spanish Government is continuing to give refuge and protection to the most obnoxious of the Nazi elements in Spain.

This is only the latest in a series of instances in which the Spanish authorities have failed to cooperate effectively in the repatriation of Germans from Spain. For example, only one-third of the passenger capacity of the British vessel, the *Highland Monarch*, which sailed from Bilbao on March 7, 1946, was utilized. Airlifts for groups of 16, which the American Embassy at Madrid stood ready and still stands ready to arrange at any time, have failed to materialize since March 5, with the exception of one airlift on May 10 in which 4 out of 16 Germans listed for passage did not appear.

The United States Government, through its Embassy at Madrid, and the British Government, have repeatedly urged upon the Spanish Government the importance of eliminating from Spain those Germans regarded as inimical to general security. In making facilities available to accomplish this objective, the United States Government has gone to considerable effort and expense, and notes with deep regret the meager results so far attained.

The failure of the Spanish Government so far to make good its frequently expressed intentions with regard to the repatriation program inevitably tends to substantiate the repeated charges of past and present collaboration by Spanish officials with Nazi Germans. The continuation of this situation can only serve to worsen Spain's relations with the United States and with the other nations principally involved.

The United States Government trusts that the Spanish Government will appreciate the importance of prompt and effective action on its part in the matter of repatriation, that the Spanish Government will give assurances of its intentions in this regard, and that it will fortify such assurances by concrete evidences of its good faith such as (1) the immediate apprehension of the Germans requested for repatriation by air and their detention until transportation is arranged; and (2) sufficiently close supervision of those requested for repatriation by sea to enable them to be produced at short notice when further means of transportation are arranged. Action in the near future on the part of the Spanish Government, demonstrating its intention to cooperate effectively, would obviate the necessity of the United States Government's notifying the interested authorities of the reasons for its difficulty in proceeding with the repatriation program.

Accept [etc.]

JAMES F. BYRNES

740.00119 Control (Germany)/8-1246: Telegram

*The Chargé in Spain (Bonsal) to the Secretary of State*RESTRICTED
NIACTMADRID, August 12, 1946—2 p. m.
[Received August 12—1: 25 p. m.]

1289. Reference is made to Embtel 1287, August 11; repeated London 344; Berlin 256; Lisbon 71; transmitting text of statement made by Spanish Minister Education regarding repatriation agreement reached at Council of Ministers August 9.⁶⁴

Neither this Embassy nor British Embassy here have at any time given to the Spanish Govt any guarantees to the effect that German repatriates would not be "obliged to reside in the Russian occupation zone". We have at the Spanish Govt's request run down an unfounded rumor to the effect that former German Chargé d'Affaires von Bibra, repatriated from Spain last January, had been obliged to reside in the Russian Zone. We have also informed the Ministry that the Embassy knows of no case where a German has been forced into the Russian zone from the British or American zones but that on the contrary movement of persons is largely the other way out.

I would appreciate advice if any statement has been made to Spanish representatives with whom matter has been discussed in Washington or London.⁶⁵

In any event while it is regrettable that Spanish Govt has perhaps made an unjustified statement, fact remains that correction of that statement would have serious adverse effect on repatriation program currently at critical stage with Spanish Govt apparently disposed to make maximum effort to overcome obstruction both active and passive of some of its own officials and Falangists. Therefore unless Dept contemplates that any appreciable number of high priority candidates for repatriation from Spain will be turned over to Soviets, it is suggested that we not insist that Spanish Govt correct published statement.

At the first convenient opportunity, and provided the Dept and Foreign Office approve, the British Ambassador and I will indicate

⁶⁴ Telegram 1287, August 11, not printed. Don José Ibañez Martin, the Spanish Minister of Education, issued on August 10, 1946, the following statement:

"On proposal of Minister of Foreign Affairs Government occupied itself once more with insistent reclamations presented by British and American Embassies that there be carried out repatriation of all German subjects whose presence in Spain they consider prejudicial to good relations between our country and United Nations. Government agreed to suggest again to such Germans that they return to their country since they have received guarantee that they will not be compelled to reside in Russian zone of occupation nor subject to exceptional treatment." (740.00119 Control (Germany)/8-1146)

⁶⁵ The Department in telegram 1074, August 19, 1946, stated that no statements had been made to Spanish representatives implying guarantees against resettlement in Russian zone of occupation (740.00119 Control (Germany)/8-1246).

to the Foreign Minister, that while we have made no commitment of the nature set forth in the cited statement, we have no reason to believe that any of German repatriates other than those who may have been involved in war crimes against Soviets would be subject to being turned over to the Soviet authorities. I do not believe there are any such cases but am checking carefully. Please confirm my assumption that no German is obliged by the British or American authorities to proceed against his will to the Soviet zone unless specifically wanted for offense against Soviets.

Presumably Dept will have to answer questions from Soviet and American press on the above matter. It is earnestly hoped this can be handled in such a way as to produce minimum unfavorable effect here on repatriation program.

Repeated to Berlin as 257, London as 345; Lisbon as 72.

BONSAL

740.00116 EW/8-2046: Telegram

Mr. Franklin C. Gowen, Assistant to the Personal Representative of President Truman to Pope Pius XII, to the Secretary of State

VATICAN CITY, August 20, 1946.
[Received August 20—2: 20 p. m.]

84. Montini informed me today German ex-diplomats will be ready leave Vatican proceed to Germany August 26. If Department has not already instructed Caserta to furnish necessary army transportation and escort for their journey Rome to Germany as described my Amvat 82, August 16,⁶⁶ hope Department may find it convenient to do so, it being most desirable, subject Department approval, to avoid any delay which might lead Germans to start quibbling again in endeavor to postpone departure. Please instruct.⁶⁷

GOWEN

740.00119 Control (Germany)/9-546: Circular airgram

*The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics and Philippine Islands*⁶⁸

SECRET

WASHINGTON, September 5, 1946—10: 25 a. m.

On behalf of Allied Control Council for Germany, please deliver following notification:

⁶⁶ Not printed.

⁶⁷ On August 26, 1946, in telegram 45, Department stated that it concurred in plan to furnish army plane from Rome to Frankfurt (740.00116 EW/8-1646).

⁶⁸ Sent to Asunción, Bogotá, Buenos Aires, Caracas, Ciudad Trujillo, Guatemala, Habana, La Paz, Lima, Managua, Montevideo, Panamá, Port-au-Prince, Quito, San José, San Salvador, Tegucigalpa, and Manila.

"In its note of 6 December, 1945, the Allied Control Council in Germany addressed to all countries belonging to United Nations' Organization a proposal on the repatriation of German agents and obnoxious Germans in United Nations' territory.

"After studying the possibilities of financing the return of these Germans to Germany, the Allied Control Council agreed to request governments of countries belonging to United Nations' Organization:

"(a) to assume the burden of all expenses incurred in repatriating German agents and obnoxious Germans in their territory as far as the German border;

"(b) that all expenses incurred before the Germans arrive at the German frontier should be borne by the respective country belonging to United Nations' Organization, while all expenses incurred on German territory would be covered by German resources of the zone in which they were incurred."

In conveying foregoing to FonOff take pains orally to make clear that foregoing means simply that ACC which deems repatriation duty United Nations and has no foreign exchange unwilling assume cost repatriation obnoxious Germans. Message does not preclude mutual assistance among United Nations in performing this duty when feasible and appropriate, such as that already extended Latin-American Republics by US and UK.

CLAYTON

740.00119 Control (Germany)/10-2846

Memorandum by Mr. Laurence A. Knapp of the Division of Special Inter-American Affairs to the Chief of the Division of River Plate Affairs (Mann)

[WASHINGTON,] October 28, 1946.

Attached is a memorandum⁶⁹ prepared in SPD reviewing, as of October 1, 1946, action taken by the other American Republics to deport dangerous Germans in conformity with Resolution VII of Mexico, with particular reference to the voyage of the *Marine Marlin*.

You will note (pp. 5 to 7) that only Venezuela can be said to have made any genuine effort to cooperate, and that the default on the part of Brazil, Colombia, Cuba, Mexico and Uruguay was very serious relative to the problem. Although the *Marine Marlin* was not a convenient opportunity for such countries as Ecuador, Peru, Bolivia and Chile, you will bear in mind that there have been no deportations from those countries since Chapultepec. Appendix II to the report lists the figures, as tabulated in SPD, of important Nazis remaining in the principal countries concerned.

⁶⁹ Not printed.

These facts are pertinent not only to the general problem of obtaining implementation of inter-American commitments, but are of a special relevance to our position vis-à-vis the Argentine.

LAURENCE A. KNAPP

862.20252/11-1846 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

RESTRICTED

MADRID, November 18, 1946—7 p. m.

[Received November 19—11:38 a. m.]

1644. As Dept is aware British and American Embassies here have been actively engaged since end of hostilities in Europe in program to repatriate dangerous Nazis in Spain. Results so far achieved may be briefly summarized as follows:

Of 734 priority names submitted to Spanish Govt for repatriation 237 have been repatriated. Broken down among four categories of priorities figures are as follows: First priority 146 names and 62 repatriated; second priority 109 names and 45 repatriated; third priority 252 names and 65 repatriated; fourth priority 227 names and 65 repatriated.

While above figures represent substantial results and although British Ambassador and I as well as members our staffs have continued and will continue to stress at every possible opportunity to Foreign Ministry and FonOff officials great importance attached by us to this program, we appear to have reached point where fresh evaluation of problem and policy decision are required. In spite of expressed willingness of FonOff and alleged support of Franco and Cabinet, fact seems to be that Spanish cooperation at least under present circumstances not apt produce further appreciable results. Since departure *Marine Marlin* September 1 Spaniards have laid hands on only two first priority repatriates, no second priority, four third priority, three fourth priority according to available figures.

It is respectfully suggested that Dept and occupation authorities Germany will wish at highest levels to re-evaluate repatriation objectives. If it is considered program should be continued, it will be necessary for Dept and FonOff to instruct Embassy in light of experience to date re additional measures which may be adopted in order to bring pressure on Spanish authorities, it being realized that these authorities are confronted even where good-will exists by tremendous difficulties arising from widespread Spanish dislike of repatriation program as a whole and protection which individual Germans affected by it derive from their influential Spanish friends. Recent reports re removal German technicians by Russians have not helped create favorable atmosphere.

Meanwhile British and American Embassies are in agreement that Spanish cooperation might be somewhat improved if our demands could be reduced and Spaniards could see end to program so far as they are concerned. Consequently, two Embassies engaged in preparation consolidated repatriation list to include balance 75 names on list published last August by Spaniards plus approximately 100 additional names. This list would be presented to Spaniards as our final demand upon them, it being clear, however, that a very few additional names might be added as result SAFEHAVEN considerations. It would also be made clear that this list by no means represents change in categories of Germans deemed repatriable by Allied authorities but merely lists those cases in which specific cooperation of Spanish Govt is requested and expected in view past assurances. New consolidated list should be ready about November 30. Dept's authorization to present would be appreciated prior that date if possible. British Embassy making similar approach to FonOff.

Regardless of decision reached by Dept re repatriation program it is assumed Dept is considering establishment in Spain of organization including German nationals and representing occupation authorities in Germany of France, Britain and US which can maintain contact with German colony here, render minimum consular services and above all check activities remaining dangerous Nazis.

Repeated London 411, Berlin 311.

BONSAL

862.20241D/11-2746

*The Chief of the Division of British Commonwealth Affairs (Wailes)
to the Minister in Ireland (Gray)*

WASHINGTON, December 23, 1946.

DEAR MR. GRAY: I know you share our desire to wind up the problem of repatriating the German officials and agents still in Ireland. We were surprised when you reported that there was a possibility that De Valera might turn over to the British the ten German agents, since I believe none of us had really expected any cooperation from Dev. I gather from your despatch No. 2245 of November 27⁷⁰ that there is still a possibility of the Irish acceding to the British request if Dev can resolve his differences with the Minister of Justice. The possibility that the German agents might be freed seems to make more urgent a decision by Dev on whether he will return the agents to the British. If you agree, I suggest you urge Maffey to try and get De

⁷⁰ Not printed.

Valera to make up his mind one way or another. If it appears that he will simply continue to stall, I think we should all send our similar notes. We still would want the British and French to present notes at the same time, of course.

We had not felt strongly on the question of obtaining the cooperation of the Belgians and Dutch on this matter. If they send comparable notes this would increase the pressure on our stubborn friend. We agree in principle with the idea of obtaining their cooperation and, if we get it, well and good.

We have never seen the text of the Anglo-Irish secret agreement with respect to the German agents and have assumed that it made no provision for returning the agents to the British. Is that assumption correct? I note that in your recent conversation with Maffey you stated that "Sir John gave me the impression that in the course of time they (the agents) would be returned to Germany." Is Maffey just being hopeful about Dev's attitude or does the agreement place any obligation on the Irish?

I cabled to you yesterday the text of the Secretary's answer to a question at his press conference about the visa problem in Dublin. The question implied that there was some connection between the backlog of visas and the fact that the Irish had not cooperated on repatriation. I think we nailed any suggestion that there was such a connection. The American press paid very little attention to the matter.

In reviewing this problem we have noted that we have asked the Irish to repatriate three categories of persons—officials, agents, and obnoxious Germans. Obnoxious Germans are somewhat loosely defined as those German nationals who may have aided the German war effort in some way, however minor. We have no information whether there are obnoxious Germans in Ireland. I have assumed that there are. Perhaps you could enlighten us on this.

Sincerely yours,

EDWARD T. WAILES

AGREEMENT ON A PLAN FOR ALLOCATION OF A REPARATION SHARE TO NON-REPATRIABLE VICTIMS OF GERMAN ACTION, AND ANNEX, SIGNED AT PARIS, JUNE 14, 1946

[For text, see Department of State, *Treaties and Other International Acts Series No. 1594*, or 61 Stat. (pt. 3) 2649.]

ACCORD ON TREATMENT OF GERMAN-OWNED PATENTS, SIGNED AT LONDON, JULY 27, 1946

[For text of the Accord, which entered into force November 30, 1946, and the amending protocol, signed at London, July 17, 1947, see

Department of State, Treaties and Other International Acts Series No. 2415; *United States Treaties and Other International Agreements*, volume 3 (pt. 1), page 552; or United Nations Treaty Series, volume XC, page 229.]

INTEREST OF THE UNITED STATES IN PROSECUTION OF GERMAN WAR CRIMINALS

[United States interest in German war crimes in 1946 was focused on the extradition of war criminals from foreign countries for trials under United Nations jurisdiction, preparations for the International Military Tribunal at Nuremberg, and participation in the work of the United Nations War Crimes Commission in London.

A considerable amount of material has been published. Most of the documents used by the International Military Tribunal and its proceedings at Nuremberg are to be found in *The Trial of the Major War Criminals before the International Military Tribunal*, Nuremberg 14 November 1945—1 October 1946 (Nuremberg 1947-49), 42 volumes. The documents of the prosecution for counts I and II of the indictment, charging conspiracy and waging of wars of aggression, respectively, have been published by the Office of the United States Chief of Counsel for Prosecution of Axis Criminality, under the title *Nazi Conspiracy and Aggression* (Washington, Government Printing Office, 1946-48), 8 volumes, 2 supplements. Records of the trials in the United States zone of occupation in Germany can be found in *Trials of War Criminals before the Nuernberg Military Tribunals under Control Council Law No. 10* (Washington, Government Printing Office, 1949-53), 15 volumes. For an account of the activities of the United Nations War Crimes Commission, see the *History of the United Nations War Crimes Commission* (London, His Majesty's Stationery Office, 1948). Documentation on extradition and minutes of meetings of the United Nations War Crimes Commission are in State Department file 740.00116 EW.]

ICELAND

AGREEMENT BETWEEN THE UNITED STATES AND ICELAND REGARDING TERMINATION OF THE DEFENSE AGREEMENT OF JULY 1, 1941, AND PROVISION FOR INTERIM USE OF KEFLAVIK AIRPORT

[For text of statement on "Negotiations regarding military facilities in Iceland," released to the press by the Department of State on April 27, 1946, see Department of State *Bulletin*, May 5, 1946, page 773. For text of a note delivered on September 19, 1946, by the American Minister at Reykjavik to the Foreign Minister of Iceland, printed under the heading "Proposals for termination of defense agreement with Iceland," see *ibid.*, September 29, 1946, page 583. For text of agreement between the United States and Iceland regarding the termination of the Defense Agreement of July 1, 1941, effected by exchange of notes on October 7, 1946, see Department of State, *Treaties and Other International Acts Series No. 1566*, or 61 Stat. (pt. 3) 2426. The ceremonies marking the formal handover of Keflavik were held on October 25, 1946. Related documentation, not printed, is in Department of State files Nos. 859A.20 and 501.AA.]

ITALY

UNITED STATES EFFORTS TO NEGOTIATE A MODIFICATION OF THE ITALIAN ARMISTICE REGIME (JANUARY 1946-FEBRUARY 1947)¹

740.00119 EW/1-546 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kennan)

SECRET

WASHINGTON, January 5, 1946—3 p. m.

27. Deptel 2359 Nov. 17.² Please inquire if FonOff has reached decision re modification of Ital armistice regime. You should say that Ital Govt, with support of all parties in coalition, has continued to urge modification, which it regards as necessary to enable Govt to meet immediate internal problems facing it, and Dept feels US, UK and Soviet Govts should do what they can to demonstrate to Ital people that democratic political elements in Italy have support and confidence of Allies in their endeavor to establish democratic state. Dept is of opinion that numerous obsolete restrictions in armistice regime could be abolished, and hopes therefore that Soviet Govt will concur in proposed modification.

Dept would also be glad to know Soviet Govt's views re inclusion of French Govt (Deptel 2409 Nov. 28³) in armistice regime revision.

BYRNES

740.00119 EW/1-446 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Kennan)*

SECRET

WASHINGTON, January 10, 1946—3 p. m.

53. In reply to Dekanosov's⁴ letter Jan. 3 (urtel 37 Jan. 4⁵) please inform FonOff Dept views revision of Ital armistice regime as related more to present situation in Italy than to question of peace treaty.

¹ For previous documentation relating to this subject, see *Foreign Relations*, 1945, vol. iv, pp. 991 ff.

² Not printed; it was similar to telegram 2123, November 17, to Rome, *ibid.*, p. 1087.

³ *Ibid.*, p. 1089.

⁴ Vladimir Georgiyevich Dekanozov, Assistant People's Commissar for Foreign Affairs of the Soviet Union. On March 15, 1946, the title was changed to Deputy Minister for Foreign Affairs.

⁵ Not printed; in this telegram Mr. Kennan reported having received a letter from Mr. Dekanozov which suggested that because the Council of Foreign Ministers would soon begin its work, the question of revising the armistice terms for Italy had lost its meaning (740.00119 E.W./1-446).

Ital Govt, with support of all parties in Govt coalition, continues to urge revision, which it regards as necessary to enable it to meet immediate problems which under modification in practice of armistice terms are now solely responsibility of Ital Govt, and Dept feels US, UK and Soviet Govts should do what they can to demonstrate to Ital people that democratic political elements in Italy have support and confidence of Allies in their endeavor to establish democratic state.

We do not therefore regard revision of armistice regime in any way as provisional peace. Rather, we regard it as step justified by events during 28 months since armistice was signed and are of opinion that US, UK and Soviet Govts should proceed with abolition of numerous obsolete restrictions in armistice regime, which have already been largely relaxed in practice and which we have no intention of re-imposing. There would appear moreover to be no reason why abolition of these restrictions should await conclusion of peace treaty, which can not be expected before June at earliest, since such revision would not prejudice United Nations claims against Italy, and would in no way attempt disposition of those questions which must be included in final peace settlement.⁶

Dept hopes therefore that FonOff will give further consideration to revision and will find it possible to concur in Dept's views.

Sent Moscow, repeated Rome as 51 and London as 276.

ACHESON

740.00119 EW/1-2546: Telegram

The Chargé in the Soviet Union (Kennan) to the Secretary of State

SECRET

Moscow, January 25, 1946—6 p. m.

PRIORITY

[Received January 25—5: 23 p. m.]

236. ReEmb's 131, Jan. 14.⁷ Subject revision of Italian armistice regime. Dekanosov has now replied to our second approach in letter dated Jan 24 as follows:

"In reply to your letter of Jan 14, I have been directed to inform you that the point of view of the Soviet Govt outlined in the letter of Jan 3 by no means signifies that the Soviet Govt is negatively disposed in principle to a revision of the armistice regime for Italy. On the contrary it is positively disposed toward measures which in this or that degree might relieve the position of Italy. The Soviet Govt as has already been stated in the above mentioned letter believes that the question of a revision of the armistice terms for Italy at this time has

⁶ For documentation on the Paris Peace Conference, which largely completed the drafting of the peace treaty with Italy, see volume iv.

⁷ Not printed; in this telegram Kennan reported that he had that day addressed a second letter to Dekanosov (740.00119 EW/1-1446).

lost pertinence in connection with the forthcoming conclusion of a peace treaty with Italy in the near future.

Nevertheless taking into account the wishes of the American Govt the Soviet Govt is ready to consider those changes in the armistice conditions for Italy which the American Govt has in mind proposing."

Sent Dept 236, repeated Rome 4, Caserta 3, Paris 24, London 44.

KENNAN

740.00119 EW/2-546 : Telegram

*The Ambassador in the United Kingdom (Winant) to the
Secretary of State*

SECRET

LONDON, February 5, 1946—8 p. m.

[Received February 6—6:03 a. m.]

1415. Hoyer Millar⁸ asks whether our draft provisions on revision of Italian armistice have yet been given to French and Russians. He says they have been communicated to Charles⁹ and appropriate authorities here for their views but Foreign Office is disturbed by Article III (A) providing for French and Soviet voice in controlling Italian Army at this time.¹⁰ He says there is considerable difference in four-power inspectorate after peace treaty takes effect and actual four-power control of Italian Army before that. Should there be further trouble about Val d'Aosta French participation would cause difficulties and there is no prospect of our getting any say on other satellite armies in return for giving Russians voice over Italian Army. They are cabling British Embassy Washington and if proposals have not already been given to others they would like us to consider their views on this first.

Hoyer Millar also states British Embassy Washington has been instructed to express disapproval of our proposal for formal Anglo-American economic body. Foreign Office much prefers informal arrangement of economic advisers of two Embassies working closely

⁸ F. R. Hoyer Millar, Head of the Western Department of the British Foreign Office.

⁹ Sir Noel Charles, Representative of the United Kingdom to the Italian Government with the personal rank of Ambassador.

¹⁰ In the draft agreement (quoted in telegram 2312, December 10, 1945, to Rome, *Foreign Relations*, 1945, vol. iv, p. 1090), article III A reads as follows:

"The Allied Commission is hereby abolished.

[A.] A special section, with the Supreme Allied Commander as Chairman, composed of representatives of the armed forces of the United States, United Kingdom, the Soviet Union and France, shall be established at Allied Force Headquarters to assume the functions of organization and command of the Italian armed forces heretofore exercised by the Land, Navy, and Air Force Subcommissions of the Allied Commission. This section shall direct the size and character of all Italian armed forces and shall control the production of armaments."

together. At Reber's ¹¹ suggestion we have raised question of identical or coordinated instructions and Hoyer Millar states Foreign Office would be fully prepared for any necessary consultation here or in Washington in preparing closely coordinated instructions.

WINANT

740.00119 E.W./2-1846

The Department of State to the French Embassy

MEMORANDUM

Reference is made to the French Embassy's memorandum (No. 125 of February 18, 1946)¹² in which exception is taken to the action of the United States Government in initiating proposals with the governments of Great Britain and the USSR, without similar action being taken with respect to France, looking toward a revision of the terms of the armistice with Italy.

With reference to the statement that the French Government was informed of this proposal through the press, it may be recalled that before any action was taken this Government's intentions were orally conveyed to M. Bérard of the French Embassy ¹³ by Mr. Reber of the State Department.

It is, of course, true that the French and other Governments adhered to the armistice with Italy, but the instrument of surrender was originally drawn up and executed by the Governments of the United Kingdom, the USSR and the United States. It is, therefore, regarded as quite appropriate that in taking the initiative for a revision of the Italian armistice the United States Government should first approach the original signatories. Similarly, while the French Government is engaged with British, Soviet and American representatives in drafting the provisions of a treaty of peace with Italy, it will be recalled that French participation is in pursuance of an invitation extended by the Governments of the United Kingdom, the USSR and the United States. In this connection the Government of the United States derived considerable satisfaction from proposing and urging the inclusion of the Government of France in the drawing up of the Italian peace treaty.

In the present instance the Government of the United States has also proposed to the Governments of the United Kingdom and the USSR that France be invited to participate in the revision of the Italian armistice in the same manner as she was invited to participate in the

¹¹ Samuel Reber, Acting Chief, Division of Southern European Affairs.

¹² Not printed.

¹³ Armand Bérard, Counselor of Embassy.

peace treaty. The fact that such an invitation has not yet been extended to the Government of France is the cause of regret to the United States Government, but is not a matter for which the latter regards itself as bearing any responsibility. In any event the Department of State will be happy to keep the French Government fully informed of any developments.

Consequently, the Government of the United States is unable to agree that the complaint of the French Government is justified and must confess to some surprise at the contents of the Embassy's memorandum under reference, particularly in view of the strong stand taken by the Secretary of State at London in favor of French participation in the drafting of not only the Italian peace treaty, but the Balkan peace treaties as well.

WASHINGTON, February 26, 1946.

SWNCC 271, Part I, 388.1 Peace Treaties—Italy

*Memorandum by the Department of State to the State-War-Navy
Coordinating Committee*

SECRET

[WASHINGTON,] February 27, 1946.

SWNCC 271

Subject: Proposed Modification of Italian Armistice Regime.

The Governments of the United States, United Kingdom, and U.S.S.R. have agreed that consideration should be given to a modification of the Italian armistice regime which would reflect the situation now existing, wherein the three powers no longer exercise certain rights and powers accruing to them in Italy under the Armistice of September 3, 1943, and the additional terms of surrender of September 29, 1943.¹⁴

The Department of State is of the opinion that this modification should be achieved through the negotiation of an agreement along the lines of the enclosed draft document, to be signed by the Supreme Allied Commander in Italy¹⁵ and the President of the Council of Ministers of the Italian Government,¹⁶ and desires to submit this proposal to the Government of the United Kingdom and U.S.S.R.

In view of the military-political implications involved, the draft document is submitted for the concurrence or comment of the State-

¹⁴ For texts of the Italian military armistice, September 3, 1943, of the Cunningham-DeCourten agreement, September 23, 1943, and of the Instrument of Surrender, September 29, 1943, see Department of State, *Treaties and Other International Acts Series No. 1604*.

¹⁵ Lt. Gen. Sir William D. Morgan, Supreme Allied Commander, Mediterranean Theater.

¹⁶ Alcide de Gasperi.

War-Navy Coordinating Committee. The Secretary of State desires that consideration be given this draft document as a matter of priority.

For the Department of State

H. FREEMAN MATTHEWS¹⁷

Appendix

DRAFT AGREEMENT MODIFYING ARMISTICE REGIME¹⁸

WHEREAS hostilities have ceased;

WHEREAS Italy, as a cobelligerent in the war against Germany, has cooperated loyally with the United Nations and has contributed materially towards the final victory over the common enemy;

WHEREAS the Armistice terms have thereby become in part obsolete or have been superseded by events;

WHEREAS the Government of Italy has requested and the Governments of the United States, United Kingdom, Union of Soviet Socialist Republics and France have agreed to a modification of the Armistice regime in the light of existing circumstances;

¹⁷ Director of the Office of European Affairs, and representative of the Department on the Combined Civil Affairs Committee, Combined Chiefs of Staff.

¹⁸ In the action of the State-War-Navy Coordinating Committee of March 13, 1946, SWNCC 271/2, it made the following changes in the initial draft:

Clause III was changed to read:

"III. The Allied Commission is hereby abolished.

A. A special section of Allied Force Headquarters, with the Supreme Allied Commander as Chairman, shall be established to assume the control functions of supervision and direction of the Italian armed forces heretofore exercised by the Land, Navy, and Air Force Subcommissions of the Allied Commission. This section shall control the size and character of all Italian armed forces and shall control the production of armaments.

B. The employment and disposition of the Italian Navy and the Italian merchant fleet shall be under the command and control of the special section authorized and directed to be established in accordance with sub-section A above, and in all other respects shall continue to be subject to the terms of the Cunningham-DeCourten Agreement of September 23, 1943, and the amendment thereto of November 17, 1943.

C. Pending the coming into force of a treaty of peace, Allied Military Government shall be continued under the Supreme Allied Commander, Mediterranean, in Venezia Giulia and so long as military necessity may require in the Province of Udine."

A new clause IV was added which read:

"IV. The provisions of the present instrument shall not apply in or affect the administration of any Italian colony or dependency or the rights or powers therein possessed or exercised by the United Nations, except in such cases and to such extent as the United Nations may direct."

The subsequent clauses were renumbered so that initial IV became V, initial V became VI, etc. (SWNCC 271/2, SWNCC 271, Part I, 388.1. Peace Treaties—Italy).

In telegram 500, March 19, 1946, to Moscow, this exact wording was forwarded to Moscow with a change merely in the numbering of the articles. New clause IV was designated III D, bringing the total number of clauses back to nine (740.00119 EW/2-1346).

It is considered that the Armistice terms should be modified by an interim agreement pending the coming into force of a definitive treaty of peace.

I. The additional conditions of Armistice of September 29, 1943, are hereby abrogated.

II. Relations between the United States, United Kingdom, Soviet and French Governments, acting in the interest of the United Nations, and Italy shall be governed by the Armistice of September 3, 1943, as modified by the present agreement.

III. The Allied Commission is hereby abolished.

A. A special section, with the Supreme Allied Commander as Chairman, shall be established at Allied Force Headquarters to assume the functions of organization and command of the Italian armed forces heretofore exercised by the Land, Navy, and Air Force Subcommissions of the Allied Commission. This section shall direct the size and character of all Italian armed forces and shall control the production of armaments.

B. The employment and disposition of the Italian Navy and the Italian merchant fleet shall continue to be subject to the terms of the Cunningham-DeCourten Agreement of September 23, 1943, and the amendment thereto of November 17, 1943.

C. Pending the coming into force of a treaty of peace, Allied Military Government shall be continued under the Supreme Allied Commander in Venezia Giulia, the Dodecanese Islands, and in Italian overseas territory. Allied Military Government shall likewise be continued in the Province of Udine so long as military necessity may require.

IV. Simultaneously with the coming into force of the present agreement, further agreements shall be concluded between the United States and Italy, and between the United Kingdom and Italy, providing for the maintenance in Italy of Allied forces under redeployment, and for the retention of Allied forces required for the maintenance of Allied lines of communication to Austria.

V. Italian prisoners of war now held under the jurisdiction of the United States, United Kingdom, the Soviet Union and France shall be repatriated as promptly as transport facilities permit.

VI. The Government and people of Italy will abstain from all acts detrimental to the interests of the United Nations.

A. The Italian Government will cooperate in the apprehension and surrender for trial of, or in making available for witnesses, Italian subjects or nationals of states at war with the United Nations listed by the United Nations' War Crimes Commission or the International Military Tribunal established by the agreement signed at London on August 8, 1945.

B. The Italian Government will cooperate with the United Nations in the search for and restitution of looted property which may be located in Italian territory.

VII. The Italian Government, in full recognition of the absolute and untrammelled right of the people of Italy to choose by constitutional means the form of democratic government they desire, hereby renews its pledge to submit to the will of the people. To this end, the Italian Government undertakes to provide through free elections for an expression of the popular will on the democratic form of government to be chosen by the people, it being understood that the choice shall be decided by the majority of the popular vote, which shall be binding upon the present government and upon the bodies constituted through such elections.

VIII. The present agreement shall be without prejudice to any claims of any of the United Nations against Italy arising out of hostilities conducted in or by Italy and shall in no way affect the final disposition of Italian territory, nor shall it impair any limitation or restriction which may be imposed upon Italy in the treaty of peace.

IX. The present agreement shall enter into force upon signature thereof by the President of the Council of Ministers of Italy, and by the Supreme Allied Commander in Italy, and shall remain in force until superseded by other arrangements or until the voting into force of the peace treaty with Italy.

Signed at Rome on the day of 1946.

740.00119 E.W./3-746: Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

CONFIDENTIAL

WASHINGTON, March 7, 1946—7 p. m.

US URGENT

2089. Deptel 1751 Feb 22.¹⁹ Please deliver following personal message from me to Bevin: ²⁰

“As you know I have felt for a long time that the Italian armistice terms should be modified so as to do away with the many harsh and obsolete provisions which no longer reflect Italy’s actual situation resulting from the grant of co-belligerency and the contribution of the Italian people to the defeat of Germany. Therefore, when a formal request for such modification was received from the Ital Govt last fall ²¹ I proposed that the powers signatory to the armistice give favor-

¹⁹ Not printed.

²⁰ Ernest Bevin, British Secretary of State for Foreign Affairs.

²¹ See note dated October 6, 1945, from the Italian Ambassador, *Foreign Relations*, 1945, vol. IV, p. 1061.

able consideration to the Ital request. Your Govt replied promptly and affirmatively, and several weeks ago the Soviet Govt, after some urging on my part, also agreed to give consideration to the American proposal. Before receipt of the Soviet reply, the Dept of State had prepared a preliminary draft document modifying the Italian armistice, and had transmitted this draft to the FonOff²² in order that we might have the benefit of your comments. The views of the FonOff on a number of points have already been received, but I am most anxious now to have your concurrence or any further suggestions you may have, in order that a definitive proposal may be submitted to the USSR without delay. I feel that if we are to achieve any benefit from this move, we must press on with it promptly.

My cordial good wishes and personal regards.”

BYRNES

740.00119 EW/3-2046 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 20, 1946—7 p. m.

1392. Reference Bonbright's²³ letter March 5²⁴ to MacArthur²⁵ text of our proposed draft agreement modifying Ital Armistice regime was cabled to Moscow March 19 and has been made available to Brit Govt.

In presenting draft to Soviet Govt Kennan was instructed to point out that our inclusion of France in draft text as one of powers concerned with modification is based upon our expectation that USSR would agree with this Govt that France should be regarded as signatory power. Kennan was told to add that in response to inquiry from French Govt Dept intends to make available copy of draft to French Emb here for information. This is being done tomorrow. Text of draft follows by mail.

You may inform Bidault²⁶ of our action stressing fact that in our draft France is placed on footing of full equality with US, UK and Soviet Govts.

We have asked Soviet FonOff for its concurrence or suggestions at early date. We would also welcome French concurrence.

BYRNES

²² Telegram 1751, February 22, to London, indicated that the draft had been discussed with the British Embassy in Washington (740.00119 E.W./2-1346).

²³ James C. H. Bonbright, Assistant Chief, Division of Western European Affairs.

²⁴ Not found in Department files.

²⁵ Douglas MacArthur II, Second Secretary of Embassy in France.

²⁶ Georges Bidault, French Minister for Foreign Affairs.

740.00119 EW/4-346

The British Embassy to the Department of State

No. 212

MEMORANDUM

His Majesty's Government in the United Kingdom have given careful consideration to the United States Government's proposals for an Agreement modifying the conditions of Armistice with Italy.

2. A revised United Kingdom draft Agreement is attached hereto at Annex "A" and a brief memorandum of comment at Annex "B". It will be observed that Articles I, II, III, IIIA, IIIB and IIIC of the United States draft are all covered in the revised United Kingdom draft of these articles at Annex "A". Article VIB of the United States draft is covered by Article VIII of the revised United Kingdom draft, the feeling of the Foreign Office being that it would be a mistake to mention the question of looted property by itself in the revised document and thus imply that this is the only item in respect of which the Italian Government will have to continue to co-operate in these sort of questions.

3. It is hoped that the United States Government may already have communicated to the Soviet Government the United Kingdom redraft of Article IIIA.

4. The Foreign Office assumes that the State Department will have made their approach in Moscow solely on their own behalf and that the Soviet Government will not be allowed to gain the impression that His Majesty's Government had accepted either the United States plan to revise the Armistice terms at this stage or the State Department's draft.

5. In this connection, His Majesty's Government wish to make it clear that, realizing the importance which the United States Government attach to the matter and wishing themselves to accommodate Italian aspirations as far as possible, they have examined the United States proposals to revise the Italian Armistice terms with every desire to be helpful. The result, however, has been to confirm them in their original view, which they have never ceased to hold, that it would be best in the interests of all concerned to concentrate on the conclusion of a peace treaty at the earliest possible date. It would be unwise, in their view, to proceed actually to revise the Armistice terms at this moment or indeed unless it was manifestly clear that the peace negotiations were to be appreciably delayed.

6. A further difficulty arises in the view of His Majesty's Government in that it is hard to see how in present circumstances the four Allied Governments (if France is included) could claim to enter into

an agreement with the Italian Government "in the interests of the United Nations" without the previous concurrence of the United Nations or at least of the belligerent Allies and His Majesty's Government feel that prior consultation with the latter seems essential.

WASHINGTON, 3 April, 1946.

Annex "A"

BRITISH DRAFT AGREEMENT MODIFYING THE CONDITIONS OF ARMISTICE
WITH ITALY

Whereas hostilities have ceased; whereas Italy, as a co-belligerent in the war against Germany, has co-operated loyally with the United Nations and has contributed materially towards the final victory over the common enemy; whereas the Armistice Terms have thereby become in part obsolete or have been superseded by events; whereas the Government of Italy has requested and the Government of the United States, the United Kingdom, the Union of Soviet Socialist Republics and France have agreed to a modification of the Armistice regime in the light of existing circumstances.

Article 1. The instruments embodying the conditions of Armistice signed on September 3rd and September 29th, 1943 shall henceforth be modified in the manner provided by the present Agreement, which shall govern the relations between the United States, the United Kingdom, the Union of Soviet Socialist Republics and France, acting in the interests of the United Nations, and Italy, pending the coming into force of a definitive Treaty of Peace.

Article II. Those provisions of the said instruments not expressly preserved by the present Agreement or by either of the Agreements referred to in Article IV below shall be deemed to be abrogated.

Article III. The Allied Commission shall concern itself solely with matters arising out of the present Agreement, and shall be reduced to the smallest proportions necessary for the execution of this task.

Article IIIA. The responsibilities of the Supreme Allied Commander in regard to the Italian Armed Forces shall remain as heretofore. The Supreme Allied Commander shall continue to control the Italian production of armaments and to have a full right to impose measures of disarmament and demilitarisation.

Article IIIB. The employment and disposition of the Italian Navy and the Italian Merchant Fleet shall continue to be subject to the terms of the Cunningham-de Courten Agreement of the 23rd September 1943, and the amendment thereto of the 17th November, 1943.

Article IIIC. Pending the coming into force of a Treaty of Peace, Allied Military Government shall be maintained in Venezia Giulia.

Allied Military Government shall also be maintained in the Province of Udine so long as military necessity requires.

Article IIID. The Italian Government will exercise no jurisdiction over the Dodecanese Islands or Italy's African possessions and will continue to recognise the arrangements made for their administration.

Article IV. Simultaneously with the coming into force of the present agreement, further agreements shall be concluded between the United States and Italy, and between the United Kingdom and Italy, providing for the maintenance in Italy of Allied forces under redeployment, and for the retention of Allied forces required for the maintenance of Allied lines of communication to Austria.

Article V. Italian prisoners of war now held under the jurisdiction of the United States, United Kingdom, the Soviet Union and France shall be repatriated as promptly as transport facilities permit.

Article VI. The Government and people of Italy will abstain from all acts detrimental to the interests of the United Nations.

Article VIA. The Italian Government will co-operate in the apprehension and surrender for trial of, or in making available for witnesses, Italian subjects or nationals of states at war with the United Nations listed by the United Nations War Crimes Commission or the International Military Tribunal established by the Agreement signed at London on August 8th, 1945.

Article VII. The Italian Government, in full recognition of the absolute and untrammelled right of the Italian people to choose by constitutional means the form of democratic Government they desire, undertake at the earliest possible occasion to provide, through free elections for an expression of the popular will.

Article VIII. The Italian Government re-affirms its acceptance of the obligations which it has undertaken in the conditions of Armistice signed on the 29th September, 1943 or otherwise, to safeguard the persons of foreign nationals and the property of foreign States and nationals, to comply with such requirements as the United Nations may prescribe in regard to restitution, including restitution of ships and vessels, reparations, deliveries, services or payments by way of reparations, to hold enemy property in Italy at the disposal of the United Nations and to comply with the requirements of the latter as to the disclosure, control and disposal of Italian assets pending the coming into force of a Treaty of Peace.

Article IX. The present Agreement shall be without prejudice to any claims of the United Nations against Italy, whether arising out of inter-governmental settlements, reparations, restitution, restoration of property and compensation for loss or damage thereto, private indebtedness, treaty rights or other claims not specifically referred to, and

shall in no way affect the final disposition of Italian territory and shall be without prejudice to the imposition of obligations, limitations or restrictions upon Italy by the Treaty of Peace.

Annex "B"

COMMENT ON THE UNITED KINGDOM PROPOSALS FOR AGREEMENT
MODIFYING THE CONDITIONS OF ARMISTICE WITH ITALY TOGETHER
WITH COMMENT ON THE UNITED STATES PROPOSALS

Title, Preamble, Article I and Article II. The Foreign Office entirely agree with the State Department that the Armistice must be maintained in some form until it is replaced by a Treaty of Peace. It is felt, however, that it would be a mistake to abrogate the long terms while preserving the short terms and that the long and short terms should be regarded as a whole, the provisions of which would be deemed to be abrogated insofar as they were not expressly preserved by the new Agreement. In point of fact it is the long rather than the short terms which are important in present circumstances, and some of their provisions must certainly be preserved.

Article III. After careful consideration the Foreign Office have come to the conclusion that it is essential to maintain the Allied Commission until the Peace Treaty to act as a channel of communication with the Italian Government on matters arising out of the new Agreement which cannot properly be handled through the diplomatic channel, and to ensure continuity with whatever Allied Inspectorate is set up under the Peace Treaty. At the same time the Foreign Office are as anxious as ever to reduce the functions and size of the Allied Commission as much as possible.

Article IIIA. The arrangement proposed in the original State Department draft would give the Soviet and French Governments rights in respect of the Italian Armed Forces which they do not at present enjoy and could only have an adverse effect on the efficiency of those troops. The Foreign Office would much prefer the existing arrangements to be continued and if, as the Foreign Office suggests, the Allied Commission is not abolished, the necessity for abolishing the existing Services Sub-Commissions and attributing their functions to some other body no longer arises. It is not thought that the preservation of the *status quo* in this matter could be resented by the Soviet or French Governments.

The War Office consider it advisable to reserve to SACMED the right to impose measures of disarmament and demilitarisation which he enjoys under the Armistice Terms.

Article IIIC. Considerable amendment of the State Department draft seemed necessary. Thus Allied Military Government under the Supreme Allied Commander is not at present maintained in Venezia Giulia as a whole, nor in the Dodecanese Islands, nor in any Italian overseas territory. In the Foreign Office revised draft the words "Allied Military Government" as applied to Venezia Giulia are admittedly ambiguous since they must be understood to cover Anglo-American Military Government in Zone A and Yugoslav Military Government in Zone B but this is considered preferable to stating that SACMED will maintain Allied Military Government in Zone A, which would leave Zone B unaccounted for.

As regards Article IIID in the Foreign Office revised draft, it is felt that the obligation should be on the Italian Government to recognise the arrangements made now or in the future for the administration of the Dodecanese Islands and the Italian colonies (all of which territories are of course under British Military Administration) rather than on the Allies to maintain military Government. This consideration does not apply to Zone A of Venezia Giulia where the Italian Government are presumably only too glad to see Allied Military Government continued.

Zara and Saseno are not covered by the Foreign Office redraft but to specify these areas would seem an unnecessary complication.

Article VII. The Foreign Office feel that the State Department draft might be regarded by the Italian Government as an attempt to intervene in the question of the Constituent Assembly. It seems doubtful whether in present circumstances any provision of a purely internal political nature is necessary, but if the State Department still attach importance to having some such provision, then the Foreign Office would greatly prefer their revised draft which they believe meets the State Department on all essentials.

Articles VIII and IX. Article VIII in the State Department's draft was no doubt intended to reserve the rights of the United Nations in regard to all matters which will fall to be decided by the Treaty of Peace. In the Foreign Office view, however, the State Department's wording would not adequately cover those questions which the Foreign Office in fact wish to be dealt with in the Treaty and which are being or will be discussed in the Conference of Deputies and/or Peace Conference. Moreover, the words "arising out of hostilities by Italy" in the State Department's draft are open to the objection that they limit Italy's responsibilities to the period between her declaration of war and her surrender, whereas the Foreign Office have always maintained as a matter of principle that the liabilities and

responsibilities of ex-enemy states must extend to the date of the signature of a peace treaty. Finally, it seems most desirable to preserve the powers which the Allies hold under the Armistice Terms to require Italy to take certain interim action, e.g. in regard to United Nations property, enemy assets, etc. or to refrain from action e.g. in regard to Italian assets, gold, etc., more particularly if there is any likelihood of the final Peace Treaty being considerably delayed.

In view of the foregoing the Foreign Office consider it advisable to replace Article VIII of the State Department draft by two Articles, one re-affirming Italy's obligations, the other reserving United Nations claims. As will be seen from the Foreign Office text the two concepts are not co-extensive.

740.00119 EW/4-1146 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

SECRET
PRIORITY

Moscow, April 11, 1946—7 p. m.
[Received April 11—3: 45 p. m.]

1144. The Italian Ambassador ²⁷ informs me that last week he called on Molotov ²⁸ in connection with the US proposal to Great Britain and USSR for revision of the Italian armistice terms. When he expressed hope that the Soviet Government would agree, Molotov asked if in view of the fact that consideration of the peace treaty was scheduled to begin on May 1, consideration of the armistice terms are still current. Quaroni replied that this subject was considered current by the Italian Government, that while it was true the peace treaty was scheduled for discussion beginning May 1, it was conceivable that there would be delays and that in any event the Italians were extremely hopeful that the armistice terms revision would be considered separately from and settled prior to the discussion of the peace treaty. He invited Molotov's attention to the fact the Italian elections were approaching ²⁹ and that the armistice terms were a matter of vital concern to all parties. Molotov evinced considerable interest in this facet of the question and after some discussion informed Quaroni that the matter was under consideration by the Soviet Government and that no positive answer could be given at this time.

Sent Dept 1144, repeated Paris 90, Rome 26, London 191.

SMITH

²⁷ Pietro Quaroni.

²⁸ Vyacheslav Mikhailovich Molotov, Minister for Foreign Affairs of the Soviet Union.

²⁹ Decreto Legislativo Luogotenenziale No. 98 of March 16, 1946, fixed the national election for the Constituent Assembly and referendum on the Institutional Question for June 2 (*Gazzetta Ufficiale*, March 23, 1946).

For documentation on the attitude of the United States regarding the form of government to be established in Italy, see pp. 874 ff.

740.00119 E.W./4-2046: Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

Moscow, April 20, 1946.

[Received April 20—2:11 p. m.]

1268. Following is text of body of reply in translation dated April 19, received today from Molotov to Kennan's letter of March 21 transmitting our proposal for revision of Italian armistice:

"As is known the Soviet Govt has already informed the Govt of the US that it takes a positive attitude to measures which might ease the position of Italy. For that reason the Soviet Govt in a desire to meet the wishes of the Italian Govt agrees to revise the armistice conditions with Italy now before the conclusion of the peace treaty for the purpose of introducing into them changes designed to ease the situation of Italy.

The Soviet Govt is basically agreed with the draft agreement concerning changes in the armistice regime for Italy which has been proposed by the Govt of the USA but considers it necessary to make the following comments with relation to its individual provisions.

1. The Soviet Govt is agreed to the proposed abolition of the Allied Commission in Italy. In this connection the Soviet Govt assumes that corresponding measures will be taken in other countries—former allies of Germany in Europe—as well.

2. The Soviet Govt is agreed to the provision set forth in point B of Article III of the draft agreement with respect to the Italian Naval forces.

As far as the merchant fleet is concerned it is considered inexpedient from the standpoint of the purpose of easing the position of Italy to limit further the rights of the Italian Govt in disposing over and utilizing the Italian merchant fleet. On the contrary the according to the Italian Govt of the right of full disposal over the merchant fleet as well as of civil aviation could constitute a matter easing the position of Italy.

3. As far as the question of the participation of France in the revision of the armistice regime for Italy in the opinion of the Soviet Govt it goes without saying that France has this right inasmuch as it is considered as a country having signed the armistice conditions with Italy.

The present answer of the Soviet Govt is being communicated simultaneously to the Govts of Great Britain and France."

[SMITH]

740.00119 EW/4-2246

Memorandum by the Assistant Chief of the Division of Southern European Affairs (Dowling) to the Counselor of the Department (Cohen)

[WASHINGTON,] April 22, 1946.

MR. COHEN: Since the documentation on Italy was completed for the April 25 meeting of the Foreign Ministers, the French and Soviet

Governments have both agreed in principle to our proposal for modification of the Italian armistice regime. The situation now is as follows:

USSR: Accepts the US proposal, except for the provision continuing the Italian merchant fleet under the controls stipulated in the Cunningham-DeCourten Agreements. (Pgh. IIIB of US draft). However, through an error in our code room, Paragraph VI of the US draft was omitted from the telegram transmitting the text to Moscow, and its omission was noted by our Embassy there only on Friday last; the Soviet agreement therefore does not extend to this clause, but it is not anticipated that they will object to it, since it does little more than obligate the Italian Government to abstain from acts detrimental to the United Nations.

France: Accepts US proposal, but suggests changes in wording of the preamble and of Paragraphs IV and VI. The French also propose release of the Italian merchant fleet from Allied control, and ask that the command arrangements for the Italian armed forces be modified to include French and Soviet participation with the US and UK.

UK: Accepts US proposal in principle, but holds that it would be unwise to proceed with the armistice revision unless it becomes evident that the peace treaty will be appreciably delayed. The UK also doubts whether the four powers could claim at this stage to conclude an agreement with Italy "in the interests of the United Nations" without consulting the latter.

Finally, the British submit a draft of their own, which is more or less a redraft of the American proposal; it does not, however, provide for abolition of the AC.

We have now inquired whether the British would be prepared, in view of the Soviet reply, to proceed immediately with the armistice modification, and if so, what changes in the US draft they would consider essential. The French requests for Soviet and French participation in Allied control of the Italian armed forces is not regarded with favor by our military, and might be politically undesirable if the peace treaty were long delayed. It is believed, however, that we can agree to the Soviet and French position on the Italian merchant fleet, and that agreement can be reached with the French on a compromise basis as regards the other points which they have raised.

[During the First Informal Meeting of the Second Session of the Council of Foreign Ministers, Paris, May 2, 1946, the Secretary of State circulated a slightly revised draft agreement modifying the Italian armistice, which, in response to the views of the Russian and French Governments, eliminated from clause IIIB the provision for control of the Italian merchant fleet and the reference to the Cunningham-DeCourten agreement. That draft agreement is not printed, but

for the United States Delegation Record of the meeting, see volume II. The United States draft agreement was subsequently further revised and resubmitted to the Council of Foreign Ministers on May 14.

At its 18th meeting, May 15, 1946, 5 p. m., at Paris, the Council of Foreign Ministers approved the draft as proposed by the United States Delegation; see the United States Delegation Record and the Agreed Record of Decisions of this meeting, *ibid.* At its unnumbered meeting, May 16, 1946, 5 p. m., at Paris, the Council of Foreign Ministers signed a protocol to accompany the agreement modifying the Italian armistice; see the United States Delegation Record of this meeting, *ibid.* For text of the protocol, circulated in the Council as document C.F.M. (46) 95, May 16, 1946, see *ibid.*]

740.00119 EW/5-2146

*Memorandum by the Acting State Member (Matthews) for the State-War-Navy Coordinating Committee*³⁰

RESTRICTED

[WASHINGTON,] May 20, 1946.

Subject: Modification of Italian Armistice Regime

It is requested that the following memorandum from the Secretary of State be transmitted to the Joint Chiefs of Staff as a matter of priority:

"There is enclosed the text of an agreement modifying the Italian armistice regime, which was approved on May 16, 1946, by the Governments of the United States, United Kingdom, Union of Soviet Socialist Republics and France. The agreement is to be signed between the Italian Government and the Supreme Allied Commander, Mediterranean.

"It is requested therefore that the agreement be presented to the Combined Chiefs of Staff for transmission to the Supreme Allied Commander, Mediterranean, with instructions that he submit the text thereof immediately to the President of the Council of Ministers of the Italian Government. He should inform Signor De Gasperi that, if the agreement meets with the approval of the Italian Government, he has been authorized to proceed with its signature simultaneously

³⁰ An office memorandum attached to this paper reads:

"The text of the revised armistice as agreed by the four Foreign Ministers at Paris on May 16th to be officially communicated to Signor de Gasperi at 11 a. m. on June 1st.

"The agreed revised armistice terms will be signed by SAC & Ital. Govt. at the same time as 2 supplementary agreements between the U.S. & Italy & the U.K. & Italy respectively re maintenance of troops in this country."

A handwritten notation at the head of the document reads: "Signed and Received in SWNCC 5/21/46 H. W. Moseley".

with the conclusion of separate agreements between the United States and Italy, and between the United Kingdom and Italy, regarding the maintenance of American and British forces, respectively, in Italy.

"As regards these latter agreements, it is desired that the Supreme Allied Commander, Mediterranean, inform Signor De Gasperi that they are now under consideration by the American and British Governments, and will be submitted to the Italian Government in a very few days."

H. FREEMAN MATTHEWS

[Enclosure]

*Text of Agreement Modifying Italian Armistice Regime*³¹

WHEREAS hostilities have ceased;

WHEREAS after the Armistice, Italian forces contributed to the war against Germany, Italy declared war on Germany as from October 13, 1943, and thereby became a cobelligerent against Germany;

WHEREAS the Armistice terms have thereby become in part obsolete or have been superseded by events;

WHEREAS the Government of Italy has requested and the Governments of the United States, United Kingdom, Union of Soviet Socialist Republics and France have agreed to a modification of the Armistice regime in the light of existing circumstances;

Accordingly, the afore-mentioned Governments have decided that the Armistice terms shall be modified as follows, pending the coming into force of a Treaty of Peace:³²

I. The additional conditions of Armistice of September 29, 1943, are hereby abrogated.

II. Relations between the United States, United Kingdom, Soviet and French Governments, acting in the interest of the United Nations, and Italy, shall be governed by the Armistice of September 3, 1943, as modified by the present agreement.

III. The Allied Commission is hereby abolished.

A. A special section of Allied Force Headquarters under the orders of the Supreme Allied Commander who will act as Chairman, shall be

³¹ This exact text was forwarded to the Ambassador in Italy in Department's telegram 1120, May 21, 1946, with the following information: "Agreement modifying Ital Armistice regime will shortly be transmitted to SAC by CCS with instructions to communicate it to Ital Govt and to inform latter that if agreement is acceptable he has been authorized to proceed with signature simultaneously with conclusion of civil affairs agreements between US-Italy and UK-Italy. As regards latter agreements, he will be instructed to say that they are under consideration by US and UK Govts and will be submitted to Ital Govt in a few days." (740.00119 EW/5-2146)

³² In the revised United States draft of May 14 (C.F.M. (46) 84) this sentence had read: "It is considered that the Armistice terms should be modified by an interim agreement pending the coming into force of a definitive treaty of peace."

established to assume the control functions of supervision and direction of the Italian armed forces heretofore exercised by the Land, Navy and Air Force Subcommissions in the Allied Commission. This section shall control the size and character of all Italian armed forces and shall control the production of armaments.

B. The employment and disposition of the Italian Navy shall remain as at present under the command and control of the Supreme Allied Commander.³³

C. Pending the coming into force of a Treaty of Peace, Allied Military Government shall be continued under the Supreme Commander, Mediterranean, in Venezia Giulia and in the Province of Udine.³⁴

IV. The provisions of the present instrument shall not apply in or affect the administration of any Italian colony or dependency.

V. Simultaneously with the coming into force of the present agreement, further agreements shall be concluded between the United States and Italy, and between the United Kingdom and Italy, providing for the maintenance in Italy of Allied forces under redeployment, and for the retention of the Allied forces required for the Allied lines of communication to Austria.³⁵

VI. Italian prisoners of war now held under the jurisdiction of the United States, United Kingdom, the Soviet Union and France shall be repatriated as soon as possible.

VII. The Government and people of Italy will abstain from all acts detrimental to the interests of the United Nations or of their nationals.

VIII. The Italian Government will cooperate in the apprehension and surrender for trial of, or in making available as³⁶ witnesses, Italian subjects or nationals of States at war with the United Nations designated by the United Nations' War Crimes Commission or the International Military Tribunal established by the agreement signed at London on August 8, 1945.

IX. The Italian Government will provide, at its own expense, all necessary facilities for, and will cooperate with the United Nations in the search for and restitution of property wrongfully removed from

³³ In the revised U.S. draft of May 14 this sentence had read: "The employment and disposition of the Italian Navy shall be under the command and control of the special section, authorized and directed to be established in accordance with sub-section A above."

³⁴ This sentence had read: "Pending the coming into force of a treaty of peace, Allied Military Government shall be continued under the Supreme Commander, Mediterranean, in Venezia Giulia and so long as military necessity may require in the Province of Udine."

³⁵ In the May 14 draft the words "maintenance of" had been used preceding the words "Allied lines of communication to Austria".

³⁶ In the draft of May 14 the word was "for" rather than "as".

the territories of the United Nations and located in Italian territory.³⁷

X. The Italian Government, in full recognition of the absolute and untrammelled right of the people of Italy to choose by constitutional means the form of democratic government they desire, hereby renews its pledge to submit to the will of the people. To this end, the Italian Government undertakes to provide through free elections for an expression of the popular will on the democratic forms of government to be chosen by the people, it being understood that the choice shall be decided by the majority of the popular vote, which shall be binding upon the present government and upon the bodies constituted through such elections.

XI. The present agreement shall be without prejudice to any claims of any of the United Nations against Italy arising out of hostilities conducted in or by Italy and shall in no way affect the final disposal of Italian territory or property, nor shall it impair any limitations or restrictions which may be imposed upon Italy in the Treaty of Peace.

XII. The present agreement shall enter into force upon signature thereof by the President of the Council of Ministers of Italy, and by the Supreme Allied Commander in Italy, duly authorized thereto by the Governments of the United States, United Kingdom, Union of Soviet Socialist Republics and France, and shall remain in force until superseded by other arrangements or until the coming into force of the Peace Treaty with Italy.³⁸

740.00119 EW/5-3146 : Telegram

*The Supreme Allied Commander, Mediterranean Theater (Morgan)
to the Combined Chiefs of Staff*³⁹

TOP SECRET

CASERTA, 30 May 1946.

OPERATIONAL PRIORITY

FX 66970 (Naf 1145)

1. I have examined a preliminary copy of the protocol and the "agreement modifying the Italian armistice regime" received from

³⁷ In the May 14 draft clause IX had read: "The Italian Government will cooperate with the United Nations in, and will provide at its own expense for, the search for and restitution of property wrongfully removed from the territories of the United Nations and located in Italian territory."

³⁸ This final clause had read: "The present agreement shall enter into force upon signature thereof by the President of the Council of Ministers of Italy, and by the Supreme Allied Commander in Italy, and shall remain in force until superseded by other arrangements or until the coming into force of the peace treaty with Italy."

³⁹ This message, sent to the War Department, Washington, for the Combined Chiefs of Staff, was also sent to the Cabinet Offices, Whitehall, London, for the British Chiefs of Staff.

In telegram 553, May 31, 1946, Homer M. Byington, Deputy United States Political Adviser on the staff of the Supreme Allied Commander, Mediterranean Theater, advised the Department of State to see Naf 1145 in regard to SAC's request for clarification of his powers under the terms of the proposed new agreement (740.00119 EW/5-3146).

the War Office London. From this examination it is evident that certain aspects of my powers as Supreme Allied Commander will require clarification when this agreement comes into force.

2. Internal security and the right to establish Allied Military Government.

a. Article 2 of the new agreement states that relationship between the 4 Great Powers and Italy shall be governed by the armistice of September 3rd 1943 "as modified by the present agreement". While the majority of the clauses of the September 3rd armistice have been superseded by events the validity of certain others remains in doubt. This is particularly true of Para 10.

b. Under Para 10 the rights reserved to Supreme Allied Commander to take any measures for the protection of the interests of the Allied Forces including the establishment of Allied Military Government is predicated upon the prosecution of the war. Upon this basis the Italian Government bound itself to take such action as the Supreme Allied Commander might require.

c. So long as my forces have an operational commitment in Italy any disturbance affecting the internal security of the country is liable to compromise my ability to fulfil this commitment. Unless therefore the rights reserved to me by Para 10 of September 3rd Armistice are retained and placed on an unequivocal basis the Allies in Italy may be placed in a very difficult position should they be required to meet their operational commitments in Venezia Giulia.

3. Position of the Italian Armed Forces.

a. Article 3 of the new agreement provides for the employment of the Italian Navy and in Naf 1140 I have already asked for further clarification on this point. There is however no specific provision in article 3 for the employment of the Italian Air Force or Army.

b. The Italian Air Force by Fan 663 is under my control and for the reasons given in Naf 1103 I do not consider that it should be returned to the Italian Government at the present time.

c. When the return of the Italian Army to the Italian Government was effected on 14 November 1945 I reserved the right to reassume at any time control and command of all or part of the Italian Army as I might deem necessary. I considered that in the event of either serious internal disturbances affecting the internal security or possible operations in Venezia Giulia that I might require the undisputed right to decide the employment of the Italian Army.

d. Under the new agreement it would appear that the Italian Government might be in a position to challenge my right to decide the employment of the Italian Army and Air Force. For the reasons

already put forward I consider that so long as my operational responsibilities in North East Italy continue it is most desirable that I should retain the right to command and employ such portions of the Italian Army and Air Force as the situation may require.

[4.] Status of Allied Military personnel in Italy other than British or United States. There are at present in Italy several military groups from countries of the United Nations in addition to United States and British Forces. Among these groups are Russians, Jugoslavs, Greeks and French in the Advisory Council for Italy and Russians, Greeks, Chinese, Belgians, Czechs and Dutch on Displaced Persons Missions. Presumably many of these will remain on official duties after the signing of the agreement. These groups now enjoy the same privileges and immunities as the United States and British including occupation of requisitioned quarters and lira advances as under Tam 24th October 1943 and Tam 721 of December 1945.

My understanding is that these rights lapse on the abrogation of the additional conditions of armistice. Neither United States or British Civil Affairs agreements authorize their respective authorities to provide for needs of other Nationals. If no arrangements are made for these other Nationals their position and that of the Italian Government may be embarrassing. If Russians for example make demands on Italians without previous agreement between governments and Italians refuse Russians might well invoke section VII of agreement modifying Italian armistice regime.

The groups in question are now accredited to Allied Agencies but the Civil Affairs agreements between the United States Government and Italy and British Government and Italy are national in character. Therefore I as SACMED am presumably without authority to furnish quarters, funds or immunities to the groups.

5. In addition therefore to the matters raised in Naf 1140 I request that any instructions you may send me with the official text of the agreement should include subpara A. Clarification as to which terms of the armistice of 3rd September 1943 remain in force with particular reference to para 10 and its interpretation. (2 A and 2 C refer).

Subpara B. Guidance as to my future relationship with the Italian Armed Forces with particular reference to my right to reassume command and control of the Italian Army and to continue in control of the Italian Air Force (para 3 above refers).

Subpara C. Information as to responsibilities of either British or United States Military authorities or myself as Supreme Allied Commander to furnish facilities, funds or immunities to official military groups of other United Nations.

740.00119 EW/6-146: Telegram

*The Chargé in Italy (Key) to the Secretary of State*SECRET
US URGENTROME, June 1, 1946—midnight.
[Received June 2—9: 15 a. m.]

2708. RefDeptel 1120, May 21.⁴⁰ Executive Commissioner AC⁴² called on Prime Minister⁴² this morning under instructions from SAC and formally submitted to Italian Government text of modification of armistice agreement as directed in Fan 666. Covering letter to Prime Minister mentioned SAC's instruction to "arrange for the publication in Italy" as soon as text of agreement has been communicated. After careful consideration and consultation with officials Foreign Ministry De Gasperi said he would prefer that text of modified agreement be not published until after it had been signed. He asked Lush to convey his request to SAC. Both British Embassy and ourselves feel that text of agreement should not be published now in face of Italian opposition and so advised AC. Lush communicated above views to SAC by telephone who agreed to comply with Prime Minister's request.

It is understood that Italian Government will issue press release this afternoon in effect that AC has communicated to it officially text of armistice modification; that agreement will be signed by SAC and PM and that signature must await conclusion of separate US and UK agreements with Italy covering necessities for Allied troops in Italy. No release will be made by Allies.⁴³

Sent Department 2708, repeated Caserta 808, Paris 30.

KEY

⁴⁰ See footnote 31, p. 843.

⁴¹ Brig. Maurice Stanley Lush, Executive Commissioner and Vice President, Allied Commission.

⁴² Alcide de Gasperi.

⁴³ Naf 1148, June 2, 1946 (copy enclosed in a memorandum by H. Freeman Matthews for the Secretary of State, dated June 3), has the additional explanation: "The President of the Council of Ministers while welcoming the receipt of the agreement after considerable discussion said that he thought it would be far better in the present political situation not to publish the text but to confine press release to a statement that the text had been handed to him and that signature would take place simultaneously with the other agreement. Although he saw value of publication of some articles, for example, abrogation of long term of the Armistice and the abolition of Allied Commission, he considered Paragraph 5 left so much in the air that the publication thereof might do harm at this last moment before the elections." (740.00119 EW/6-346) The national elections were scheduled for June 2.

SWNCC 271 Part I. 388.1 Peace Treaties—Italy

*Draft Military and Civil Affairs Agreement Between the United States and Italy*⁴⁴

SECRET

[WASHINGTON, June 10, 1946.]

SWNCC 271/5

WHEREAS an Agreement Modifying the Armistice Regime is being entered into between the United States of America and other Allied Powers, acting on behalf of the United Nations, and Italy which Agreement Modifying the Armistice Regime will terminate the rights of the United States and its armed forces under the previous Armistice agreements and as a result of the occupation of Italy; and

WHEREAS it is agreed that certain of these rights must be continued during the period of redeployment of the U.S. forces in Italy and during the continued occupation of Venezia Giulia and the Province of Udine as provided for in the Agreement Modifying the Armistice Regime; and

WHEREAS during the temporary occupation of Austria by the United States, it will be necessary to insure appropriate provisions to protect the interests of the U.S. forces temporarily present in or passing through Italy, and to safeguard all equipment and stores belonging to and destined for use or distribution by such forces both inside and outside Italy in consequence of the Allied arrangements for the occupation of Austria;

Therefore, for the purpose of setting forth the arrangements and rights which it is desired be continued upon and after conclusion of the Agreement Modifying the Armistice Regime referred to above, the Italian Government and Commanding General of the U.S. Forces in Italy (hereinafter referred to as the Commanding General) have entered into the following agreement:

1. The U.S. forces shall have full, free and unrestricted right to enter, pass through, stay in and depart from Italy, including the right to navigate in Italian territorial waters and to have such free passage, as may be required in the interest of the U.S., for all types of aircraft over or within Italy, including landing at such bases as may be required and the transportation of personnel, material and mail. The necessary technical arrangements for advising the Italian authorities of such movements shall be made between the Commanding General and appropriate Italian authorities.

2. (a) The Italian Government agrees to the stationing in Italy of U.S. personnel necessary for the purposes contemplated by this agree-

⁴⁴ A note by the secretaries of the State-War-Navy Coordinating Committee, June 10, 1946, states that by informal action on June 7 the Committee approved this modified draft.

ment including housekeeping, security, land, air and port operations. It further agrees to accord the U.S. Forces all facilities afforded by Italian ports (including dockyards, dry docks and ship repairing facilities), public services, utilities, railroads, inland waterways, telecommunications and airfields which the Commanding General having due regard for Italian essential requirements may from time to time request. Such airfield facilities and accommodations as are designated for the purpose of U.S. military aviation will be provided in agreement with the Commanding General, who shall have the right to make necessary extension and improvements thereto, and will be under the exclusive control of U.S. forces during such temporary period. On airfields where the U.S. forces require the status of "lodger rights" only, the Italian Government will furnish facilities for the operation and protection of U.S. Government aircraft and property.

(b) In particular, the Italian Government agrees that for mutual convenience special areas in Italian ports may be designated by the Commanding General for the exclusive use of the U.S. forces or for other purposes required by him. Such areas will remain under Italian civil administration, but the Commanding General shall have the right to police these areas and control the operation of port facilities therein.

(c) The Italian Government further agrees that the Commanding General shall have all rights necessary to the creation or maintenance for such time as shall appear necessary, of such posts, camps, stations, hospitals, shops, depots, staging areas, and such other military facilities and installations as he may determine to be necessary to the efficient maintenance, administration and operations of the U.S. forces.

(d) The appropriate Italian authorities will render assistance to the Commanding General in taking steps necessary to control epidemics of disease which constitute a threat to the health and welfare of the U.S. forces.

(e) In the interest of efficient operation, the Commanding General may, in agreement with the Italian Government, assist in the rehabilitation or operation, or assume the operation, of such facilities enumerated above as may be necessary.

3. In order to meet telecommunications requirements of the U.S. forces, the Italian Government in cooperation with the Commanding General will grant to the U.S. forces services and facilities as follows:

(a) The right to use such Italian telecommunications, radar, power and other communication facilities and services, including radio and radar aids to navigation, as the Commanding General after consultation with the Italian Government regarding Italian essential requirements may from time to time deem necessary for the purposes of U.S. forces in Italy.

(b) The right to construct, maintain and operate such radio and radar stations, weather facilities and land line communication networks, including servicing facilities, as the Commanding General after consultation with the Italian Government may from time to time deem necessary for the purposes of U.S. forces of occupation in Austria and of U.S. forces in Italy, including the right to use and maintain necessary coded and security equipment.

4. Until agreement is reached to coordinate, regulate and allocate frequencies for radio and radar communication networks and installations, the appropriate Italian authorities, after consultation and in cooperation with the Commanding General, will accord to the U.S. forces those frequencies and power which shall be deemed necessary for the purposes of U.S. forces of occupation in Germany and Austria and of U.S. forces in Italy.

5. The Italian Government agrees that the U.S. forces may conduct their own postal system.

6. (a) In agreement with the Commanding General, the Italian Government will make available to the U.S. forces such lands, buildings, installations and covered storage and other similar facilities as may be required from time to time by the U.S. forces for the accommodation and training of troops; the operation, maintenance, housing and servicing of aircraft; the storage of equipment, stores and supplies.

(b) The Commanding General shall have the freedom of access to and the right of removal of any or all U.S. property in Italy. The Italian Government agrees to lend such assistance as may be required in forcing delivery of any such property upon the request of the Commanding General for such assistance.

(c) Any surpluses arising as a result of U.S. forces remaining in Italy pursuant to this agreement, which are made available to the Italian Government, will be disposed of solely in accordance with the terms of any over-all agreement arrived at by the U.S. and the Italian Governments with respect to U.S. surplus property in Italy.

(d) The U.S. forces shall be granted right-of-way for and access to all military petroleum pipe lines and installations situated in Italian territory, connected with the distribution of petroleum products to such forces or to U.S. forces of occupation in Germany and Austria.

7. (a) The U.S. forces shall have the right to purchase local produce, supplies, and manufactured goods and to contract for services in Italy. In order that such purchases may not have any adverse effect upon Italian economy, the U.S. military authorities will consult with the appropriate Italian authorities upon the particular articles which, from time to time, shall be excluded from local purchase by the U.S. forces.

(b) The Italian Government will, so far as may be reasonably practicable, arrange for the continued use of Italian manufacturing capacity to meet other U.S. military requirements.

(c) The U.S. forces shall have the right to employ local civilian labor directly or through appropriate local Italian authorities.

(d) Payment at not to exceed the prevailing wage rates shall be made by the U.S. forces directly to local civilian labor. Payment shall be made by the U.S. forces directly to suppliers of goods purchased and services contracted for in accordance with this paragraph.

8. The financial terms and conditions covering the supply of Italian lira to the United States Forces, payment thereof and payment for services and facilities and related questions set forth in the Armistice Agreement, dated 29 September 1943, shall continue to govern the financial relations between the United States Forces and the government of Italy up to and including 30 June 1946, notwithstanding the abrogation of that Armistice Agreement.

9. (a) Occupation costs exclusive of net troop pay for the direct maintenance of United States Forces in Venezia Giulia and the Province of Udine shall continue as heretofore to be a charge against the Italian Government.

(b) The cost of all services and facilities not covered under paragraphs 8 and 9 (a), made available to the United States Forces shall, from 1 July 1946, be the responsibility of the United States Government and shall be paid for in dollars currently.

(c) The conditions of payment on which services and facilities are made available to the United States Forces in Italy, together with the financial questions such as the supply of Italian currency to the United States Forces, shall be the subject of a separate agreement, effective as of 1 July 1946. These arrangements shall include the establishment of a lira account through which medium the Italian Government shall reimburse the U.S. Forces for lira payments made by U.S. disbursing officers in payment of expenses which, under the new financial agreement, are properly chargeable to the Italian Government. The United States Forces shall establish such procedures as are necessary to implement the new financial agreement.

10. (a) Without prejudice to the provisions of paragraph 16, U.S. military courts and authorities shall have exclusive jurisdiction over all members of the U.S. forces and over all persons of non-Italian nationality not belonging to such forces but who are employed by or who accompany or serve with those forces and are subject to U.S. naval or military law, and the dependents of such persons.

(b) Arrangements concerning the exercise of jurisdiction in matters relating to civil law over non-military personnel referred to in

paragraph (a) above will be made the subject of a separate agreement but until and unless such agreement is adopted, the Italian courts shall not exercise jurisdiction in civil matters affecting such persons without the written consent in each instance of the Commanding General.

11. (a) The U.S. forces shall have the exclusive right to police their own installations, camps and other areas and buildings specially used by them and to employ Military Police patrols as may be necessary for the maintenance of good order and discipline of persons subject to the jurisdiction of U.S. forces. Persons who are subject to the jurisdiction of the Italian Authorities may be arrested by the U.S. Military Police within such installations, camps, areas and buildings and detained by them until they can be handed over to the appropriate Italian authorities.

(b) The Italian police may arrest personnel subject to the exclusive jurisdiction of U.S. military courts and authorities for offenses against Italian law outside the installations, camps, areas and buildings referred to in the preceding subparagraph, and detain them until they can be handed over for disposal to the appropriate U.S. Military authority. A certificate signed by a U.S. officer that the person to whom it refers belongs to one of the classes mentioned in paragraph 10 (a) above shall be conclusive. The procedure for handing over such persons is a matter for local arrangements. Immediate notification of any such arrest will be given to the nearest U.S. Military installation.

12. The Italian Government will make the necessary arrangements for insuring the trial by Italian courts of persons who are alleged to have committed offenses against the persons, property or security of the U.S. forces.

13. The Commanding General and the appropriate Italian authorities will establish machinery for such mutual assistance as may be required for making investigations, collecting evidence, securing the attendance of witnesses in relation to cases triable under Allied, U.S. or Italian jurisdiction, and to provide procedure for punishment in appropriate courts of witnesses who refuse or fail to comply with a summons, improperly refuse to testify, or who commit perjury or contempt of court.

14. The Government of Italy hereby undertakes to satisfy and to hold harmless the United States and its armed forces in all cases of non-combat claims of the Italian Government or of third persons against the United States, not arising out of contract, which have arisen or may arise by reason of acts, defaults or operations of members of the armed forces of the United States, civilian employees thereof, and

persons accompanying or serving with the United States armed forces, in Italy or Italian territory. Such claims shall be assumed, settled, litigated or otherwise disposed of in such manner as the Italian Government may determine. For the purposes of this undertaking the term "persons" shall include corporations, partnerships and similar entities with a place of business in Italy or Italian territory.

15. (a) Members of the U.S. forces and organizations or persons employed by or accompanying these forces and property, income, compensation or receipts belonging to them or to their Government shall be exempt from any impost, tax, charge or duty of any kind whatsoever imposed by the Italian Government or any of its political subdivisions or agencies. All the exemptions mentioned in this paragraph shall also apply to property imported by the U.S. forces or by organizations employed by or accompanying these forces for use or for distribution as relief or otherwise, in Italy or elsewhere.

(b) Without limiting the generality of subparagraph (a) of this paragraph, no impost, tax, charge or duty of any kind whatsoever imposed by the Italian Government or any of its political subdivisions or agencies shall apply to or with respect to the sale or other disposition, for export or otherwise, of surplus or other U.S. Government material or property; nor shall the Italian Government or any of its political subdivisions or agencies discriminate, by taxation or otherwise, against the purchaser or recipient of such material or property on account of the acquisition, use or disposition of such material or property.

16. (a) The Commanding General shall have the right to exercise jurisdiction over and to hold displaced and stateless persons, enemy prisoners of war, disarmed enemy personnel, war criminals, and security suspects of enemy nationality in refugee, prisoner of war or internment camps in Italian territory or to remove them from such camps and from Italian territory at will.

(b) The Italian Government shall have the right to hold prisoners of war (German) and displaced persons in Italian territory. At the request of the Commanding General under appropriate arrangements that may be entered into, the Italian Government will hold all such persons listed in paragraph 16 (a) for any of the Allied Governments.

(c) The Italian Government will cooperate in facilitating the repatriation of displaced persons and the disposition of stateless persons from or through Italy.

17. Arrangements for the disposal of the remains of deceased members of the U.S. forces of World War II and erection of monuments will be set forth in a separate agreement.

18. The Italian Government when requested will attach to the U.S. forces Italian officers or civilian officials for liaison duties to assist the U.S. military authorities in their relations with the Italian civil and military authorities. These liaison officers or officials, whose numbers and qualifications will be agreed upon between the Commanding General and the appropriate Italian ministries, shall so far as possible be employed as intermediaries between the U.S. military authorities and the Italian local authorities in the execution of the provisions of this agreement and in other matters.

19. The interpretation of this agreement, the settlement of any difficulties arising therefrom, and the question of appropriate supplementary arrangements covering questions not dealt with in this agreement shall form the basis of further discussions between the United States and the Italian Government.

20. The term "U.S. forces" when used in this agreement shall be defined as "U.S. Armed Forces and Governmental organizations and accredited agencies operating under or in conjunction with such forces" whenever applicable. The term "Italy" shall be deemed for the purposes of this agreement to include all territories under Italian sovereignty and the territorial waters around them. However, nothing herein contained shall be construed to limit the existing rights and powers vested in Allied or U.S. commanders by virtue of the military occupation of Venezia Giulia and the Province of Udine.

21. The foregoing agreement shall be in full force and effect from the date of signing of this agreement and shall continue during the occupation by U.S. forces of Austria or of any portion of Italian territory which may be provided for in the Agreement Modifying the Armistice Regime, and shall continue for such reasonable time thereafter, not to exceed three months, as is required for the withdrawal of the U.S. forces.

22. In the event that conflicting requests are made on the Italian Government by the Commanding General, United States Forces under the provisions of this agreement and the Commanding General of the forces of another government under a similar agreement, the Italian Government shall invite the attention of the Commanding Generals concerned to such conflicting demands and request that they resolve their differences or report the situation to their respective governments for determination.

740.00119 EW/6-1546: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, June 15, 1946—midnight.

[Received June 17—9:06 a. m.]

2921. On behalf of General Lee,⁴⁵ Admiral Stone⁴⁶ delivered US draft civil affairs agreement to Prime Minister last evening (see Dept's 1241 June 10⁴⁷). Prime Minister told that inasmuch as document was classified secret he could give no publicity to its contents but that there was no objection of Italian Government's announcing receipt of agreement.⁴⁸

Most morning papers report Stone saw De Gasperi last evening but do not indicate purpose of his call.

Stone has furnished US and British Embassies with copies draft agreement.

Sent Dept 2921, repeated Caserta 862, Paris 339.

KEY

SWNCC 271 Part II, 388.1 Peace Treaties—Italy

*Draft Financial Agreement Between the United States and Italy*⁴⁹

RESTRICTED

[WASHINGTON, August 9, 1946.]

SWNCC 271/14

Pursuant to the terms of the Military and Civil Affairs Agreement entered into between the Italian Government and Commanding General of the United States Forces in Italy and more specifically to paragraphs 9 *a*, *b* and *c* of the aforementioned agreement, it is further agreed that the following provisions shall govern

a. the conditions under which occupation costs for the direct maintenance of United States forces in Venezia Giulia, Amendola Airport and the Province of Udine will be met by the Italian Government, and

b. the conditions under which the United States Government will pay in dollars on a current basis, for net troop pay of United States troops located in Italy, and for all supplies, services and facilities not covered in paragraphs 8 and 9 *a* of the parent agreement.

⁴⁵ Lt. Gen. John C. H. Lee, Deputy Supreme Allied Commander, Mediterranean Theater, and United States Commanding General, Mediterranean Theater of Operations.

⁴⁶ Rear Adm. Ellery W. Stone, U.S.N.R., Deputy President and Chief Commissioner, Allied Commission (for Italy).

⁴⁷ Not printed; this telegram notified Rome that the draft had been completed and should go forward to General Lee that week (740.00119 EW/5-2246).

⁴⁸ In telegram 647, July 13, 1946, from Caserta, Mr. Byington explained that the Italian Government wished to hold up publication of the text of the modified armistice regime until the two civil affairs agreements, respectively with the United States and with Great Britain, were concluded so that the three documents would be published together (740.00119 EW/7-1346).

⁴⁹ Department's telegram 1602, August 13, 1946, advised the Embassy in Rome that copies of the proposed financial agreement were being forwarded by air pouch (800.515/8-1346).

SECTION I

OCCUPATION COSTS FOR DIRECT MAINTENANCE OF UNITED STATES FORCES IN VENEZIA GIULIA, PROVINCE OF UDINE AND SUPPORT TROOPS LOCATED AT AMENDOLA AIRPORT

1. "Direct Maintenance" as used in this agreement will be construed to mean, the cost of services, supplies and facilities procured in Italy and used by troops physically located in the areas cited in the title of Section I.

2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied military facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces and the Italian Government.

3. *a.* The Commanding General of the United States Forces or a duly appointed delegate or delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of — lire, and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.

b. At such time as the United States Forces are withdrawn any balance remaining in the account shall revert to the Italian Government.

4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein will be presented to the Italian Government as evidence that such supplies are for direct maintenance of United States occupation forces.

5. The technical procedures necessary to implement this agreement shall be determined between the Commanding General of the United States Forces and the Italian Government.

SECTION II

PROCUREMENT OF LIRE FOR TROOP PAY AND FOR PURCHASE OF SUPPLIES, MATERIALS AND SERVICES OTHER THAN FOR DIRECT MAINTENANCE AS PROVIDED IN SECTION I HEREOF

1. *a.* All lire held by United States Forces on 1 July 1946 and not heretofore paid for will be purchased by United States Forces at

the rate of 225 lire to the dollar. A statement of this balance, resulting from all lire drawn prior to 1 July 1946 from the Allied Financial Agency and the Banca d'Italia by the United States armed forces, less lire used by the United States armed forces for all local procurement of goods and services, minus the dollar equivalent already paid the Italian Government by the United States Armed Forces, minus the returns of lire to the Allied Financial Agency and the Banca d'Italia as of 30 June 1946, will be furnished to the Italian Government.

b. After 1 July 1946 the United States forces will purchase lire requirements, in excess of balances held by Army disbursing officers on that date, from the Banca d'Italia or one of its branches with United States Treasury checks.

c. When all United States forces are withdrawn from Italy, settlement will be made for lire balances referred to in paragraph 1 *a* above by:

- (1) return of unused lire to Italian Government, and
- (2) payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 *c*.

d. The United States forces will use lire balances (see paragraph 1 *a*) and lire procured by Treasury check, only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of Section I.

e. All local procurement other than for direct maintenance will be paid for with lire balances (reference paragraph 1 *a*) or lire purchased from the Italian Government with United States Treasury checks.

2. The Italian Government agrees:

a. To instruct the Banca d'Italia and all branches thereof to accept United States Treasury checks from Army disbursing officers in exchange for lire at the rate of 225 lire to the dollar.

b. When United States forces are withdrawn from Italy, to repurchase with United States dollars army holdings as follows:

(1) lire in excess of 1 July 1946 balances (see paragraph 1 *a*) at the rate of 225 lire to the dollar, except as modified by paragraph *c* below, provided however, that liability for the repurchase of lire shall not exceed the amount purchased after 1 July 1946 by Treasury check; and

(2) the additional lire converted to dollars for authorized personnel of the United States forces, not to exceed in any event three million five hundred thousand dollars.

c. To protect the United States forces, including official, quasi official and personal funds, in accordance with the provisions of the note of 22 February 1946 from the Italian Ministry of Treasury to the United States Treasury Representative at Rome, against any loss resulting from the devaluation of lire. Provisions of this paragraph will be applicable to paragraph 1 c (2) and shall be taken into consideration in computing amounts due the Italian Government.

d. To advise United States Government in advance of any pending change in the rate of exchange.

NOTE: The blank space in Section I, paragraph 3, is to be filled in by the Commanding General in accordance with his requirements.

740.00119 EW/7-1546

*The Acting Secretary of State to the War Shipping Administrator
(Conway)*

WASHINGTON, August 16, 1946.

MY DEAR CAPTAIN CONWAY: Thank you for your letter of July 15, 1946⁵⁰ quoting from a communication received by you from the Ministry of War Transport, London, through the British Merchant Shipping Mission, on the subject of control of Italian merchant shipping. Your courtesy in communicating this information to the Department is appreciated.

Entry into effect of the revised Italian Armistice terms, as agreed upon by the Council of Foreign Ministers, is awaiting the signature of these terms by the Italian Government. As stated in the letter addressed to you by the Acting Secretary of State on May 15,⁵⁰ the revised terms do not provide for continuation under the Cunningham-DeCourten agreement of the control of Italian merchant shipping operations, which will accordingly terminate when the revised terms enter into effect.

In response to your inquiry regarding the continuation of the general direction and control exercised over Italian merchant shipping by the Rome Shipping Committee under the authority of the Cunningham-DeCourten agreement, the Department considers that continuation of this control is not in harmony with the general policy of this Government toward Italy, and not necessary for the protection of the interests of the United States.

In my letter addressed to you on July 25⁵⁰ there were set forth the Department's views with respect to the obtaining of undertakings

⁵⁰ Not printed.

from the Italian Government regarding the employment of Italian merchant shipping.

Sincerely yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

740.00119 Council/9-1146 : Telegram

*The Acting Secretary of State to the Ambassador in France
(Caffery)*⁵²

SECRET

WASHINGTON, September 11, 1946—6 p. m.

4748. Secdel 869. In discussion request from SACMED for guidance re eventual implementation Ital revised armistice terms, Brit proposed Allied Commission be abolished forthwith, regardless delay in signature revised armistice, provided prior consent of French and Soviets could be obtained. Dept and JCS have concurred, and instructions are being sent to Paris and Moscow to endeavor obtain agreement France and USSR.

Draft message to SACMED directing him abolish Allied Commission within 21 days of receipt of message, and authorizing establishment small AFHQ liaison office at Rome is being circulated for clearance but will not go out until French and Soviet views are recd.

CLAYTON

740.00119 Control (Italy)/9-1346 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Durbrow)*^{52a}

SECRET

WASHINGTON, September 13, 1946—8 p. m.

1651. Pls inform FonOff that in consultation with UK this Govt has decided Allied Force Headquarters should assume remaining functions Allied Commission in Italy, which relate primarily to control Ital armed forces, administration DP camps and responsibility for certain activities Allied Military Govt in Venezia Giulia and Udine, and that Allied Commission should be abolished forthwith. In this Govt's view, there appears no reason await formal signature Ital revised armistice before proceeding as above.

This Govt desires views Soviet Govt and hopes latter will consent immediate abolition Allied Commission.⁵³

CLAYTON

⁵² Repeated to Rome as telegram 1738.

^{52a} Sent also to Paris as No. 4813.

⁵³ In telegram 3485, September 16, Mr. Durbrow reported that the Soviet Foreign Office had that day been informed by the British as well as by the Americans of the decision to liquidate the Allied Commission for Italy and that Soviet reaction would be reported as soon as received (740.00119 Control (Italy)/9-1646).

740.00119 Control (Italy)/9-1746: Telegram

The Chargé in the Soviet Union (Durbrow) to the Secretary of State

RESTRICTED

Moscow, September 17, 1946—noon.

[Received 3:30 p. m.]

3495. Following is Embassy's translation of note received today from Soviet Foreign Office with request that it be communicated to Department: ⁵⁴

"The Allied Commission in Italy is placing obstacles in the way of the Soviet representatives on the Allied Commission, the Advisory Council for Italy, and the Mission for the Repatriation of Soviet Citizens from Italy, as well as in the way of the employees of the above representations, in the matter of their travel throughout Italy.

"These obstacles find expression in the fact that the authorities of the Allied Commission require the above-mentioned Soviet representatives in Italy and the employees of the representations to solicit a special permit several days in advance on each occasion of a trip in the country. These authorities require that the purpose of each trip be indicated in requesting the above permit.

"Such a procedure is in sharp contrast to the travel procedure established by the Soviet military authorities in Hungary, Rumania and Bulgaria from the American and English representatives in the country. The Soviet military authorities are guided in establishing travel procedure in Hungary, Rumania and Bulgaria by the negotiations of the Allied Control Commission, permitting freedom of travel throughout those countries to American and British representatives on the condition that these representatives inform the Allied Control Commission in advance of the time and itinerary for such journeys."

In communicating the foregoing, the Ministry for Foreign Affairs insists that the aforementioned restrictions on the travel of Soviet representatives in Italy and their employees be removed and that there be established a normal procedure for travel through the country, analagous to that established for British and American representatives in Hungary, Rumania and Bulgaria. The Ministry for Foreign Affairs expressed the hope that the appropriate steps for the establishment of such a procedure will be taken as a matter of urgency.

The Ministry for Foreign Affairs informs the Embassy that a similar note has been sent to the Embassy of Great Britain.

DURBROW

⁵⁴ On September 19 text of this note was forwarded by the Department to Budapest as No. 965, to Bucharest as No. 618, and to Sofia as No. 292, with the request to report "whether US officials do in fact enjoy freedom of travel under established procedure outlined Soviet note". The text was sent to Rome as No. 1775 on the same day. (740.00119 Control (Italy)/9-1746)

740.00119 Control (Italy)/9-2446: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, September 24, 1946—6 p. m.
[Received September 24—3:47 p. m.]

3878. Re Moscow's 3495, September 17 to Department, repeated Rome as 48. For Alcom's comments on procedure for travel of Russians in Italy see Embtel 2039, April 18.⁵⁵

It might be suitable in reply to this old chestnut to point out that Russian delegations in northeast Italy reported in Caserta's 538, September 14⁵⁶ (see also Department's 215, September 18 to Caserta) not only seem to have informed no one of their presence but are, as Cole suggests on his report 73, September 17, travelling about completely unfettered and contributing nothing to good will or friendly relations. In any event Alcom's procedure seems to be based on desire to help Russians in Rome by having advance knowledge their movements and is not used to impede these movements.

We are not taking matter up at this time with Alcom pending receipt Department's instructions and comments on allegations anent travel facilities for our people in the Balkans.

Sent Department 3878, repeated Caserta 1047, Moscow 197.

KEY

740.00119 Control (Italy)/9-1746: Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Durbrow)*

RESTRICTED

WASHINGTON, October 10, 1946—7 p. m.

1806. Ur 3495 Sept 17. In concert your British colleague, you should reply along following lines FonOff protest re travel restrictions on Sov reps Italy:

⁵⁵ Not printed. In regard to travel by the Russians this telegram stated: "AC report concluded that there is no general restriction on Russian member of AC visiting any part of Italy provided that permission be obtained from AC and AFHQ together with proper travel orders; that they are not encouraged to visit AMG territory which is described as outside scope of AC and that mention in Vyshinski's note of 50 kilometer limit outside Rome on their movements is consequently entirely inaccurate." (740.00119 Control (Italy)/4-1846)

⁵⁶ Same as telegram 750, September 14, from Caserta to the Department, not printed. It reported certain civil disorders in the Venice-Mestre area and stated: "According to General Harding there is a Russian Consulate in Venice as well as a large Russian Film Delegation which is known to have had frequent contact with Communist elements in neighboring districts. General Harding considers that withdrawal of this Russian Mission is an important factor in maintaining law and order in Venice-Mestre area which he considers vital from military point of view." (740.00119 Control (Italy)/9-1446)

This Govt is surprised at Sov protest re procedure followed by Alcom Italy for travel Sov reps, which applies equally to all Allied officers in Italy. This procedure was designed primarily for convenience officers concerned, and to assist local commanders who must have advance notice if they are to extend fullest cooperation in providing military accommodations, motor fuel, etc. Moreover, since there are no general restrictions as to areas which may be visited by Allied officers, it is possible for them to travel freely to any region other than AMG territory without recourse to Alcom. This Govt is informed that in practice many Allied officers do in fact travel throughout Italy without obtaining travel orders from Alcom or even notifying it of their trips. FonOff must be aware that no request by Sov reps to Alcom for travel orders has been refused during recent months, and that no complaints have been lodged with Alcom thereon; on contrary, it is understood that Sov reps in Italy have expressed themselves as more than satisfied with arrangements made for them.

It appears to this Govt that procedure followed for Allied officers in Italy is far more satisfactory than those in effect in Hungary, Rumania and Bulgaria. In Bulgaria, US reps must give minimum of 48 hours notice in writing all trips outside Sofia zone, and must furnish names of all persons making trip, date and hour departure and return, itinerary and mode of travel. On several occasions ACC has notified US reps that intended travel was not authorized. In Rumania, 2 days advance notice of travel, including data re personnel, itinerary and dates departure and arrival, must likewise be given ACC by US reps, who have been denied admission to certain areas of country. In Hungary, travel of US reps outside Budapest is dependent upon receipt of special permit from ACC for each trip, which must be obtained in advance, and in that country also ACC has in some instances refused to grant necessary permit.

This Govt therefore sees no basis for Sov protest in this matter, and for its part would be more than pleased to have its reps in Hungary, Rumania and Bulgaria accorded same degree of freedom of travel which is enjoyed by Sov reps in Italy.

Sent Moscow as 1806 rptd for info to Rome as 1892, Bucharest as 658, Sofia as 327 and Budapest as 1056.

ACHESON

740.00119 Control (Italy)/10-246 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Durbrow)*

SECRET

WASHINGTON, October 17, 1946—4 p. m.

1844. Dept's 1651 Sept 13. Pls inform FonOff French Govt has now replied favorably re abolition Alcom Italy⁵⁷ and Dept is therefore anxious obtain FonOff reply soonest possible.⁵⁸

ACHESON

740.00119 Council/10-2346 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 23, 1946—3 p. m.

[Received 4:10 p. m.]

5322. Delsec 1088. For the Secretary from Dunn.⁵⁹ As you are aware the Italian Government has never signed the revised armistice agreement drafted by the CFM during the Paris meeting in May. Principal reason for the Italian Government's lack of interest is dislike of the accompanying British civil affairs agreement. Furthermore Italians have felt that peace treaty was imminent and in these circumstances revised armistice had little meaning. For this second reason also appropriate British and American officials in Italy (in our case the military authorities) have not pressed agreement.

I discussed this matter several days ago with Tarchiani.⁶⁰ He told me he and Carandini⁶¹ planned to press the Italian Government strongly on their return to Rome, to proceed to the signature of the new armistice agreement. Since on the most optimistic assumption it will still be some time before the treaty comes into force. I feel the Italians should be urged to resume active negotiations with the appropriate British and American authorities in Italy with a view to concluding the new armistice agreement and the separate civil affairs agreements with the British and ourselves. If for any number of reasons the treaty should be delayed the Italians would be in a much better position financially as well as politically under a revised armistice.

⁵⁷ Telegram 4933, October 2, from Paris, conveyed the message of the French favorable reply (740.00119 Control (Italy)/10-246).

⁵⁸ In telegram 3906, October 19, from Moscow, Mr. Durbrow reported that on October 17 he had sent a letter to Dekanozov giving the substance of this telegram. On October 18 he was told that the matter was under consideration and that a decision could be expected soon. (740.00119 Control (Italy)/10-1946)

⁵⁹ James Clement Dunn (appointed Ambassador to Italy) was a member of the subcommittee to consider political features of the Italian treaty, Paris Peace Conference, July 29—October 15, 1946.

⁶⁰ Alberto Tarchiani, Italian Ambassador to the United States.

⁶¹ Niccolò Carandini, Italian Ambassador to Great Britain.

While the negotiations on our side are being conducted by the American military authorities in Italy I think some action on the political side will be necessary in order to advance matters. I therefore suggest that the Embassy at Rome be instructed to urge on the Italian Foreign Minister the desirability of concluding negotiations on the American draft civil affairs agreement on which we are awaiting a reply from the Italians. The War Department should of course be informed of our action.

Sent Dept as 5322; repeated Rome as 272; Caserta as 12. [Dunn.]⁶²
CAFFERY

740.00119 Control (Italy)/10-2346

The Chargé in Italy (Key) to the Secretary of State

RESTRICTED
No. 4188

ROME, October 23, 1946.

SIR: I have the honor to report that the Italian Ministry of Foreign Affairs on October 19 delivered an undated *Aide-Mémoire* to Admiral Stone, Chief Commissioner of the Allied Commission, for transmittal to the Commanding General of American armed forces in Italy, wherein the views of the Italian Government are expressed concerning the draft of a new Military and Civil Affairs Agreement, and the related Financial Agreement. Those documents were delivered to the Government for its consideration and comment on June 14 and on September 3, 1946, respectively.

A copy of the original *Aide-Mémoire* in Italian, and a translation which was made in the Embassy and concurred in by Admiral Stone, are attached hereto. A summary of the Italian reaction was reported to the Department by telegram no. 4058 dated October 23, 1946.⁶³

The *Aide-Mémoire*, doubtless because it was drafted earlier, contains no reference to the decision of the United States to grant to Italy the "suspense account" dollars in reimbursement for non-troop-pay expenditures in A.M. lire by our armed forces. In view of that action on our part and of the Italian negative reaction to the negotiation of a new Civil Affairs Agreement, it would no longer appear to be untimely or in any way damaging to our position to withdraw both the

⁶² In reply to this telegram, the Department forwarded to Mr. Dunn a copy of telegram 4058, October 23, from Rome, not printed (740.00119 Control (Italy)/10-2346). This telegram summarized the Italian arguments which were presented in the undated *aide-mémoire*, received in the Embassy in Rome on October 19 (see *infra*).

Mr. Dunn replied in telegram 5391, October 26, that he still felt there would be advantage in concluding the revised armistice, but that the Department would have to judge the validity of Italian objections in the light of the political situation in Italy (740.00119 Control (Italy)/10-2646).

⁶³ Not printed.

Civil Affairs and Financial Agreements, should the Department so desire, and possibly to substitute therefor a proposal to modify the situation with respect to requisitions.

In the light of such a possibility, the Embassy wishes to record its impression that the objections of United States military authorities to the retroactive feature in the Financial Agreement, referred to in the Department's memorandum of conversations dated September 18 and in the Embassy's telegram 3900 of September 26,⁶⁴ appear to arise very largely out of the undoubted difficulties involved in obtaining accurate and acceptable figures on the value of requisitions since July 1, 1946 and on the value of public services, including transportation and communications, which have neither been paid for in lire nor formally requisitioned. It would also appear that the army authorities may foresee some difficulty in obtaining appropriations to cover the repayment in dollars for requisitions after July 1, the value of which is unknown but thought to be of considerable importance.

In view of these objections, the Embassy is of the opinion that if the War Department so desires, in its reply concerning the financial aspects of the Italian *Aide-Mémoire*, it would appear reasonable and practical to emphasize to the Italian Government the extent to which the suspense account and troop pay dollars already cover the bulk of the direct cost to Italy of our forces during the entire occupation, to reaffirm our willingness to recognize any additional expenditures not already covered by dollar payment, such as requisitions, as credits to the Italian Government which may be offset against its recognized debt to us for civilian supplies, and to assure the Government, while requesting its cooperation, that every effort will be made by our armed forces to place all outstanding requisitions on a current cash payment basis at the earliest possible moment.

If it is true that dollar transfers now being made from the "suspense account" will cover the occupation expenditures other than requisitions in Venezia-Giulia and the Province of Udine, assurance in that sense might be added to the foregoing. Reference to the matter might simply be omitted if, on the contrary, a division of occupation costs as between Venezia-Giulia and the rest of Italy is in fact being established unilaterally by the United States.

The foregoing comments have not been discussed with the military in this theatre and are submitted only for the Department's background information.

Respectfully yours,

For the Chargé d'Affaires, a.i.:
CHARLES A. LIVENGOOD
Counselor for Economic Affairs

⁶⁴ Neither printed.

[Enclosure—Translation]

The Italian Ministry of Foreign Affairs to the Chief Commissioner of the Allied Commission (Stone)

AIDE-MÉMOIRE

The Italian Government has duly examined the Draft Civil and Military Affairs Agreement between the United States and Italy, annexed to the Draft Modification of the Armistice regime.

That examination has led to the conclusion that the specifically military and political proposals of the agreement itself pose grave problems of a domestic and international character destined to give rise to serious apprehensions and opposition (*contrasti*) in the country.

The total effect of the dispositions referred to in articles 1 to 7 in fact only confirms and consolidates in substance, as regards the matters treated in those articles, the actual situation which has come into being under the Long Armistice regime.

On the other hand, in view of the imminence of the Peace Conference and the hope that it may within a short time bring about the conclusion of a definitive Peace Treaty, the Italian Government believes it unnecessary and in any case not urgent to initiate discussions which might very probably become unnecessary before they were concluded.

Still, in compliance with the courteous requests of the Department of State, the Italian Government nevertheless submits to the Government of the United States its principal observations regarding the economic-financial clauses proposed for the new Armistice.

The system proposed by the Government of the United States for the regulation of financial relations, forthcoming from the new Armistice, may apparently be summarized as follows:

- a) To set aside (*accantonare*) the system of financial relations initiated on the basis of the Armistice of September 29, 1943 and carried out from its entry into effect up to June 30, 1946;
- b) To charge to the Italian Government the occupation expenditures, exclusive of *net troop pay*, for the *direct* maintenance of American military forces in Venezia-Giulia and the Province of Udine;
- c) To charge to the Government of the United States for payment in dollars *currently* all services and all supplies (*prestazioni*) rendered to the American armed forces.

The Italian Government believes that the proposed system is in general acceptable and that it constitutes an appreciable improvement in the financial situation which had been imposed on Italy with the preceding Armistice.

The cessation of the arrangement of financial relations carried out up to June 30, 1946 is reasonable and opportune. Such an arrangement would have complicated the negotiation of the new Armistice.

The Italian Government hopes that, when it may be appropriate, the United States Government will wish to take into account the considerations set forth by the Italian Government in its memorandum of January 7, 1945 in the sense that all supplies, all services and all payments made by the Italian Government for the account of the American armed forces during the long period of co-belligerency, may be recognized as dollar credits of the Italian Government to be applied against its debts for the *civilian supplies*.

Notable relief will thus derive to the Italian economy from the payment in dollars which the American Government declares itself disposed to make for all supplies, services, requisitions, etc., which the Italian Government will place at the disposition of the American armed forces beginning from July 1, 1946 and for the full duration of the new Armistice.

Encouraged by such good dispositions, the Italian Government permits itself to request that it be exempt from the occupation expenditures for the *direct* maintenance of troops which it is desired to charge against it. It is true that this concerns only the troops stationed in Venezia-Giulia and in the Province of Udine, and it is further true that troop pay would be excluded, but that a part of the burden for occupation expenditures would nevertheless continue to bear upon the exhausted Italian economy, notwithstanding that the Armistice regime has continued by this time almost three years, and that Italy has continued to bear, through no fault of its own, burdens from which it should have been freed for some time.

The Italian Government, which is grateful to the Government of the United States for the favorable arrangements, which have enlivened the regard of the Italian Government and people, hopes that its request will be granted and that the burdens of occupation expenses will thereby cease completely to exist.

In that spirit the Italian Government has also examined the text of the separate draft agreement provided for by paragraph 9 of the Armistice Draft transmitted last September.

Accordingly, the observations which it advances below with regard to the last mentioned document are presented without implying any denial of the point of view expressed above.

Such observations are the following:

1. The Italian Government requests at the least exemption from the transportation expenditures, not only in order to eliminate the need for laborious calculations for the division of the expenditures

themselves between the two Governments, as is provided in Section 1, paragraph 2, but also in order to relieve Italian finances from a burden of which a not unimportant part consists of disbursements in foreign exchange for supplies of fuels, lubricants, etc.;

2. The amount of the current account in lire which, by the terms of paragraph 3(a), the Italian Government must place at the disposition of the Commanding General of the American armed forces might conveniently be established in agreement with the Minister of the Treasury;

3. The second section of the Draft does not appear entirely clear: it is thought possible to deduce, barring errors of interpretation, that the supplying of lire to the American armed forces for troop pay and for other expenditures reimbursable in dollars should take place by utilizing the balance in lire already in possession of the American armed forces or through the acceptance and payment of the counter-value in lire by the Bank of Italy of United States Treasury checks. The payment in dollars for lire received in advance would occur immediately, with the undertaking on our part however to repurchase lire not utilized and to exempt the American forces from any loss deriving from devaluation of the lira.

With regard to this last request it is considered that the providing of funds in lire to the American armed forces assumes in this case practically the character of a normal foreign exchange operation. Therefore, an eventual exchange guarantee—enacted in a public document—would certainly be invoked by third countries in similar cases, without Italy being able to advance serious arguments to resist such a demand.

Not only [that],⁶⁵ but this [request] also may not be granted for technical-economic reasons connected with foreign exchange operations and deriving especially from the present situation in which the Italian Government, far from being able to save the available foreign exchange must employ it immediately for reconstruction purposes. In fact, whereas the dollars received may actually be utilized immediately or very soon by Italy, which means under present exchange conditions, the restitution [of dollars] for the repurchase of lire not used by the American armed forces might come about much later under different exchange conditions and with a considerable loss to the Italian economy.

That inconvenience which would be serious enough even if the advances in lire were not limited to a pre-established figure, remains equally serious even within the limits of the amounts proposed in paragraphs *b* (1) and (2).

⁶⁵ Brackets in this paragraph appear in the file translation.

It is pointed out, anyhow, that the exchange guarantee could be applied in any case only to official funds, and possibly to those which are semi-official, but not also to those personal funds of individual members of the American armed forces.

740.00119 Control (Italy)/11-2046 : Telegram

The Deputy United States Political Adviser (Byington) to the Secretary of State

SECRET

CASERTA, November 20, 1946—2 p. m.

[Received 6:40 p. m.]

822. Remy 638 July 8, 5 p. m.⁶⁶ Please see F-73294 November 19 from ComGenMed to War Dept. stating that British Foreign Office does not intend to persuade Italians to bring British Italian draft military and civil affairs agreement into force and that ComGenMed recommends no further approach be made to Italian Government in connection existing US draft military and civil affairs agreement and subsidiary financial agreements at this time. ComGenMed states that he is preparing what this HQ regards as essential features of a post-peace treaty US/Italian agreement to cover needs of US forces in Italy for 90-day period.

BYINGTON

740.00119 Control (Italy)/12-1046

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, December 10, 1946.

No. 4426

SIR: I have the honor to refer to my telegram No. 4347 of December 10, 1946,⁶⁷ regarding the termination of Allied Commission, Allied Military Government Venezia-Giulia, the Allied Supply Accounting Agency and the Allied Financial Agency, upon ratification of the Treaty of Peace with Italy and to transmit a copy of Allied Force instructions to these agencies on this matter.

Respectfully yours,

DAVID MCK. KEY

⁶⁶ Not printed; it reported that the military authorities had asked about the status of the draft of the new financial agreement (740.00119 Control (Italy)/7-846).

⁶⁷ Not printed.

[Enclosure]

ALLIED FORCE HEADQUARTERS
G-5 SECTION
APO 512

G-5: 910.13-3 P

5 DECEMBER 1946.

Subject: Post Treaty Liquidation of Alcom/AMG Functions

To: Chief Commissioner,
Allied Commission,
APO 794, U.S. Army.
Senior Civil Affairs Officer,
Venezia Giulia,
APO 88, U.S. Army.
Allied Supply Accounting Agency,
% Allied Commission.
Allied Financial Agency,
% Allied Commission.

1. With the ratification of the Peace Treaty, all rights, duties, privileges, and responsibilities of the Allied Forces will cease. Active steps are being taken to secure sufficient rights for the Allied Forces so that evacuation may be completed during the ninety days subsequent to the Peace Treaty ratification.

2. All functions now being performed by the Allied Commission, including the Service Sub-Commissions; by ASAA, by AFA, and by AMG must either be terminated or transferred to permanent Civil Authorities prior to the completion of evacuation. It is probable that the full extent and complexity of terminating and transferring of these functions may not be fully known or appreciated at AFHQ. It is therefore desired that each addressee analyze the problems to be solved before his organization may be finally deactivated, and make prompt recommendations to hasten the procedure. It is regretted that no information as to the governmental set-up for Trieste Free State can be given. It will be assumed, however, that the French line will become the international boundaries. When further assumptions are made by addressees in submitting their plans, such assumptions will be clearly stated. When recommendations are made that either the British and United States Embassies in Rome, assume duties previously performed by the Military Authorities, the views of the respective Embassies will be secured. When such views are not readily available, however, the recommendations will not be delayed beyond the limiting date. All plans and recommendations will be addressed to G-5, AFHQ and will be despatched not later than 25 December 1946.

3. There is attached hereto an entirely incomplete list detailing a few of the more obvious problems.

4. Certain special instructions of the subject of planning for the run-down of MMIA are being issued separately.

[Annex]

LIST OF OBVIOUS PROBLEMS CONNECTED WITH THE LIQUIDATION OF
Alcom/AMG FUNCTIONS

1. Disposal of funds, records, and effects held by Allied Financial Agency.

2. *Maintenance of present AMG Territory.*

When should shipment of CCAC supplies cease? Who handles those arriving after "R" (Ratification) Day, keeping in mind that territory now maintained will be Italian, Yugoslav, and Free State.

3. *Legal.*

What becomes of records of trials of those under sentence, considering that those under sentence will be in Italian, Yugoslav, and Free Territories? What undertaking, if any, will be taken by Italy, Jugoslavia, and Free State to carry out sentences imposed by present courts including AMG Courts?

4. *Funds in Venezia Giulia.*

What disposition made of funds now in AMG (so called State Treasury) custody? Presumably the right of AMG to collect or disburse funds, to hire and purchase, and to cover payrolls ceases on R Day except from national funds provided by the Allies. Therefore, all employees, including public servants, paid from Allied (AMG) funds must be discharged or their pay otherwise obtained.

5. *Service Sub-Commissions.*

You will work on the assumption that these will cease on R Day.

6. *Liaison with Italian Government.*

Presumably this will no longer be an Allied function, and each military high command will have direct liaison with the Italian Government only in connection with the rights which may be granted in national agreements, somewhat on the order of the previous Military and Civil Affairs Agreements.

7. *Displaced Persons.*

This subject is under active consideration at all levels and no recommendations need be made in this respect at this time.

8. *Allied Supply Accounting Agency.*

Close down or transfer duties.

740.00119 Control (Italy)/1-247 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

SECRET

Moscow, January 2, 1947—6 p. m.
[Received January 2—3: 20 p. m.]

10. Embtel 3906, October 19, 1 p. m.⁶⁸ In recent conversation Molotov told British Ambassador⁶⁹ that Soviet Govt had no objection to abolition of Alcom Italy and that written communication to this effect would be forthcoming shortly.

SMITH

740.00119 ACI/1-1647 : Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, January 16, 1947—midnight.
[Received January 17—9: 20 a. m.]

133. Reference Fan 711, from CCS to SAC dated January 11,⁷⁰ and mytel 127 of today.⁷¹ Soviet member of AC and delegate to ACI called on Alcom today to announce that his government has instructed him to return to Moscow this month with both his missions to AC and ACI. Colonel Savko⁷² when asked by Admiral Stone whether he expected his government to send successor to ACI stated that he asked same question of his government but had received no reply.

Admiral Stone comments on possibility that this sudden move may presage Russian pressure for American and British withdrawal from Balkan Control Commissions if and wherever this has not already occurred. In our opinion it may also be move on part of Soviet to claim credit before Italian public opinion for being first to get out of these two organizations and to give up their property under requisition.

French member of Commission has made strong demands to Alcom for representation on IMAS and military subsections supported, according to Admiral Stone, by notes of State Dept and Foreign Office dated July 1 and July 3, 1946. Soviet member has stated he has no instructions regarding future Soviet representation on IMAS.

KEY

⁶⁸ Not printed, but see footnote 58, p. 864.

⁶⁹ Sir Maurice Drummond Peterson.

⁷⁰ Not printed.

⁷¹ Not printed; in this telegram Mr. Key reported that the Soviet member of the Advisory Council for Italy had called on the United States member to announce that the Soviet Government had decided to withdraw from the ACI, effective immediately (740.00119 ACI/1-1647).

⁷² Col. V. V. Savko. Soviet Acting Chief Representative on the Allied Commission for Italy since August 1945.

740.00119 Control (Italy)/2-447

The Ambassador in Italy (Dunn) to the Secretary of State

RESTRICTED

ROME, February 4, 1947.

No. 35

SIR: I have the honor to refer to the Embassy's telegram No. 252, dated February 1, 1947,⁷³ reporting the abolition of the Allied Commission, and to transmit herewith copies of AFHQ Staff Memorandum Number 3, of January 31, 1947,⁷³ containing instructions for setting up a Liaison and Civil Affairs Branch, G-5, AFHQ, and an Italian Military Affairs Section, AFHQ, in Rome.

Respectfully yours,

For the Ambassador:
DAVID MCK. KEY
Counselor of Embassy

ATTITUDE OF THE UNITED STATES REGARDING THE FORM OF
GOVERNMENT TO BE ESTABLISHED IN ITALY⁷⁴

865.00/1-746 : Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, January 7, 1946—7 p. m.

[Received January 8—7:46 p. m.]

80. At his political meeting this morning Admiral Stone⁷⁵ talked of his interview with de Gasperi⁷⁶ on Saturday⁷⁷ about:

- (1) Conversion of Italian currency (see my 64, January 7⁷⁸) and
- (2) Constituent Assembly.

[Here follows discussion of conversion of Italian currency.]

Prime Minister said that law for administrative (local) elections had been approved and contained all of Admiral Stone's suggested improvements (see my 3468, November 9 and my 79 January 7⁷⁹). He said that draft law for political (national) elections would be coming up before "Consulta" next week for consideration and that that would invariably bring up question of powers of Constituent Assembly (see Dept's 1899, October 22.⁸⁰) He indicated that powers of Constituent Assembly would undoubtedly be discussed in Cabinet meeting at same time and that decision would have to be reached then.

⁷³ Not printed.

⁷⁴ Continued from *Foreign Relations*, 1945, vol. iv, pp. 963-991.

⁷⁵ Rear Adm. Ellery W. Stone, U.S.N.R., Chief Commissioner Allied Commission (for Italy).

⁷⁶ Alcide de Gasperi, Italian Prime Minister.

⁷⁷ January 5.

⁷⁸ Neither printed.

⁸⁰ *Foreign Relations*, 1945, vol. iv, p. 989.

In discussing Constituent Assembly and problem of limitation of its powers, Prime Minister said that in his view it was possible for present Govt under Lieutenant General⁸¹ to operate simultaneously with Constituent Assembly in session. He expressed view that it would be difficult for present Govt to approve new law limiting powers of Constituent Assembly in view of existence of DLL 151 of June 25, 1944.⁸² He added that in Nenni's⁸³ view present law is satisfactory and that Allies would not intervene to change it (as Dept is aware Nenni and Socialist Party along with Communists take position that Constituent Assembly will be sovereign once elected and will govern country as well as determine institutional question and provide new constitution). A possible compromise with Left Wing parties might be, De Gasperi suggested, for Constituent Assembly to appoint two persons to advise Lieutenant General until form of new government had been finally determined. In speaking of various possible courses De Gasperi mentioned as desirable referendum to determine life and powers of Constituent Assembly and referendum on institutional question. As possible compromise with Left Wing parties on this question he suggested "indicative referendum" which he explained as referendum on institutional question which would not be binding upon Constituent Assembly to accept but which would give it indication of views of people to assist it in making final decision. If vote were overwhelming for Republic or for Monarchy Assembly would De Gasperi pointed out be morally bound to accept it. If on other hand referendum proved public opinion fairly evenly divided Assembly would then in fact be free to decide issue.

Re Monarchy Prime Minister said that Liberal Party favored Regency on behalf of 8-year-old Prince of Naples. He added, however, that entire Royal family, that is King and Prince and Princess of Piedmont were opposed to Regency.

De Gasperi said he wished Allies would demand plebiscite on institutional question, that in his view Moscow Declaration of 1943⁸⁴ established that right. He stressed several times to Admiral Stone that now is time for Allied Govts to take decision on Constituent Assembly and procedure to be followed in determining institutional question if they intend ever to do so. He indicated that he felt that Govt would accept compromise such as "indicative referendum". Finally de Gasperi referred to several letters which Admiral Stone had written to

⁸¹ Prince Humbert.

⁸² Decree Law of the Lieutenant General No. 151 provided Italy with a provisional constitution; for text, see *Gazzetta Ufficiale*, July 8, 1944.

⁸³ Pietro Nenni, Vice President, Italian Council of Ministers.

⁸⁴ For text of Moscow Declaration regarding Italy, see *Foreign Relations*, 1943, vol. I, p. 759.

his predecessor Parri⁸⁵ asking for views of Italian Govt with respect to powers of Constituent Assembly (see my 2599, September 6⁸⁶ and 2806, September 21⁸⁷). De Gasperi asked Stone to write to him again asking for reply to his various letters which Admiral will do. It is understood that Prime Minister will use this to force issue in early Cabinet meetings.

I consider that discussions during next few days and weeks on this question will be of highest importance to Italian people and to future of Italy and if Dept has any views on procedure to be followed or in [on?] powers of Constituent Assembly which it desires conveyed to Italian Govt I should be instructed now and I informed Admiral Stone and his chief legal adviser of contents of Dept's 1899, October 22. Chief Commissioner, British Ambassador⁸⁸ and I all agree with Dept's interpretation expressed therein and I would hope that Dept might obtain agreement of British Govt to instruct Admiral Stone to convey these views to Italian Govt as representing views of Allied Govts on DLL 151 and Constituent Assembly. I cannot refrain from pointing out, however, that in my view provisions along lines of paragraph [7?] of draft *modus vivendi* which I saw during my last visit to Dept are means best adapted to fulfill requirement that Italian people shall choose their own form of Govt.

KIRK

865.00/1-746: Telegram

The Acting Secretary of State to the Ambassador in Italy (Kirk)

SECRET

WASHINGTON, January 19, 1946—1 p. m.

129. Urtel 80 Jan. 7. Agreement has been reached with British that US and UK Govts will separately express to Ital Govt their views on election of Constituent Assembly. Same procedure will be followed as in case of local elections (Deptel 1528 Sept. 6⁹⁰) and no formal representations will be made through AC.

Accordingly, you should see De Gasperi and after referring to this Govt's views on local elections as expressed to Parri, say that we have continued to follow with closest interest preparations for elections in Italy, and, while disappointed that local elections have not yet been held in at least some communes, are pleased that dates have now been set for both local and national elections. We hope that De Gasperi will press forward with these plans, that all political parties will

⁸⁵ Ferruccio Parri was succeeded by Alcide de Gasperi December 10, 1945.

⁸⁶ *Foreign Relations*, 1945, vol. iv, p. 985.

⁸⁷ Not printed.

⁸⁸ Sir Noel Charles.

⁹⁰ *Foreign Relations*, 1945, vol. iv, p. 987.

cooperate to ensure holding of free elections in orderly manner, and that laws which we understand are now under discussion will guarantee free and full expression of will of Ital people and of their choice of form democratic govt which they desire.

In this regard, you should explain that in matter of elections this Govt is keenly alive to its responsibility to Ital people by reason of reiterated promise, first given during hostilities and affirmed in Joint Statement of October 13, 1943⁹¹ and in Moscow Declaration, that they would have free and untrammelled right to choose by constitutional means their own form of democratic govt, and with this responsibility in mind you have been instructed to bring to De Gasperi's attention views summarized in Deptel 1899 Oct 22⁹² and instruction 812 Nov 16.⁹³

Finally, you should say to De Gasperi that we look to Ital Govt to discharge its grave obligations in laying foundation for state based on sovereign will of people, which will be worthy of best Ital traditions and will command world respect.

ACHESON

865.00/1-2146 : Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, January 21, 1946—6 p. m.

[Received January 22—11:49 a. m.]

333. In informing Department January 7 of conversation between Admiral Stone and Prime Minister regarding Constituent Assembly we suggested that if Dept had any views which it wished expressed regarding procedure to be followed in elections Constituent Assembly or its powers now was time to authorize me to submit them to Italians as the various questions relating to Constituent Assembly will come up before Council of Ministers here for decision shortly (copy of my No. 80, January 7 to Dept is being sent you by courier). We have had no reply (your 60, January 16^{93a}) consequently until we get definite instruction the contrary I feel we should continue to press here and at AFHQ for decision of institutional question by referendum either directly from govt or from Constituent Assembly after it has convened. I agree with position you have taken in this and do not feel that there

⁹¹ For text of Joint Statement by President Roosevelt, Prime Minister Churchill, and Marshal Stalin, see *Foreign Relations*, 1943, vol. II, p. 387.

⁹² See *Foreign Relations*, 1945, vol. IV, p. 989.

⁹³ Not printed; it enclosed two copies of a memorandum prepared in the Department entitled, "Powers of the Italian Government versus the Constituent Assembly." (865.00/9-645)

^{93a} This reference is in error; telegram 60 to Rome is dated January 10 and relates to peace treaties (740.00119 EW/1-446).

have been any developments since July which make referendum plan less desirable or feasible. Allied military supervision of referendum is in any event a secondary consideration with respect to the merits of a referendum as the fairest means of deciding institutional question. (Caserta's No. 60, January 16, 2 p. m., sent to Dept as No. 332, January 21, 6 p. m.)⁹⁴

I agree that there should not be prolonged agitation over institutional question and in view of technical problems yet to be overcome before national elections can be held. (The end of April is only target date which govt is striving to achieve). I feel that lifting of ban on institutional question should be closely related to holding of national elections and convocation of "costituente". An appropriate date might possibly be at time govt announces definite date for convocation of *costituente*. There is no doubt that election must be freely discussed and Italian Government should express its views as to where it considers such discussions are opportune.

Sent Caserta No. 134; repeated Dept as No. 333.

KIRK

865.00/2-1446: Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, February 14, 1946—3 p. m.
[Received February 15—8:16 p. m.]

800. See my 332⁹⁵ and 333, January 21. In commenting on question raised by AFHQ with AC whether attitude toward institutional question should be modified in view of changed conditions since Naf 1043, July 20,⁹⁶ was despatched British Political Adviser AC gave following views of Foreign Office on general question:

(*Begin summary*) British Foreign Office does not consider it desirable to give formal advice to Italians on questions of referendum though it has permitted its opinion to be made known informally to Italian Foreign Ministry that it is favorably impressed with Signor de Gasperi's suggestion (conveyed to Noel Charles in private conversation) that at some stage institutional question should be referred to Italian people. (See my 439 January 25.⁹⁶) Foreign Office assumes that sole purpose of SACMED raising question reported in my 332 was to enable him to send follow up telegram to CCS to effect that Naf 1043 was now out of date and that there was no question of him or Chief Commissioner advising Italian Govt on this question, and that such advice could now only be given through diplomatic channel.

⁹⁴ Not printed; it reported that G-5 at Caserta had raised question of whether approach to Italian institutional question should be modified in view of changed situation, following end of the war (740.00119 Control (Italy)/1-2146).

⁹⁵ See footnote 94 above.

⁹⁶ Not printed.

Foreign Office considers that with regard to removal of ban on discussion of institutional question, it is for Italian Govt to take initiative and in absence of such Italian initiative no action should be taken by Allied Govts at this time. If and when Italian Govt asks to be relieved of its undertaking in this regard it is assumed that SAC will refer question to CCS for directive, at which time question will be considered by US and UK Govts and their decision will be conveyed through diplomatic channels to Italian Govt. While British are not prepared at this time to say what their attitude will be when this question is raised, it is considered that question of abrogating or appropriately amending decree law 151 would be one for Italian Govt to solve if decision were that it could be relieved of its undertaking. In any event British feel that until Italians are relieved of their undertaking they should not abrogate or amend decree law. (*End summary*)

Sent to Dept as 800; repeated Caserta 300 and London 108.

KIRK

S65.00/2-2246: Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, February 22, 1946—noon.

US URGENT

[Received 4: 38 p. m.]

933. I called on De Gasperi yesterday evening at his request and learned from him that the coalition gov't has not yet found a common basis for the political questions connected with the holding of the elections for the Constituent Assembly. According to the Prime Minister the thesis of the American experts,⁹⁷ based on the law of June 4, 1944,⁹⁸ that the Constituent Assembly does not have powers of gov't and that during the period of the Assembly the regime of the Lt. General must continue, is strongly contested by the elements of the Left, and even moderate elements find that the above-mentioned law is full of contradictions and that its literal application exposes Italian political life to the dangers of internal conflicts. On the one hand, it does not seem possible that the Constituent Assembly in such unsettled times and for 7 or 8 months could abstain from legislative activity. On the other hand, it would not appear feasible for the Lt. General to nominate the gov't if the Assembly should have a republican character. In order to assure a pacific evolution, according to De Gasperi, the present

⁹⁷ The "thesis of the American experts" refers to the memorandum entitled "Powers of the Italian Government versus the Constituent Assembly" which was sent to Rome in instruction 812 of November 16, 1945, not printed. The essence of the argument was embodied in the Department's telegram 1899 of October 22, 1945, to Rome, *Foreign Relations*, 1945, vol. iv, p. 989.

⁹⁸ The reference here should be to Decree Law No. 151 of June 25, 1944, *Gazzetta Ufficiale*, July 8, 1944.

discussions in the Cabinet have therefore the object of laying down in advance some democratic procedure.

A compromise is being sought along the following lines according to the Prime Minister:

1. To concede to the Assembly the election of the President of the Council who will nominate his Ministers;
2. To maintain nevertheless the Lt. General for the promulgation of laws;
3. To leave to the people the decision of the question of a Monarchy or Republic by means of plebiscite or referendum.

The plebiscite would have to be held simultaneously with the elections for the deputies (of the Assembly) or during the first 4 months of the Assembly session, that is, after the fundamental questions of the constitution have been considered (rights and obligations of citizens, economic and social principles, basic questions of organization such as bicameral structure, regional decentralization, etc.)

The form would follow that of the French referendum, that is, two questions would be put to the people:

1. "Are you for the Monarchy or the Republic?"
2. "Do you agree that the regime during the constituent period be that proposed in the attached outline?"

In this outline the principles mentioned above would be set forth. In the present negotiations, if agreement on the pre-constituent referendum mentioned above cannot be reached it is hoped at least to introduce an interconstituent referendum, that is, during the period of the Constituent Assembly.

As a result of the above De Gasperi has put two questions to me:

1. Do the American experts deem that direct consultation of the people (referendum) is more democratic procedure than that authorized by the law of 1944 and that it (referendum) would fit into the general policy of the Allies?
2. Furthermore, do they deem that maintaining the Lt. General until the final decisions, even with reduced powers, is sufficient proof of juridical continuity?

An affirmative reply to these questions would reinforce the position of the moderate parties and would facilitate the compromise which they seek. It must be received within the next few days because the draft plan must be submitted to the Consulate in order to be able to set the elections for the end of May, in view of the provision that they must be announced 70 days before the day of elections, De Gasperi concluded.

KIRK

865.00/2-2246 : Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, February 22, 1946—1 p. m.

US URGENT

[Received 4:40 p. m.]

935. See my 933 today. De Gasperi emphasized that not only was it his wish but that it was also the interest of Italy to find some solution of the problem which would be agreeable to the American Govt. The internal political situation however which confronted him (with special reference to attitude of the Socialists and Communists) rendered his task extremely difficult and he added that if only Bevin had been willing to tell Nenni that a referendum or plebiscite was indicated, the way would have been much easier.

In general, I might say that with full admission of the principle of non-interference in the internal politics of another country, it would seem that once we have assumed a responsibility for the establishment of a democratic form of govt through the free expression of the popular will, we might find it possible to facilitate the efforts of elements tending to that end by some means more efficacious than the statement of generalities and the emission of pious wishes (see my 438 of Jan 25⁹⁹). On that basis I hope that the Dept will view with sympathy De Gasperi's appeal for guidance.

A reply is urgent.

KIRK

811.20200 (D)/2-2246 : Telegram

The Secretary of State to the Ambassador in Italy (Kirk)

SECRET

WASHINGTON, February 28, 1946—5 p. m.

US URGENT

467. Urtels 933 and 935 Feb. 22. Question raised by De Gasperi indicate he may not fully comprehend this Govt's views re Ital elections. You should therefore remind him that in bringing to his attention this Govt's sense of responsibility under its pledge to Ital people (Deptel 129 Jan 19) and Dept's opinion on function of Constituent Assembly (Deptel 1899 Oct 22¹), this Govt was motivated first by concern that sovereign rights of Ital people might be exercised through free elections and secondly by concern that legal continuity of Ital Govt should be preserved.

⁹⁹ Not printed; it informed the Department that observations concerning elections in Italy had been communicated to De Gasperi (865.00/1-2546).

¹ *Foreign Relations*, 1945, vol. IV, p. 989.

This Govt offered no suggestions re manner by which these principles were to be translated into law, and De Gasperi's assumption that this Govt's views would require continuation of regime of Lt. Gen. is incorrect. This Govt did hold that Assembly had no powers beyond those specifically granted it by present legal gov't of Italy in law 151 and any subsequent legislation, but it pointed out that present Ital Govt, having power to provide for Assembly also has power to set limit of Assembly's functions. Thus, present Ital Govt may if it desires grant Assembly power to terminate regime of Lt. Gen.

Likewise, this Govt's views are that present legal gov't of Italy may if it desires grant Assembly powers of gov't. This Govt suggested, however, that it might be well to confine Assembly primarily to essential task of framing constitution, as it was this Govt's understanding of law 151 that Assembly would have limited life and would be followed by duly elected parliament.

As regards De Gasperi's specific questions, you should inform him that it has not been this Govt's understanding that law 151 precluded determination of people's will on institutional question by means of referendum. Law states that "institutional forms will be chosen by Ital people who to that end will elect by direct and secret ballot a Constituent Assembly to decide new constitution of state", and adds that procedures therefor will be established later. It is accepted that Assembly should rightfully take formal action to decide institutional question and deliberate basic laws thereon. It is difficult to perceive, however, on what basis other than desire of majority of voters Assembly's decision could be arrived at and still remain within letter and spirit of law or conform to concepts of democracy. Desire of majority could be determined before Assembly meets, during its life, or by reference of its acts to voters for ratification following Assembly's dissolution. Any of these aforementioned methods for direct consultation of people would be democratic procedure, but in present case it would seem that latter two might involve practical difficulties in establishment of republic or continuation of monarchy, whereas these difficulties would not arise if desire of electorate is known in advance of Assembly's decision. For example, if republic were chosen by people, Assembly could immediately upon convening decide thereon and elect provisional president who could formally take over powers of head of state from Lt. Gen. in accordance with formula devised by Assembly. President Ital Govt could then present resignation to provisional president, who would designate person to form new gov't.

Another factor favoring direct consultation of people in advance of Assembly's meeting is that both monarchists and republicans might

more readily accept decision of that body if it could be clearly demonstrated that this decision conformed without question to desire of majority.

This Govt is therefore of opinion that definitive solution of institutional question at earliest possible date is most desirable, and would favor De Gasperi's suggestion of referendum.

De Gasperi's second question would seem to be answered by substance of foregoing.

In closing, you should say to De Gasperi that principle to which this Govt holds for determination of institutional question is free and untrammelled right of Ital people to choose form of democratic govt they desire, and this Govt has full confidence that anti-fascist Govt of liberated Italy is no less determined to restore to Ital people those sovereign rights so long denied them by a regime which regarded people as "amorphous mass" rather than as citizens directly responsible for their country's govt.

BYRNES

865.00/3-1846: Airgram

The Chargé in Italy (Key) to the Secretary of State

CONFIDENTIAL

ROME, March 18, 1946.

[Received March 26—11:06 a. m.]

A-279. Reference Embassy's telegram 800, February 14, 3 p. m. In replying to question raised by AFHQ regarding possible modification of attitude toward institutional question, in view of changed conditions, since despatch of Naf 1043, July 20, 1945,² Allied Commission made following comments on releasing Italian Government from obligation which precludes institutional questions being reopened without Allied consent:

"The undertaking given by the Italian Government precludes the institutional question being reopened without Allied consent 'until such time as Italy has been liberated and Italian people have the opportunity of themselves determining the form of Government'. Italy has now been liberated and it is felt that sooner or later the Italian Government will make an approach with a view to their being released from the undertaking given. It is considered that the initiative in this matter should be left with the Italian Government.

"Moreover it would be highly undesirable for the Allies to take the initiative in releasing the Italian Government from its undertaking at a time when the law for the national elections and the question of the powers of the *Costituente* are under consideration by the Italian Government and are shortly to be debated in the *Consulta*.

² Not printed.

"In terms of the proposed national electoral law the Italian Government must officially give 70 days' notice to the people before the actual date of the election, that an election is to be held. It is considered that such notice-date might be a suitable time for releasing the Italian Government from its undertaking not to raise the institutional question but in any event the views of the Italian Government should first be obtained. It may be that the Italian Government will wish to be relieved of their undertaking earlier than this but if so they should be left to raise the matter.

"It is considered for the reasons given above that the Allies should not take the initiative now in the matter of releasing the Italian Government from its undertaking."

KEY

740.00119 Control (Italy)/4-446: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, April 4, 1946—6 p. m.

[Received April 5—10:11 a. m.]

1769. See my 1767, April 4.³ When Admiral Stone called on Lieutenant General Tuesday⁴ to take leave Prince repeated account of his father's possible abdication (see my 1713, April 1³). In his call on Prime Minister subsequently Admiral mentioned his conversation with Prince and discussed its possible implications with regard to institutional truce. De Gasperi, who appeared somewhat surprised by direct confirmation from Palace, said that in his opinion, which he believed would also be opinion of his Govt, abdication of Victor Emmanuel would not constitute violation of institutional truce.

In his conversations with Prince and Prime Minister yesterday Admiral Stone also asked their views regarding releasing govt from its obligation not to raise institutional question (see mytel 4037, December 13, 1945³) now the law regarding referendum had been signed and date of Constituent Assembly fixed. Prince demurred and said he would like to give his answer later while Prime Minister said he would prefer not to have govt released from obligation on institutional question now that release by Allies would be misinterpreted and abused by more violently republican elements in govt, prove factor of instability during present critical period and result in extremes of undesirable nature.

As result of De Gasperi's reaction Chief Commissioner decided, and we agreed, that he would not pursue this question further and would follow earlier AC line (see my A-279, March 18) of waiting for

³Not printed.

⁴April 2.

Italian Govt to take initiative in requesting that it be released from its obligations with respect to institutional question. Position of various political parties is and can be made quite clear on institutional question during coming campaign without violating govt's obligation, and Ministers have made in past and probably will continue to make their positions clear in this regard under present arrangement. Sent Dept 1769; repeated Caserta 511 and London 299.

KEY

865.00/4-1246

The British Embassy to the Department of State

MEMORANDUM

No. 224

His Majesty's Government in the United Kingdom have now given further consideration to the question of the Institutional Truce.⁶ There is, in their opinion, clearly no case for insisting that the Truce should still be observed. It has in fact been repeatedly violated, more particularly by Ministers of the Left. Furthermore, the Italian Government have now issued the Decree Laws providing for the election of the Constituent Assembly and the holding of a referendum to settle the institutional question.⁷

2. One course of action would be to wait until the Italian Government asked to be relieved of their pledge and then to grant their request. The alternative would be to take the initiative and inform the Italian Government that in view of the issue of the Decree Laws of the Constituent Assembly and the referendum, and since the Italian Government will presumably wish the election campaign to open shortly, the Allied Governments consider the undertakings given by successive Italian Governments in regard to the Institutional Truce to be no longer binding.

3. The second alternative has the advantage of removing all justification for possible accusations that the Allies had, by failing to terminate the Truce, hampered the activities of the political parties and thereby prejudiced the results of the referendum. It is this course of action, therefore, which His Majesty's Government suggest could most appropriately be adopted. They hardly think it desirable to

⁶ Agreement by the leaders of the six anti-Fascist parties on April 27, 1944, to postpone the argument over the permanent form of the state until the war was finished and Italian territory liberated.

⁷ For text of Decree Law No. 98, March 16, 1946, see Department of State, *United States and Italy, 1936-1946* (Washington, Government Printing Office, 1946), p. 233.

mention to the Italian Government previous violations of the Institutional Truce since it might be difficult to quote instances of such violations without appearing to take sides.

4. His Majesty's Government in the United Kingdom would be glad to know the views of the United States Government and to consider any alternative suggestions which they may wish to make.

5. It is thought that before taking a final decision, His Majesty's Government and the United States Government ought to consult the Soviet Government who, after His Majesty's Government and the United States Government, were the government principally concerned in imposing the Institutional Truce on the Badoglio Government in April, 1944.

WASHINGTON, 12 April, 1946.

865.00/4-1646

The British Embassy to the Department of State

MEMORANDUM

No. 228

His Majesty's Government in the United Kingdom have instructed His Majesty's representative at Moscow to inform the Soviet Government of the views of His Majesty's Government with regard to the question of the Institutional Truce in Italy, since the Italian Government have recently issued the necessary Decree Laws for the holding of elections to the Constituent Assembly and for the referendum of the Institutional question.

2. His Majesty's representative has been instructed to remind the Soviet Government that the King of Italy announced with the consent of the Allies his irrevocable decision to withdraw from public life on the liberation of Rome and to hand over his royal powers to the Crown Prince as Lieutenant of the realm. The Italian Government of that time gave the Supreme Allied Commander a written undertaking that the Italian Government would not reopen the Institutional question without the prior consent of the Allied Governments until Italy had been liberated and until the people of Italy had the opportunity of themselves determining the form of government. This undertaking was reaffirmed by subsequent Italian Governments, including that of Signor de Gasperi.

3. His Majesty's representative at Moscow has been instructed to tell the Soviet Government that in the view of His Majesty's Government there is no longer any point in maintaining the Truce. In the opinion of His Majesty's Government there are two methods by which

the Truce could be brought to an end. The first course of action would be to wait until the Italian Government ask to be relieved of their pledge and then to grant their request. The alternative would be for the Allied Governments to take the initiative and inform the Italian Government that in view of the issue of the Decree Laws of the Constituent Assembly and the referendum, and since the Italian Government will presumably wish the election campaign to open shortly, the Allied Governments consider the undertakings given by successive Italian Governments in regard to the Institutional Truce to be no longer binding.⁸ The Soviet Government are being informed that His Majesty's Government in the United Kingdom prefer the second alternative since it removes all justification for possible accusations that the Allies had, by failing to terminate the Truce, hampered the activities of the political parties and thereby prejudiced the results of the referendum.

4. The Soviet Government are being invited to express their views on this matter since they, together with His Majesty's Government and the United States Government were signatories of the Moscow Declaration on Italy issued after the Foreign Secretaries Meeting in October, 1943,⁹ and were principally concerned in imposing the Institutional Truce on the Badoglio Government in April, 1944. His Majesty's representative at Moscow¹⁰ has been instructed to notify the Soviet Government that a similar enquiry is being addressed to the United States Government and that he should press for an early reply in view of the urgency of the matter.

WASHINGTON, 16 April, 1946.

865.00/5-846 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union
(Smith)

CONFIDENTIAL

WASHINGTON, May 8, 1946—3 p. m.

849. Pls inform FonOff that Dept has concurred with Brit proposal re institutional truce in Italy and feels that Allied Govts should take action to inform Ital Govt that, in view of convocation of Constituent Assembly and decision to settle institutional question by referendum, Allied Govts consider undertakings previously given by successive Ital Govts to maintain institutional truce to be no longer binding.

ACHESON

⁸ The Department in its memorandum to the British Embassy dated April 29, 1946, stated that the Department was in agreement with this alternative (865.00/4-1646).

⁹ For documentation on the Tripartite Conference in Moscow, October 18-November 1, 1943, see *Foreign Relations*, 1943, vol. I, pp. 513 ff.

¹⁰ Frank Kenyon Roberts, Chargé.

865.00/5-1446 : Telegram

The Ambassador in the Soviet Union (Smith) to the Secretary of State

CONFIDENTIAL

Moscow, May 14, 1946—1 p. m.

[Received 8:50 p. m.]

1518. Redeptel 849, May 8. Inasmuch as the British Embassy in Moscow already received in a letter dated May 12 from Lozovski, a reply to its frequent approaches to the Soviet Govt on the question of the "institutional truce" in Italy, I have not approached the Soviet Govt in this regard as instructed. Soviet reply to British states that Soviet Govt does not object to proposal to inform Italian Govt that Allied Govts no longer consider as remaining in force the undertakings given by Italian Govt in respect of institutional truce.

Text of full reply in translation has been sent by British Embassy to Washington and assume Dept will be able to obtain a complete copy.¹¹

Repeated London 247.

SMITH

865.00/5-2946 : Telegram

The Chargé in Italy (Key) to the Secretary of State

ROME, May 29, 1946.

[Received May 30—5:18 p. m.]

2690. Most papers carry news that Allies have declared that institutional truce is at an end. Press quotes from following FonOff communiqué:

"In conformity to declarations made some weeks ago in London and Washington President of Allied Commission Ellery Stone has in last few days officially confirmed to De Gasperi that Allied Governments in view of imminent elections regard pledge made by various Italian Governments that have been in power since Armistice relative to institutional truce no longer in force."

Sent Dept 2690; repeated Caserta 796; Paris 297.

KEY

865.00/6-546

The Italian Ambassador (Tarchiani) to the Secretary of State

WASHINGTON, June 5, 1946.

MY DEAR MR. BYRNES: The results of the Italian elections, though not yet final in their details, induce me to request briefly your kind personal attention.

¹¹ Not printed.

The elections, notwithstanding the momentous decisions on the institutional form, took place in complete freedom and in the most orderly manner. In spite of the terrible economic situation and huge destructions of the country, Italy has given the clearest evidence of its sense of equilibrium and moderation.

From the polls of our devastated cities and ravaged country areas, the Italian population has unequivocally expressed its faith in the democratic liberties of Western civilization.

The Christian Democratic Party emerged by far the strongest (about 35% of the votes). The Communist Party received about 20% of the votes and is third in the run behind the Socialist Party. This latter has thus proved its strength and its capacity for independence, internal as well as international. The other minor parties of the Center or Right of the Center, have polled about 20% of the total vote.

The formation of a Coalition Government including the three major parties and headed by De Gasperi seems most likely. De Gasperi told me in Rome—last April—that he deemed a solution of the kind the best to frame a new Democratic constitution. You personally know Signor De Gasperi, so that I do not need to stress the significance of his retaining the Premiership, especially in the predominant position given him by the electoral success.

The results of this first election, more encouraging than any other result of the most recent elections in Europe, make me firmly convinced that the new Italian State will develop its democratic institutions in freedom, order and independence.

Naturally, the active friendship of the United States and, above all, the firm stand that you have taken at the Paris Conference in favor of the retention by Italy of the Italian city of Trieste have played a very considerable role in these promising results. And I want to emphasize here that a solution of the Venezia Giulia problem along the ethnic line is vital to democratic developments of the new Italian state.

Italy has given proof of her renewed and full democratic capacity, and has earned the right to be considered a solid factor of Western civilization.

She now looks confidently to the United States of America and to you personally, my dear Mr. Byrnes, for a sound and lasting solution of her problems at the new Paris conference and for assistance in the difficult task of reconstruction and stabilization.

Believe me, with warmest personal regards,

Faithfully yours,

TARCHIANI

865.00/6-1146 : Telegram

The Chargé in Italy (Key) to the Secretary of State

US URGENT

ROME, June 11, 1946.

[Received June 11—6:21 p. m.]

2878. At 6:00 last evening first President of Court of Cassation made interim announcement to Cabinet and other assembled high government officials concerning its findings to date on results referendum.

According to *Messaggero*, after reading results by electoral districts, President announced that total votes on referendum based on reports received to date from the several electoral districts were: for republic, 12,672,767; for monarchy 10,688,905; reports from 118 precincts not yet received.

President of Court continued that, in accordance with decree law 219 of April 3, 1946, Court would issue in another meeting final judgment re contested votes, protests and complaints submitted to the proper authorities relating to referendum; that Court would coordinate the results with the votes of precincts not yet heard from and at that time indicate overall total of electors voting and of those votes which were found null and void.

Following report of Court, according to *Messaggero*, Prime Minister visited Royal Palace and informed the King.¹² Subsequently De Gasperi convened Council of Ministers which was in session until early this morning with only one recess.

When Prime Minister visited the King again shortly before midnight, at 2:35 this morning, Government issued following communiqué:

“The Council of Ministers has taken note of the proclamation of results of the referendum made according to the law of the Supreme Court of Cassation and which assures a majority to the republic. Council reserves its decision on the concrete problems arising therefrom until tomorrow’s session. The Council has confidence in the civic sense of all Italians and appeals to the country which has manifested its republican majority in order that, conscious of its force and its right, it does not lend itself to provocations of factious elements in the assurances that no one can snatch away the victory acquired in the legality of the popular consultation of which the government remains the complete guarantor. In conformity with the preceding deliberations, the date of June 11, Tuesday, is considered a holiday in every respect.”

¹² Victor Emmanuel III abdicated his throne on May 9, 1946, and was succeeded by his son Humbert II.

865.00/7-646

The Secretary of State to the Italian Ambassador (Tarchiani)

WASHINGTON, July 23, 1946.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of July 6, 1946,¹³ informing me that under date of June 28 the Italian Constituent Assembly, in compliance with its institutional law, has elected Mr. Enrico De Nicola as provisional Chief of State.

It is also noted that the inaugural ceremony took place on July 1, when the President of the Council, Mr. De Gasperi, who was acting as provisional President, transferred the powers of the Presidency to Mr. De Nicola.

Accept [etc.]

JAMES F. BYRNES

CONCERN OF THE UNITED STATES WITH RESPECT TO THE MAINTENANCE OF STABLE, DEMOCRATIC GOVERNMENT IN ITALY

865.51/2-1446

Memorandum of Conversation, by the Chief of the Division of Investment and Economic Development (Fetter)

[WASHINGTON], February 14, 1946.

Participants: Mr. Clayton,¹⁴

Mr. Tarchiani (the Italian Ambassador)

Dr. Ortona (Economist, Italian Embassy)

Mr. Fetter

Subject: Italian Request for an Export-Import Bank Loan.

The Ambassador spoke of the desperate economic situation of Italy and of the urgent need for a large credit from the United States. He presented to Mr. Clayton an *aide-mémoire*¹³ in regard to the credit needs of Italy, a copy of a letter of February 14th to Mr. Martin of the Export-Import Bank requesting a line of credit of \$940,000,000 for use in 1946,¹⁵ and a copy of a letter of January 31st, 1946, from the head of the Italian Technical Delegation in Washington to the Italian Ambassador.¹³

¹³ Not printed.¹⁴ William L. Clayton, Assistant Secretary of State for Economic Affairs.¹⁵ Not printed; the letter estimated that Italy, in order to restore its industry and economy, would require imports for 1946 with a total dollar value of \$1,700,000,000 of which it was expected that \$760,000,000 would come from proceeds from exports, troop pay, emigrants' remittances, loans from other countries, and other international resources (865.51/2-1446).

Mr. Clayton indicated his appreciation of the difficult financial situation in Italy but said that a loan of anywhere near the size requested was out of the question at this time and pointed out that the major part of the credit needs of Italy should be met by the International Bank. He also said that even if a credit of this size were made available, the supply situation in the United States would make it impossible for the American economy to furnish goods to this amount in 1946. He also spoke of the relation between reparations and an Export-Import Bank credit and said that it would be extremely difficult to consider any substantial Export-Import Bank loan until the whole reparations question had been finally settled.¹⁷

The Ambassador reiterated the desperate need of Italy and pointed out that an election would be held within the next few months and that if the Italian voters were not properly fed in the weeks preceding the election it might be very difficult for the present government to remain in power. Mr. Clayton stated that the request would be carefully studied by the Department, but repeated that under present circumstances it would be out of the question for Italy to receive a loan of anywhere near the size asked for. Dr. Ortona said that Italy had just signed the \$25,000,000 cotton loan.¹⁸

The Ambassador referred to the desire of Italy to join the Bretton Woods institutions¹⁹ and presented an *aide-mémoire* requesting American support of the Italian application for participation in these agreements, and requesting that Italy be invited to send an observer to the forthcoming meetings at Wilmington Island.

The Ambassador presented an *aide-mémoire* in regard to the food situation in Italy urging that the American Government request UNRRA to increase the Italian allocations.

The Ambassador presented an *aide-mémoire* asking the American Government to use its good offices to bring about the return to Italy of some 350,000 tons of Italian ships now in the shipping pool.

Mr. Clayton said that sympathetic consideration would be given to the matters in these three *aides-mémoire* but made no commitments to the Ambassador.

¹⁷ For documentation on the problem of reparations in the meetings of the Council of Foreign Ministers and at the Paris Peace Conference, see volumes II, III, and IV.

¹⁸ In telegram 378 of February 15, the Department informed the Embassy in Rome that the agreement on Italian cotton credit was not yet signed, although the Export-Import Bank had by letter offered credit to the Italian Government several weeks before (865.51/2-846). With regard to the signing of the agreement, see telegram 745, April 1, to Rome, p. 901.

¹⁹ For documentation on the Bretton Woods institutions, see volume I.

865.105/2-2646 : Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

SECRET

ROME, February 26, 1946—noon.

[Received 3:42 p. m.]

980. Italian Prime Minister ^{19a} has repeated to AC request made by his predecessor ²⁰ to raise ceiling Carabinieri Corps from 65,000 to 75,000. Reasons advanced for request are:

(1) Weakness law enforcement forces in face of present unsatisfactory state public order;

(2) In pre-war normal times with efficient communication and transportation facilities forces of public order totalled 207,000;

(3) Of these 130,000 belonged to specialized corps of militia for railroads, harbors, roads, posts and telegraph, frontiers, coasts and forests. Carabinieri are now attempting to carry out these specialized tasks and in addition are called upon by Allied armed forces, other Allied organizations and various Italian Government organizations;

(4) In provinces and in isolated places where disturbances of public order are most frequent, police duties devolve on Carabinieri only;

(5) Forthcoming local and national elections covering period several months present paramount problems security and public order at time when efforts to implement policy of democratic government will be on trial before world and at time when number of Allied troops in Italy may be greatly reduced.

Chief Commissioner,²¹ in submitting Italian request to SACMED,²² adds cogent reason that whole of Italy has now been liberated in accordance with Allied policy for sovereign Italian State to assume full responsibility for administration and control of country. Therefore Italian Government should not be expected to assume task of governing country if it is refused means with which to do so.

Chief Commissioner strongly recommends approval Prime Minister's request. In view particularly of vital role of Carabinieri in maintaining order during impending elections, Embassy thoroughly concurs with recommendations of Chief Commissioner.²³

Sent Department 980; repeated London 144; Caserta 341.

KIRK

^{19a} Alcide de Gasperi.

²⁰ Ferruccio Parri, President of the Council of Ministers, June 28–December 8, 1945.

²¹ Rear Adm. Ellery W. Stone, U.S.N.R.

²² Lt. Gen. Sir William D. Morgan.

²³ In telegram 346, March 21, 1946, from Caserta, the Deputy U.S. Political Adviser reported that the Italian request was approved, but without prejudice to any decision which might subsequently be taken in the peace treaty (740.0019-Control (Italy)/3-2146).

Lot 60-D 137 : Box 1

*Minutes of the Fifteenth Meeting of the National Advisory Council
on International Monetary and Financial Problems,²⁴ Washington,
March 4, 1946*

Present :

Secretary Fred M. Vinson (*Chairman*), Treasury Department
Mr. W. L. Clayton, State Department
Mr. E. G. Collado, State Department
Lt. A. Hayes, Office of Foreign Liquidation Commissioner, State
Department
Mr. A. Paul, Commerce Department
Mr. H. W. Parisius, Commerce Department
Mr. M. S. Eccles, Board of Governors of the Federal Reserve
System
Mr. J. Burke Knapp, Board of Governors of the Federal Reserve
System
Mr. William McC. Martin, Jr., Export-Import Bank
Mr. Herbert Gaston, Export-Import Bank
Mr. H. D. White, Treasury Department
Mr. Frank Coe (Secretary), Treasury Department
Mr. A. J. Fisher (Assistant Secretary), Treasury Department

[Here follows item 1, not printed.]

2. *Italian Loan Request*

Mr. Martin stated that the Export-Import Bank objects to this loan on two counts: (1) He would prefer as a first step the release to the Italians of the \$120 million in the Treasury's suspense account and (2) he does not like the 30-year term and prefers 20 years. Mr. White said he would regret any tendency toward a shorter term for such loans, because the shorter period would make it less likely that Italy would be able to repay. The Chairman inquired whether ability to pay was not one of the factors determining the term. Mr. Martin said "Yes", but the Bank would like to review the loans. Mr. Gaston said the Bank could graduate the payments. Mr. White pointed out that in countries which are badly off, a short-term loan diminishes credit for other loans.

Statistical Data. The Chairman questioned the supporting data in the table on page 2, pointing out that the figures of the Balance of Payments Subcommittee were much larger than those contained in the

²⁴ The Council, hereafter referred to as the National Advisory Council, was established pursuant to the Bretton Woods Agreements Act of July 31, 1945. It held its first meeting on August 21, 1945.

report of the State and Commerce Department. Mr. Collado said that the State and Commerce figures had been screened down on the basis of what can be supplied from this country, whereas the balance of payments figures take into consideration what is available in other countries. Question was also raised as to why some of the figures presented by the Balance of Payments Subcommittee were larger than those contained in the Italian program. Mr. Coe explained that the Italian figures excluded freight which, if included, would have raised the figure for imports to \$1.7 billion, although not changing the deficit of \$990 million.

Special Deposit Account. Mr. Clayton believed that Italian needs are far greater than we can take care of by loans here. He stressed that the Italian situation is desperate and that the \$150 million recommended would not be adequate. However he was opposed to the loan. He would much rather release the estimated \$120 million in the suspense account (Special Deposit Account in the Name of the Treasurer of the United States Allied Military currency [lira]²⁵) than make a loan which was not a real loan.

Mr. Coe pointed out that the \$120 million account is an administrative arrangement to prevent the Army from augmenting its appropriation and that the Treasury was not sure it could transfer the \$120 million. Mr. White pointed out that troop pay was set aside and it was up to the Congress to say whether it would be used or not. He thought the case for the use of the \$120 million would be much stronger if there were consultations with the Congressional Committees in order to unfreeze the commitments. Mr. Martin said that from the standpoint of making an unsecured credit, the record should be clear that every other resource has been used.

Mr. Eccles pointed out that the \$120 million would go back to the General Fund if not released to the Italians, whereas the \$150 million would have to be authorized out of the \$1¼ billion increase in the authorized lending power of the Export-Import Bank.

Previous Aid. Mr. Collado said this government has been trying for the past two years to find suitable financial assistance for Italy. The first step was to make troop pay available (some \$160 million).²⁶ The next step was the Montreal meeting of 1944 at which a small provision for Italy was made by UNRRA. Then, under Plan "A" some

²⁵ Brackets appear in the original.

²⁶ See "Financial Arrangements for Italy: Statement by President Roosevelt, October 10, 1944" in Department of State Publication No. 2669: *United States and Italy, 1936-1946: Documentary Record* (Washington, Government Printing Office, 1946), p. 91.

\$600-\$700 million was made available to Italy.²⁷ Last summer an additional \$450 million was obtained for Italy under the UNRRA program.²⁸ They needed still more help. The Italians say they need \$900 million. Our people say \$500 million and this has been whittled down to \$200-\$300 million.

Nearly all of this would be for food and raw materials.

Mr. White pointed out that the money so far advanced has added nothing to Italy's ability to pay.

Immediate Needs. Mr. Parisius said that the figure of \$327 million in the State and Commerce Departments report was a rock-bottom figure and based on 1,700 calories for urban residents.

Political Loans. Mr. Martin said he would like to discuss the proposed loan on the basis of consistency in Export-Import Bank operations. He realized loans are not being made strictly on a business basis, although in the discussions with the Dutch securities were required to be put up as a guarantee and similar terms will probably be demanded of the Belgians. Mr. White answered that in this case our foreign policy requires assistance to a country, even though it is a bad risk. Mr. Eccles agreed with Mr. White that in the world as it is today the question of foreign credits is largely one of foreign policy.

. . . Mr. Clayton observed that a loan to Italy will be a political loan and he wondered whether the Export-Import Bank should make a political loan which none of the Council's members believe will be repaid.

The Chairman said that if the money provided by the Export-Import Bank is to fill in for the International Bank and the International Bank can make loans which have a high degree of risk a loan of this kind could be defended, particularly since this Government is interested in strengthening and stabilizing conditions. However, he did think a loan should not be made if we do not think it will be repaid. Mr. White pointed out that the Export-Import Bank has

²⁷ The term "Plan A" came into usage after the Normandy landings in June 1944, and referred to the supplies provided to civilians in the liberated areas north of the Alps, areas of Allied (United Nations) states. The supplies were furnished jointly by the United States, the United Kingdom, and Canada and were provided through military channels in order to prevent disease and unrest. See William Adams Brown, Jr., and Redvers Opie, *American Foreign Assistance* (Washington, The Brookings Institution, 1953), p. 57.

In Italy, not an Allied state, these supplies for the civilian population were initially termed the "military program". See C. R. S. Harris, *Allied Military Administration of Italy, 1943-1945* (London, Her Majesty's Stationery Office, 1957), pp. 240 ff. and Appendix II, p. 409.

After the end of hostilities the term "Plan A" was also used in regard to Italy. See memorandum of May 10, p. 910.

²⁸ For the UNRRA programs in Italy, see George Woodbridge *et al.*, *UNRRA: The History of the United Nations Relief and Rehabilitation Administration* (New York, Columbia University Press, 1950), vol. II, ch. VIII, pp. 257 ff.; for texts of the agreements of UNRRA with the Italian Government in 1945 and 1946, see *ibid.*, vol. III, pp. 296-316.

already made loans where there are such risks that the loans are only justified because of political considerations.

Mr. Clayton suggested that, when Mr. Martin or the Chairman go to Congress to testify on the increased lending authority of the Export-Import Bank, the statement should be made that some loans will be made concerning which there is not a reasonable expectation that they will be repaid with interest. Mr. White believed that this in essence had already been said in conjunction with the establishment of the World Bank, but he agreed that it should be repeated. Mr. Gaston did not think anything in the record permits the Export-Import Bank to make loans for political purposes only.

Mr. Clayton suggested that the \$120 million in the Treasury be used if possible and consideration of an Export-Import Bank loan postponed. The Chairman asked whether there was any objection to the State Department motion. Mr. Paul thought that if the lawyers find any impediment to the use of the \$120 million or the Congressional Committees do not react favorably action should be taken on the loan. It was decided that a committee should be formed composed of representatives of the State, War and Treasury Departments to study the possible use of the \$120 million and report back to the Council. Mr. White asked whether they should investigate the legality only or ascertain Congressional reaction. The Chairman believed that the committee should refer back their conclusions as to legality. Mr. Eccles seconded the motion previously made and it was carried unanimously.

Action. The following action was taken:

The National Advisory Council approves postponement of consideration by the Export-Import Bank of the proposed loan to Italy.

The Council requests the State, War and Treasury Departments to investigate and report to the Council on the feasibility of making available to Italy for the purchase of supplies the dollars which have arisen from this Government's non-troop pay expenditures in Italy and are now carried by the Treasury Department in a suspense account.

865.24/3-446: Telegram

The Ambassador in Italy (Kirk) to the Secretary of State

CONFIDENTIAL

ROME, March 4, 1946—7 p. m.
[Received March 6—3: 52 p. m.]

1132. Allied military exports from Italy. In communication dated March 2 to AFHQ Allied Commission points out that in previous memorandum (December 14) AC suggested that AFHQ transmit to CCS the recommendations of AC that:

(a) Records be kept of all Allied military exports;
 (b) That Italian Govt as offset to its obligations to Allies be credited for supplies exported on military basis prior to September 1, 1945, when combined military responsibility for civilian supply imports terminated;

(c) That Italian Govt receive current reimbursement in foreign exchange for military exports after September 1, and

(d) That systems of screening intended military procurement (including exports) against civilian supply programs be instituted.

Reply from AFHQ dated February 25, AC communication continues, states preliminary AFHQ view that:

(a) Military exports prior to September 1, 1945 are deemed to be proper charge against Italian Govt, and no records of such exports are to be kept;

(b) That exports after September 1 will be credited to Italian Govt as offset against Italian debt to Allied Govts and

(c) That immediate need for clear-cut accounting procedure is recognized in order to segregate all military exports costs for ultimate adjustment.

(AFHQ letter February 25 transmits draft administrative memorandum from which it is clear that such accounting would be required only for military exports after September 1.)

AFHQ letter states US military exports have ceased, British much reduced and British administrative instruction being issued will minimize both local and export procurement and assure AC or UNRRA opportunity to screen military requirements against supply programs. AFHQ letter also states it is not feasible to place future military exports on commercial basis.

AC communication March 2, then states that proposed AFHQ administrative memorandum, if issued, would not appear to constitute proper accounting and suggests that question of maintaining suitable records is separate from question of type of credit Italy should receive. Communication concludes by suggesting that decision on financial treatment of military exports involves high policy questions which may be considered in connection with Italian peace treaty and that, in opinion of AC and of UK and US Embassy, the entire matter should be laid before CCS for decision.

In supporting Admiral Stone's position I am guided not only by considerations of equity and by principle that no nation should help itself to property of an ex-enemy state without proper accounting and eventual adjustment as agreed with other interested parties, but also by my concern lest the Allied Military Commander, without adequate guidance, continue to attempt to determine economic policies beyond the scope of his authority.

Sent Dept 1132, repeated Caserta 368 and London 179 for Reinstein.

KIRK

865.51/3-746 : Telegram

The Secretary of State to the Chargé in Italy (Key)

CONFIDENTIAL

WASHINGTON, March 7, 1946—8 p. m.

540. 1. For information Ambassador, National Advisory Council has approved in principle making available to Italy the dollar suspense account which represents lire furnished American Army for expenditures other than troop pay. This approval still subject exploration of legal means by Treasury. Net amount this account now in neighborhood \$110 million.

2. In addition, National Advisory Council now considering Eximbank loan of \$150 million, but final decision will be delayed until after Savannah conference.²⁹ Larger loan out of question in view heavy demands on limited Eximbank funds.

3. Dept believes total U.S. financial assistance of about \$260 million in addition to UNRRA's \$450 million will enable Italy finance minimum 1946 import requirements and will permit substantial progress in 1946 toward recovery of pre-war levels Italian industrial output, provided Italy pushes exports with greatest energy.

4. Italian Govt's 1946 Import Plan was based on unrealistic assumptions as to attainable rate of operation of Italian industrial economy in 1946 and took no account of serious world shortages certain raw materials required by Italy.

Sent Rome repeated to London for Dunn.

BYRNES

865.24B/3-746 : Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, March 7, 1946—7 p. m.

[Received March 8—10: 07 a. m.]

1210. Within framework of US plans for future of Italian Air Force (see cable from Military Attaché³⁰ here to War Department Mar No. 84 dated 12 February 1946³¹) Embassy supports MA's (Military Attaché's) view that US position in Italy would be strengthened by using surplus US aviation equipment at present available in European Theater to equip Italian Air Forces.

KEY

²⁹ For documentation on United States interest in international economic collaboration for the expansion of world trade and employment, see volume I.

³⁰ Col. John M. Willems.

³¹ Not found in Department files.

865.248/3-2646 : Telegram

The Deputy United States Political Adviser, Allied Force Headquarters (Byington), to the Secretary of State

SECRET

CASERTA, March 26, 1946—4 p. m.

[Received 4:04 p. m.]

363. Reference our 336 of 9th [19th] March, 3 p. m.³² AFHQ has instructed AC to inform Italian Government that while SACMED has agreed to transfer to Italian Government as early as possible 2 months' supplies in bulk from British to Italian depots in order to provide for maintenance of Italian Navy and Air Force until May 3, it is anticipated that further assistance from British forces toward maintenance of these forces will not be possible after that date since several British supply depots will have closed up. AC is requested to bring pressure on Italian Government to be sure that they will be in position to accept full responsibility for maintenance of Italian Navy and Air Force effective June 1, 1946.

Sent Department, repeated Rome 282.

BYINGTON

865.51/3-2746 : Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, March 27, 1946—noon.

[Received 7:15 p. m.]

1624. Inform Treasury from Tasca.³³ My telegram 1247, 5 p. m., March 8.³⁴ Embassy strongly recommends Department consider possibility of terminating in immediate future, separately, or preferably in conjunction with British, occupation cost regime in Italy. Department is aware of persistent attacks on Allies in Communist press regarding financial burden of Allied occupation in Italy.

Press attacks appear to be a clear attempt to discredit Allies, particularly US, to influence the forthcoming elections for the Constituent Assembly. It is important that we counter this maneuver in part by clearly and publicly announcing immediately termination of the occupation cost regime.

Proposal in your telegram 540, March 7 regarding credit of remaining dollars in suspense account to Italian Government combined with above would tend to make Italians vote more objectively during forthcoming national elections. [Tasca.]

KEY

³² Not printed.

³³ Henry J. Tasca, Treasury Department representative at the Embassy in Rome.

³⁴ Not printed.

865.51/3-2946

Memorandum of Conversation, by Mr. Kingsley W. Hamilton, Assistant to the Assistant Secretary of State for Economic Affairs (Clayton)

[WASHINGTON,] March 29, 1946

Participants: Mr. Tarchiani, Italian Ambassador
Mr. Clayton
Mr. Hamilton

The Ambassador called to say he was returning to Italy on a visit.³⁵ He also wished to inform Mr. Clayton that he had recently spoken with the President in regard to Italy's financial position.³⁶ He had indicated that it would be very helpful if Italy could receive the \$150,000,000 owed it for advances plus a loan of \$150,000,000. This would be particularly important in view of the forthcoming elections. The President had received the suggestion sympathetically and had said he would have it looked into but it would be largely a matter for the government's financial experts to determine.

The Ambassador also referred to Italy's food problem. The *pasta* ration has been reduced from 2 kilograms to 500 grams while the bread ration is only 200 grams and it is improbable whether even this can be maintained. Argentina had previously promised 100,000 tons of wheat and every effort will be made to obtain it although shipping is a problem. The whole food situation was particularly difficult and significant because of the forthcoming elections.

Mr. Clayton thanked the Ambassador for informing him of his conversation with the President and sketched the outstanding problems of the world food situation. He assured the Ambassador that Italy's needs would receive most sympathetic consideration.

865.51/4-146: Telegram

The Acting Secretary of State to the Chargé in Italy (Key)

WASHINGTON, April 1, 1946—6 p. m.

745. Eximbank announcing to press for immediate release signing of Eximbank cotton credit of \$25,000,000 for Italy.

In making announcement of signing of loan agreement with Italian banks, officials of Eximbank emphasized credit will not become operative until signed documents have been returned to US and found in

³⁵ Ambassador Tarchiani was absent from Washington from March 31 to April 16. During this time the Counselor of Legation, Mario di Stefano, served as Chargé.

³⁶ No record of this conversation has been found in Department files.

good order.³⁷ Further announcement of details of credit will be made at that time.

ACHESON

Lot 60-D 137: Box 1

*Minutes of the Twenty-first Meeting of the National Advisory Council,
Washington, April 19, 1946*

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
 General George J. Richards, Visitor
 Colonel Carl Pforzheimer, Visitor
 Mr. W. L. Clayton, State Department
 Mr. Emilio G. Collado, State Department
 Mr. George Luthringer, State Department
 Commander Chester Carre, Office of Foreign Liquidation Commissioner, State Department
 Mr. Herbert Parisius, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. Wm. McC. Martin, Jr., Export-Import Bank
 Mr. Frank Waring, Export-Import Bank
 Mr. Harold Glasser, Treasury Department
 Mr. Frank Coe (Secretary), Treasury Department
 Mr. Allan J. Fisher (Assistant Secretary), Treasury Department

[Here follows item 1, not printed.]

2. *Transfer of Non-Troop Pay Dollars to Italy*

Mr. Coe recalled that in a previous action (Action No. 45),³⁸ the Council asked State, War, and Treasury to investigate and report on the feasibility of making available to Italy for the purchase of supplies the dollars which have arisen from this Government's non-troop pay expenditures in Italy and are now carried by the Treasury Department in a suspense account. These Departments had considered the matter, and the result was embodied in the Staff Committee's memorandum (NAC Document No. 102).³⁹ The transfer was recommended. A supporting legal opinion was attached. A document for Presidential approval had also been drafted. After Council and White House approval, the Staff Committee recommended that clearance should

³⁷ The signed documents were delivered to the Department of State with Ambassador Tarchiani's note No. 6045 of May 28, not printed.

³⁸ See minutes of the fifteenth meeting of the National Advisory Council, p. 894.

³⁹ Not printed.

be obtained from the Comptroller General and the appropriate committees of Congress should be consulted.

Mr. Coe also noted that the estimated amount available was about \$100 million, of which \$50 million would be available immediately. General Richards stated that the remaining amount would probably not be certified earlier than August.

Mr. Clayton moved, and there was no dissent, that the Council take the proposed action. Secretary Vinson requested, and it was agreed, that this matter and Plan A should be discussed together in the appropriate Congressional committees.

Action. The following action was taken :

The National Advisory Council recommends to the President that the United States Government transfer to the Italian Government the net dollar balances in the "special deposit" account for Allied Military lira currency in the name of the Treasurer of the United States, after appropriate accounting reserves, without prejudice to the treatment of occupation costs which may be claimed by the United States against Italy in the final peace treaty.

If the President approves the recommendation as set forth in the attached document, steps should be taken to secure clearance of the certification and transfer procedure with the Comptroller General and to consult with such Congressional committees as may be deemed appropriate.

Consultation with the Congressional committees shall be deferred until the Council's decision respecting the settlement of Plan A accounts has been made, in order that the consultation may cover both matters.

Memorandum for the President

In the course of the Council's consideration of a loan request by the Italian Government, it appeared that some financial aid could be extended at this time by making available to Italy the dollars already set aside in the Treasury to cover expenditures made by our military forces in Allied Military lira currency for procurement of supplies, services, and facilities in Italy. Under President Roosevelt's directive of October 10, 1944, dollars equivalent to the lire used for net troop pay have already been utilized for the benefit of the Italian people.

After careful consideration of this matter, the Council deems it in the interests of the United States that this Government promptly transfer these dollars to the Italian Government. In reaching this conclusion the Council is impressed with the need of Italy for financial assistance. As you stated in your letter of July 2, 1945, "Our policy is to assist in the recovery of Italy as the only assurance against

a resurgence there of the forces we have fought in Europe and progress toward recovery in Italy will require substantial assistance from the United States for many months to come." The proposed transfer would also assist in furthering the major objectives of the United States in the current peace treaty negotiations.

The Council therefore recommends that you approve this proposal and direct and authorize the Secretary of War and the Secretary of the Navy and the heads of other using agencies to certify to the Secretary of the Treasury the dollar equivalent of the lira expenditures made up to now and hereafter by our military forces in Italy for transfer from the "special deposit" account in the name of "Treasurer of the United States Allied Military currency (lira)", after appropriate accounting reserves, and further authorize and direct the Secretary of the Treasury to transfer the amount so certified to the Italian Government.]⁴⁰

3. *Proposed Reconstruction Loan to Italy*

Need for Loan.—Mr. Collado recalled that the Council had previously considered a loan to Italy by the Export-Import Bank of up to \$150 million (NAC Document No. 86⁴¹). Action had been postponed pending decision on non-troop pay dollars.

Mr. Collado said that the State Department considered the matter to be urgent. There were strong reasons of foreign policy. The country's economic situation was desperate. The non-troop pay money of \$50 million was inadequate. There were elections scheduled in May and it was important that we take action before then. Mr. Clayton emphasized that we were trying to maintain stable conditions, but that the period was critical. The food and coal situations were grave. Almost anything could and would happen unless we gave financial assistance for the purchase of supplies.

The Chairman asked whether the previous estimate of an immediate loan of \$150 million might not be reduced to \$100 million. Mr. Clayton agreed that for the present \$100 million would be enough.

Position of the Export-Import Bank.—Mr. Eccles inquired whether we have to get the appropriation of \$11¼ billion in order to make a loan of \$100 million to Italy. Mr. Martin said that, taking into account \$150 million coming back as repayments and possible participation of \$100 million by commercial banks in the Dutch loans, we can count on \$11¼ billion available for the fiscal year 1947, excluding the proposed increase in lending authority. The Bank had no funds for a loan to Italy.

Mr. Clayton commented that since only \$1¼ billion was available and \$1 billion was earmarked for Russia, there remained only \$250

⁴⁰ Brackets appear in the original.

⁴¹ Not printed.

million for loans to Italy, Poland, etc. and that it would only be possible to make a conditional commitment to France. Mr. Martin added that although it is not necessary to have a large reserve, it would be inadvisable to go to the limit of \$3½ billion and leave no reserve for operations.

The question of the \$100 million loan to the Netherlands East Indies and the possibility of its reduction in view of the fact that credit had been extended to the Netherlands East Indies for the purchase of surplus property was raised. There was considerable discussion on this point and it and the Council's action are reported separately below.

Postponement of Italian Loan Negotiations.—Mr. Coe said that as he understood the figures presented earlier by Mr. Martin, the Bank considered that it had approximately \$1500 million of uncommitted funds. Of this sum, \$1 billion was being reserved for negotiations with the Soviet Union and the State Department was exchanging notes concerning these negotiations. The remaining \$500 million had been authorized for China and might be called for whenever General Marshall and the State Department considered the time propitious. Although the Bank might expect to receive approximately \$250 million in the next 14 months, a sum large enough to cover other loans which had been authorized by the Council, it did not as of the moment have sufficient funds to meet all loans which had been authorized plus the reserve of \$1 billion. Furthermore, under these arrangements, there were no Bank funds available for a loan to France.

Mr. Martin emphasized that the repayments of principal and interest and the sum which the Bank hoped to realize by the sale of the short-term obligations of the Netherlands were funds which would be available during fiscal 1947 but which he, as a banker, could not definitely count upon. There was discussion of other loan authorizations of the Export-Import Bank which might not represent firm commitments.

Mr. Clayton said that the outline of the situation indicated clearly that as of this moment the Government could not conclude negotiations for any foreign loan from the Export-Import Bank. Therefore, he thought that the Council should ask the Bank to reexamine its position to see if there were any immediate possibilities for making the loan to Italy and that pending such a report from the Bank the only way in which we could help Italy was through the transfer of the account in the Treasury.

Mr. Collado suggested that since the Bank's position was fluid and since the Italian situation was serious, the Council might authorize the loan to Italy and thereby the Bank, when it had the necessary funds, could extend the credit without further Council consideration.

However, Mr. Clayton stated, and it was agreed, that it would be inadvisable for the Council to follow a procedure of authorizing loans for which funds were not presently available.

Mr. Coe pointed out that other loans were being considered, discussed and perhaps even negotiated, and queried whether the Council's action should not be broader. Mr. Clayton agreed and said that pending the appropriation of more funds by Congress or a change in the Bank's position as reported to the Council, no additional foreign loan negotiations involving Export-Import Bank funds should be concluded. There was no dissent.

Action.—The following action was taken:

The National Advisory Council agrees that consideration of a long-term loan of \$100 million to Italy be deferred pending receipt of a report from the Export-Import Bank on its available funds.

Action.—The following action was taken:

The National Advisory Council agrees that for a short time, pending receipt of a report from the Export-Import Bank on its available funds, negotiations shall not be carried on concerning any new foreign loans.

[Here follow items 4 and 5, not printed.]

865.51/5-346

*Memorandum by the Secretary of the Treasury (Vinson) to
President Truman*

WASHINGTON, April 24, 1946.

1. Attached is a recommendation of the National Advisory Council to provide immediate financial assistance to Italy.⁴² The recommendation is to advance to Italy the dollars now available in the Treasury which correspond to the United States military procurement expenditures in lira currency in Italy. The advance of these funds to Italy would be a voluntary and generous action on our part, since payment for lira currency used by our forces is not required by the Armistice. This action will not affect our right to claim occupation costs from Italy in the peace treaty. President Roosevelt took similar action on October 10, 1944, when he advanced to Italy the dollars corresponding to the net pay expenditures in lira currency of our troops in Italy.

⁴² The attached memorandum, dated April 24, is identical with the draft memorandum which is printed in brackets in the National Advisory Council's minutes of April 19, *supra*. The memorandum submitted to the President bears the notation, "Approved: 4/26/46 Harry S. Truman The White House".

2. If you approve this recommendation, the transfer of dollars will be effected according to procedures established with the Comptroller General and the action will be discussed with the appropriate committees of the Congress.

3. Of the \$100 million financial aid involved in this recommendation, \$50 million will be available immediately and the remainder by September of this year. The amount of this aid is far less than the minimum estimate of Italy's balance of payments deficit for the remainder of 1946 even after consideration of the total UNRRA program for Italy.

4. The extension of financial aid to Italy is of particular and urgent importance at this time. The State Department has urged, and the Council concurred, that some assistance be granted now in view of the critical political and economic situation developing in Italy. Furthermore, this action will assist in attaining U.S. objectives in the current peace treaty negotiations with our Allies.

FRED M. VINSON

865.51/5-246 : Telegram

*The Secretary of State to the Acting Secretary of State*⁴³

SECRET

PARIS, May 2, 1946—5 p. m.

URGENT

[Received 10:08 p. m.]

2108. Delsec 454 from the Secretary. Your Secdel 2004, May 1, noon.⁴⁴ I perceive no reason to delay proposed Exim bank loan to Italy or prompt consideration of Italian application for fund and bank membership at early May meeting.⁴⁵

CAFFERY

Lot 60 D-137 : Box 1

Minutes of the Twenty-sixth Meeting of the National Advisory Council (and the Eighth Meeting of the U.S. Top Committee on French Financial Negotiations), Washington, May 9, 1946

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
Col. Carl Pforzheimer—Visitor

⁴³ Secretary of State Byrnes was in Paris for the meeting of the Council of Foreign Ministers which took place April 25–May 15.

⁴⁴ Not printed.

⁴⁵ In the meeting of the National Advisory Council of May 7, "Mr. Clayton said he would like to bring up the question of a loan to Italy. Secretary Byrnes had informed them that nothing had happened which would make him want to postpone consideration of the loan. He suggested another meeting within the next couple of days." (Item 5, Minutes, N.A.C. meeting, Lot 60–D 137 : Box 1)

Mr. W. L. Clayton, State Department
 Mr. George Luthringer, State Department
 Mr. Victor Longstreet, State Department
 Lt. Col. C. J. Shields, Office of Foreign Liquidation Commissioner, State Department
 Mr. Herbert Parisius, Commerce Department
 Mr. Frank Isenhardt, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. Wm. McC. Martin, Jr., Export-Import Bank
 Mr. Herbert Gaston, Export-Import Bank
 Mr. August Maffry, Export-Import Bank
 Mr. E. M. Bernstein, Treasury Department
 Mr. Harold Glasser, Treasury Department
 Mr. Frank Coe (Secretary), Treasury Department
 Mr. Allan J. Fisher (Assistant Secretary), Treasury Department

[Here follows item 1, not printed.]

2. *Transfer of Non-Troop Pay Dollars to Italy*

The Chairman asked about the status of the transfer of non-troop pay dollars to Italy. Mr. Coe said that \$50 million would be transferred as soon as the Comptroller General and Congress concurred. Discussions had taken place with the Comptroller General, who wanted some technical details explained. The Chairman said the matter would be taken up with the Appropriations Committee at the earliest possible date.

3. *Proposed Reconstruction Loan to Italy*

Amount of Loan.—Mr. Clayton recalled that the Technical Committee recommended that the Council approve consideration of a \$150 million loan to Italy (NAC Document No. 86 ⁴⁶). He moved that the Council approve consideration by the Export-Import Bank of a credit of \$100 million to Italy at this time. The adequacy of this amount was discussed. Mr. Clayton said that if the Export-Import Bank should get further lending authority State would consider lending Italy another small credit of say, \$50 million. The Italians will have to get along on a great deal less from the Export-Import Bank than they need, and will have to apply to the World Bank within a short time.

Mr. Knapp pointed out that UNRRA has a \$450 million program for 1946 which will disappear next year, and that even with the amount

⁴⁶ Not printed.

of foreign help the Italians are getting this year there is nothing left for rehabilitation purposes but merely enough to keep them alive. Mr. Clayton doubted whether Italy could get anything like \$450 million from the World Bank.

Mr. Eccles thought this Italian situation should be brought to the attention of Congress. Mr. Clayton agreed but said they would like to see action on the \$100 million promptly.

Reparations.—Mr. Eccles asked whether there was any question of the funds being used for reparations. Mr. Clayton said that there would be no reparations out of current production. The U.S. would agree to a reparations program involving transfer from Italy of military production facilities not convertible to peacetime use.

Mr. Knapp inquired whether there was any thought that Italian gold and foreign exchange holdings might be used as sources of reparations. Mr. Luthringer said the issue of gold and foreign exchange was still open. We are asking for the return of Italian gold to Italy minus specific claims such as those of Yugoslavia. Our position would be against the use of gold to pay reparations. On external assets our position would be that the various United Nations take the Italian assets in their territories or as much as needed to meet their claims. We would favor the return of assets in neutral countries to Italy but would be willing to consider that Italian assets in satellite countries might be used for reparations. State had asked Secretary Byrnes whether it was appropriate to go ahead with the Italian loan. An affirmative reply had been received.

Mr. Eccles thought that in dealing with France and Britain we should have assurances that gold and foreign exchange will be returned to Italy. Mr. Luthringer said that no country would waive claims for reparations, since there was the possibility that Russia, Yugoslavia and Greece may put in claims later. Mr. Clayton remarked that the French were not at the Potsdam Conference but that the British stood by us in our position that there should be no reparations from the Italians.

Mr. Eccles said that in approving a credit of \$100 million and the release of non-troop pay to Italy he would like the record to show that the NAC is conscious of the problem and is taking these steps with the understanding that neither the French nor the British will use Italian assets in their possession for reparations. The Chairman asked Mr. Clayton to find out about this point before the Council takes action.

Mr. Clayton agreed to send a message to the Secretary of State asking for assurance that neither the French nor the British will either claim or take reparations from Italy.⁴⁷

⁴⁷ Telegram 2232, May 10, to the Secretary in Paris, read: "Before recommending consideration by Eximbank of \$100 million credit to Italy, the NAC wishes to know that neither the Brit nor French will claim or take reparations from Italy." (865.51/5-1046)

Action of the Council.—Mr. Clayton requested action on his motion on the understanding that the answer to the inquiry would be satisfactory. Mr. Martin questioned whether this was good procedure. The Chairman agreed and thought the record would be much better if we had a prior commitment. Mr. Clayton withdrew his motion for immediate action and the Council agreed to defer action until an answer was received.⁴⁸

[Here follows item 4, not printed.]

Lot 60-D 137 : Box 1

Memorandum of a Meeting of the Secretary of the Treasury (Vinson) and the Assistant Secretary of State for Economic Affairs (Clayton) With a Sub-Committee of the House Committee on Appropriations

[WASHINGTON,] May 10, 1946.

Secretary Vinson made a statement giving the reasons for presenting the problem of "Plan A" to the Committee. He said that various statements had been made to the Committee on Appropriations by Government officials to the effect that the North West European countries had promised to pay for the civilian supplies furnished by the military after D-Day. These statements to the Committee were made principally by General Hilldring and Dean Acheson after the Congress had voted appropriations to the Army for the procurement of the civilian supplies. The supplies were given on the basis of military necessity and were limited to the "disease and unrest" formula. The agreements by the North West European countries to pay had been made when their governments were still in exile but the supplies would have been furnished by the military forces even though the promise to pay had not been given. Furthermore, these were the same kind of supplies that were later transferred to the North West European countries under lend-lease arrangements and the same kind of civilian supplies that were given throughout the war to England and Russia. On D-Day there were no lend-lease agreements which would have permitted the transfer of the supplies under lend-lease. He pointed out that the problem that was now facing us was the over-all lend-lease settlement with the French. In these discussions we were concerned with helping France particularly at this time and the facts were that if we insisted on payment by the French we would in effect be forced to increase the aid we were giving to France in the form of loans or other assistance.

⁴⁸ In telegram 1045 of May 10, the Acting Secretary informed the Chargé in Rome that the Export-Import Bank loan for Italy was still under consideration by the N.A.C. and that consultations with Congress were expected soon regarding the transfer to Italy of non-troop pay lira expenditures (865.51/5-546).

Secretary Vinson then posed the choice that was before the government. He said that we could "forgive" the obligation of the French to pay for Plan A or we could ask the French to fund the amount into long-term credits and pay over a period of perhaps 30 years. The Secretary also pointed out that the treatment we accorded to France on Plan A would also be accorded to the other North West European countries.

The Secretary then analyzed the whole of "Plan A" giving the statistics and pointing out that \$370 million went to Italy and there was little possibility of collecting from Italy. Supplies also went to the Balkans and there was little possibility of those countries ever paying for their Plan A supplies. Forcing the North West European countries to pay might be interpreted therefore as discrimination against these Allies. The Secretary also pointed out that we might run into some complications in "forgiving" this obligation because we were tied up with the British and Canadians in Plan A (all three countries gave the supplies and the supplies were pooled before being transferred by the combined military headquarters to the recipient countries).

After Secretary Vinson's statement there was considerable discussion on the part of the Congressmen with a number of questions asked. The Congressmen seriously contemplated the choice between funding and forgiving the obligations. After some discussion, great emphasis was given to the point that supplies similar to "Plan A" were going to England and Russia at the same time on straight lend-lease; that if we insisted on payments from France, Belgium and Holland, we would be discriminating against them in favor of the big lend-lease countries. One argument which impressed the Congressmen was the fact that France had received only \$150 million straight lend-lease of civilian supplies whereas she had given to the U.S. about \$800 million in reverse lend-lease, note being taken at the same time of the \$2,200 million of military lend-lease given to France. These figures were compared with the total lend-lease aid to England and Russia. The Committee was given all the figures as to the amounts of money that were owed to us under Plan A and the amounts owed to U.K. and Canada.

The opinion of the Congressmen was then polled and all of the Congressmen agreed that under the circumstances that the U.S. Government should be generous and that pressing the North West European countries for payment would not be fair to them. They were unanimously of the opinion that the proposal of the government was desirable.

Mr. Clayton then told the Committee about the proposal to advance to Italy the dollar equivalent of the lire expenditures of our

troops in Italy for the procurement of supplies and services. He explained the general background of the need of Italy for dollars and in view of the restricted funds now available in the Export-Import Bank it was very important that in addition to any small amount we might have available for loans that we proceed with a program to provide them with dollars to which they may be deemed entitled, and to be used for the purchase of essential supplies in this country.

The members of the Committee discussed the political aspects of making these dollars available to Italy. They put great emphasis upon the fact that Italy was an enemy of the U.S., that they fought our troops and a large number of Americans were killed by Italians. They recognized that Italy needed aid and they called attention to the \$375 million of Plan A supplies which went to Italy. (Some Congressmen expressed the view that the request for \$1,250 million for the Export-Import Bank was too modest.) They also called attention to a large amount of UNRRA aid that would go to Italy in which the U.S. was the chief contributor. They thought that these large sums were an adequate expression of America's attitude towards Italy. They said they understood the need to help Italy but they suggested instead of making a "gift" of dollars to Italy that we lend them money for which they would be under the obligation to repay. The Congressmen said they did not think that the cost of occupation was in the same category. They asked whether England and Canada and other Allies with military forces in Italy were going to give dollars for occupation costs and they were told that they probably would not follow the U.S. Questions were raised as to the comparability of supplies purchased by the U. S. Army with the reciprocal aid given to us by the allied countries for lend-lease agreements.

There was a poll taken among the Congressmen and it was generally agreed that in their opinion we should not voluntarily offer to pay her for occupation costs but find other ways in which to assist Italy.

Lot 60-D 137 : Box 1

*Minutes of Twenty-seventh Meeting of the National Advisory Council
(and the Ninth Meeting of the U.S. Top Committee on French
Financial Negotiations), Washington, May 14, 1946*

Present:

Secretary Fred M. Vinson (*Chairman*), Treasury Department
General W. O. Reeder, Visitor
Col. Carl Pforzheimer, Visitor
Mr. W. L. Clayton, State Department
Mr. George Luthringer, State Department

Mr. Henry R. Labouisse, State Department
 Mr. Hubert Havlik, State Department
 Lt. Col. C. J. Shields, Office of Foreign Liquidation Commissioner, State Department
 Mr. Herbert Parisius, Commerce Department
 Mr. Frank Isenhardt, Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. Wm. McC. Martin, Jr., Export-Import Bank
 Mr. August Maffry, Export-Import Bank
 Mr. Rifat Tirana, Export-Import Bank
 Mr. H. D. White, International Monetary Fund
 Mr. E. G. Collado, International Bank for Reconstruction and Development
 Mr. E. M. Bernstein, Treasury Department
 Mr. I. S. Friedman, Treasury Department
 Mr. Andrew Kamarck, Treasury Department
 Mr. Harold Glasser (Secretary), Treasury Department
 Mr. Allan J. Fisher (Assistant Secretary), Treasury Department

[Here follows item 1, not printed.]

2. *Report on Italian Non-Troop Pay Account*

Mr. Clayton said the proposal for transference of the non-troop pay dollars to the Italians had been explained to the Committee but met with an unfavorable response. (See attached memorandum).⁴⁹ The reaction was largely based on the fact that Italy had been a belligerent. The Committee had felt it would be all right to make a loan to Italy, but they were averse to transferring to Italy the \$100 million held in the non-troop pay account.

3. *Proposed Export-Import Bank Loan to Italy*

Mr. Clayton said Secretary Byrnes had agreed to a figure of \$100 million as reparations to Russia from Italy to be obtained (1) from the foreign assets in the three Balkan States of Hungary, Rumania and Bulgaria, (2) merchant shipping (two large passenger liners), (3) any excess of productive facilities for military goods which were not convertible to peace time use and (4) naval vessels. This was in contrast to the \$500 million Russia had asked at Potsdam.

Mr. Eccles commented that Italy is very short of ships and if Russia gets these Italian merchant ships we might have to lend her money or give her ships on credit. Mr. Clayton thought the latter

⁴⁹ Dated May 10, *supra*.

more probable, since we have plenty of ships. Mr. Eccles said that Russia needs freighters whereas Italy needs ships for her tourist trade, and that we might let Russia have freighters or perhaps sell them to Italy and have Italy trade them to Russia for the passenger liners. Mr. Clayton agreed this might be feasible.

Mr. Clayton said that the cable requesting assurance that the British and French would not ask for reparations had been sent immediately after the last meeting but that no reply had been received. He did not think it was appropriate to take action on the matter of the Italian loan until the reply had come in.

The Council agreed to defer action.

[Here follow items 4, 5 and 6, not printed.]

865.51/5-1646

Memorandum of Conversation, by Mr. Kingsley W. Hamilton, Assistant to the Assistant Secretary of State for Economic Affairs (Clayton)

[WASHINGTON,] May 16, 1946.

Participants: Italian Ambassador
Mr. Clayton, A-C
Mr. Hamilton, A-C

The Ambassador called to express his concern over the action of the House Appropriations Committee in not approving funds for payment of non-troop pay accounts to Italy. The Italian Government has been counting greatly on receiving these funds. Not to receive them might have an unfortunate effect upon the forthcoming elections.

The Ambassador asked whether the amount of the expected Eximbank loan could be increased to offset the present loss of the non-troop pay payments. It was important to do something quickly because only 16 days remain before the elections.⁵⁰ Action only a day or so before the elections or after them would have no effect.

Mr. Clayton said the Department sincerely regretted the action of the House Committee but there was nothing to do about it for the time being. He expected the Eximbank would approve a loan for \$100,000,000 but it could not now increase the amount because it had committed almost its full resources. Congress was to be asked for increased lending authority and approval was expected by the end of June but this would not help the present situation.

⁵⁰ Elections for the Constituent Assembly and the institutional referendum were scheduled for June 2. For documentation on the attitude of the United States regarding the form of government to be established in Italy, see pp. 874 ff.

The Ambassador asked whether the Department could not issue a statement indicating what this Government would like to do and would do if the increased lending authority was obtained. He suggested that the psychological effect of any statement would be such that it might be worthwhile to exaggerate a little . . .

Mr. Clayton said that when the Eximbank loan is ready to be announced we would have to weigh our words most carefully in order to obtain as much advantage as possible from the announcement but it seemed a little doubtful whether we could properly say much about funds which we would not actually have at that time.

Lot 60-D 136: Box 6

*The Italian Embassy to the Export-Import Bank of Washington*⁵¹

WASHINGTON, May 18, 1946.

MEMORANDUM

INDISPENSABLE AND URGENT FINANCING PROGRAM FOR ITALY

1. Last February there was presented to the Export-Import Bank and the other interested branches of the U. S. Government on behalf of the Italian Government a request for a line of credit of \$940,000,000 based on the requirements needed by Italy during 1946 in order to insure the life of the population and to assure the restoration of the industries and national economy of Italy.

2. At the beginning of March, although in an unofficial way, the representatives of the Italian Government were made to understand that the authorities were resolved to supply, within the lapse of a few weeks, a substantial financial help. This contemplated help was made of two parts: One part being the countervalue in dollars currency of the so-called "suspense account"; and the other as a long term credit, from the Export-Import Bank.

3. Trusting that the above said help could be quickly concluded in figures and exact crediting, the Italian Government made ready and sent to Washington two notes of the first and highest priority for purchasing of materials most vital for the Italian economy. The purchase of these materials has to be made very urgently, outside and in addition to those contained in UNRRA's program.

⁵¹ A handwritten marginal notation reads: "Handed to Mr. Martin, Eximbank, personally by Italian Ambassador May 20, 1946. Copy to Spiegel FN from Ortona, Italian Embassy." Harold R. Spiegel was Acting Chief of the Division of Financial Affairs, Department of State.

The total of these two notes, constituting the highest priorities out of the total requested credit, amounts to about \$400 million. It is well to note that the estimates and the valuations made by UNRRA agreed practically with the Italian figures.

4. During the past months, the Italian Government being uncertain about the amount of the financing that would be given, found itself in the most complete uncertainty about the supplies which could be purchased. Therefore, the Italian industrial factories are lacking—and they will be more so in the near future—in essential materials which they need, while the unemployment will mark a sorrowful and inevitable increase.

5. The export trade of Italy—which started with a satisfactory volume and rhythm—will consequently decrease.

6. The very grave political and social repercussions that are resulting from this situation are manifest.

7. During this grave period, there was a founded reason to believe that the disposal of the suspense funds was nearing, waiting until the value and terms of the loan from the Export-Import Bank could be completed.

8. We are informed now, that the crediting of the suspense funds has not, until now, received the approval of the Appropriations Committee. This approval was requested by the Administration for the use of the suspense account.

9. The matter being in such situation, the Italian Government can now rely only on a quick decision regarding the Export-Import Bank credit. It is, therefore, hoped that the loan will be adequate enough to permit, at least, the purchase of the materials listed in the first priority notes as above said.

10. This indispensable financing, if granted in due time for adequate gearing with UNRRA's help, can be allotted in an efficient manner to reactivate the Italian economy. On the other hand, if this indispensable financing is deferred to a later time—when the UNRRA's supply will be at an end—the reactivation of the industrial process will be so delayed that the Italian Government will not have its own sources of currency for the purchasing of food. Therefore, it is of prime importance that a line of credit adequate for the highest priority industrial needs be granted as soon as possible, rather than to wait until a time when the UNRRA relief program is diminished and the credit may have to be used for absolutely essential foods.

865.20/5-2846 : Telegram

*The Deputy United States Political Adviser, Allied Force
Headquarters (Byington), to the Secretary of State*

SECRET

CASERTA, May 28, 1946—5 p. m.

[Received May 29—2:23 p. m.]

541. Reference my 500 of May 8.⁵² War Dept in W-88516, May 17,⁵² requested ComGenMed's views concerning Naf 1135 of May 7⁵³ and stated that State Dept was concerned over political implications connected with standardization of equipment from British sources for Italian Army. Please see D-66789 of May 27⁵⁴ in which ComGenMed outlines his reasons for concurring in SAC's recommendations.

US military authorities here have always been under impression that policy of War Dept was that military commitment in Italy should be closed out as rapidly as possible and their action up to date has been based on this premise. When consulted here, I pointed out that Dept had never expressed this view which had been so forcefully presented by General McNarney⁵⁵ and mentioned interest which Dept had shown in furnishing of assistance to the Italian Govt in rehabilitating its forces for internal order and provision of help towards limited rehabilitation of Italian air force in case of transfer of P-38's (Dept's 841 of September 21⁵²).

Policy of Italian Govt has been to turn over to civilian economy all equipment acquired through OFLC. There is considerable concern here over equipment of Italian Army. Military authorities consider it highly desirable that Italian Army get equipment and supplies as a matter of urgency prior to withdrawal of US and British troops. This was basis for Naf 1135 which would provide method of permitting direct transfer of British equipment to Italian Army. US military authorities state there are insufficient US supplies of either military or civilian type items in theater to furnish necessary equipment from US side. While it is obviously desirable that US should participate in any such program, it would seem at least equally urgent that some progress be achieved toward putting Italian Army on a

⁵² Not printed.

⁵³ Not printed; in this telegram SAC reported to the CCS that since control of the Italian Army was passed back to the Italian Government on November 15, 1945, there had been a marked deterioration in the efficiency of the Italian Army, chiefly because of lack of equipment and spare parts; and that the policy had been to equip the Carabinieri from indigenous resources and the remainder of the Italian Army with British weapons and equipment other than vehicles (865.20/7-1146).

⁵⁴ Not identifiable.

⁵⁵ Gen. Joseph T. McNarney, Commander of the U.S. forces in Europe since November 1945.

reasonably efficient and independent basis. ComGenMed suggests US equipment for Italian air force which would appear excellent opportunity for US participation.

Sent Dept 541, repeated Rome 409.

BYINGTON

811.516 Export Import Bank/6-1346

The Italian Ambassador (Tarchiani) to the Assistant Secretary of State for Economic Affairs (Clayton)

No. 6766

WASHINGTON, June 13, 1946.

DEAR MR. CLAYTON: You will recall our conversation of February 18th⁵⁷ when I handed you a note relative to the admission of Italy to the International Fund and Bank established under the Bretton Woods agreements.

The Italian Government has been very gratified in learning that the American Governor at the Savannah meeting submitted and sponsored Italy's request to participate in the above said institutions. Subsequently information also reached this Embassy according to which at the above said meeting it was decided that the matter be referred to the Executive Directors and be placed on their agenda after their convening in Washington on May 1st.

I am writing to you today, dear Mr. Clayton, in order to draw your very kind attention on the following:

You are aware of the request submitted last February by the Italian Government to the Export-Import Bank for the opening of a line of credit for reconstruction purposes. As you know no decision whatsoever has been reached so far on the subject. Moreover, this Embassy understands that, even assuming that the difficulties so far encountered for the opening of such a credit will be removed, the amount eventually to be granted will be far below the estimated requirements.

It is therefore of the utmost importance for the Italian Government to obtain that favorable and urgent consideration be given to the request previously submitted for Italian participation in the Bretton Woods institutions.

A favorable answer to this application will enable the Italian Government to give timely consideration to what request could be submitted to the International Bank. It will also put the Italian Government in a position to make adequate planning for the reconstruction of the country. You will realize that such planning has so far been hampered by the uncertainty in which Italy has found herself in estimating what are and will be the total available dollar funds in

⁵⁷ No record of this conversation has been found in Department files.

the course of the present and of the next years. As you know Italy can proceed in her recovery only if appropriate assistance is granted to her and if the programming of the balance of payments of the next years can be made upon firm ground and with the certainty that such assistance will be forthcoming.

Moreover, I feel sure that you will realize the beneficial effect that an admission to the Bretton Woods institutions would have also from the political point of view for strengthening the new Italian Government after the recent elections.

I shall be therefore extremely grateful to you if you will kindly use your good offices with the American Executive Director so that the question of the Italian participation in the International Fund and Bank be examined at the earliest possible date. I feel confident that with your support and assistance, the matter will be easily and rapidly solved.

Thanking you very much for your kind interest on the matter, I am
Very sincerely yours,

TARCHIANI

811.516 Export Import Bank/6-1346

The Italian Embassy to the Department of State

MEMORANDUM

No. 6767

WASHINGTON, June 13, 1946.

1. At the end of 1945, the Italian Government established a program of essential imports necessary during 1946 to insure a means of life to the Italian people, to restore public services and agriculture, to keep a reasonable minimum of production and employment, and in order to start exportation and the rebuilding of its foreign trade.

2. On the basis of such a program, an application was submitted to the U.S. Authorities and the Export-Import Bank (February 14, 1946) by the Italian Embassy and Technical Delegation, requesting that a line of credit be opened to Italy in connection with her import requirements for 1946.

3. It was learned from various sources, although unofficially, that financial assistance might be forthcoming early in 1946 from:

a) an enlarged program of supplies from UNRRA for the second half of the year.

b) a sum of about 100-120 million dollars from Suspense Accounts (in payment of supplies and services furnished by Italy to the U. S. Army).

c) a substantial loan to be granted by the Export-Import Bank.

4. During the past five months, the matter has been discussed and the situation today appears as follows:

a) the funds which UNRRA will make available for assistance to Italy for the second half of 1946 will amount to 144 million dollars. The UNRRA mission in Rome had requested 278 million, but the central offices of UNRRA have not found it possible to appropriate such an amount for the Italian program. Materials and food stuffs for an amount of 134 million dollars are left out of the original program of the UNRRA mission as shown in the enclosure here attached.⁵⁸

b) The granting of the amount in dollars of the suspense account has not yet been approved by the Appropriations Committee of Congress.

c) No part of the requested loan from the Export-Import Bank has yet been granted and, in any event, due to the limited funds available to the Bank, the sum will probably be confined to a very moderate figure, in relation to the essential needs.

5. The flow of essential materials to Italy during the first half of the year, derived mainly from orders placed at the end of 1945 and early in 1946, has been continuous but on a reduced scale. However, if new orders are not placed immediately, it is certain that an unfortunate and damaging gap will result in the furnishing of supplies to Italy. The consequences of this gap and of the interruption of the pipe line are easy to foresee: shortage of food and essential raw materials, closing down of the plants now operating, unemployment and stalemate in exports, and a general worsening of the situation. In short, the economic recovery of Italy which was so difficult to start, will irreparably be set back if this preventable gap is permitted to occur.

6. In order to meet its import requirements over and above the UNRRA program, the Italian Government can count in the following months only on very limited resources due to the fact that:

a) the troop pay account and the post liberation accounts are very much depleted and average little more than 40 million dollars.

b) the future accruals out of export returns and emigrant remittances will be confined to less than 80-90 millions for the second half of the year.

7. The Italian Government therefore finds itself bound to make an urgent appeal to the U.S. Government in the hope that the various provisions already under consideration for extending additional financial assistance to Italy be implemented as soon as possible.

8. Moreover a reason of great concern is also caused by the fact that, pending the final decision of the N.A.C. on the loan, the Export-Import Bank is not at present in a position to set aside any amount in relation to the Italian request, and therefore there is no certainty

⁵⁸ Not printed.

that out of the funds at the disposal of the Bank a share for the Italian loan will still be available, when decisions will be acted upon by the N.A.C.

9. The minimum of financial assistance required could be secured if:

a) the granting of the dollar credits out of the suspense account could be assured.

b) UNRRA could increase its contribution for the second half of the year.

c) a decision could be reached on the loan by the Export-Import Bank, setting aside, if necessary, the amount agreed upon until the reparations question will be solved.

811.516 Export Import Bank/6-2046

Memorandum by the Director of the Office of Financial and Development Policy (Luthringer) to the Assistant Secretary of State for Economic Affairs (Clayton)

[WASHINGTON,] June 20, 1946.

MR. CLAYTON: Following his conversation with you the other day⁵⁹ the Italian Ambassador requested Mr. Ortona, of his staff to impress the appropriate officers of the Department with the necessity of taking the following immediate steps:

1. The Ambassador requested that the NAC be asked to recommend to the Eximbank that it set aside the amount considered for the Italian loan (\$100 million) so that the funds will be available if the reparations issue is clarified and it becomes possible to proceed with the Italian credit. Although it would be undesirable to tie up for any long period a substantial fraction of the limited funds currently available to the Eximbank, it seems reasonable to suppose that the Italian reparations issue will be disposed of in the relatively near future and that a final decision on the Italian credit can be made before too long. Under these circumstances the Ambassador's request does not appear unreasonable.

2. The Ambassador requested that a second approach be made to the House Appropriations Sub-Committee before the July recess of the Congress on the proposal to make available to Italy the non-troop pay dollars. In deciding whether or not to approach the House Sub-Committee again at this time, you may wish to bear in mind the following considerations:

(a) The Committee may ask you in what respect the situation has changed since May 10 when you discussed this matter with them. The

⁵⁹ No record of this conversation has been found in Department files.

reason for the Ambassador's concern that the renewed consideration should not be postponed until after the summer recess is undoubtedly the fact that Italy will shortly be running out of money, threatening an interruption in the flow of essential supplies. Such an interruption in the flow of supplies would presumably not be in the US interest.

(b) Total UNRRA assistance for 1946 will be somewhat less than that planned on the basis of Italy's needs since approximately \$70 million of the UNRRA funds allocated to Italy for the first half of 1946 could not be obligated and had to be returned under UNRRA procedure.

(c) The Committee may ask why Eximbank funds have not yet been made available which raises the question whether the non-troop pay dollars should likewise be held up pending clarification of the reparations question.

(d) In view of the fact that your previous appearance before the Committee was jointly with Mr. Vinson you may wish to consider whether you will want to approach Mr. Snyder before reopening this question with the Committee.

(e) Pursuant to the revision of the armistice the War Department has agreed that it will pay its own way in Italy after June 30. While this bears no necessary relation to the question whether the non-troop pay dollars covering certain previous War Department expenditures should be made available to Italy, you may wish to point out that this Government has urged a revision of the armistice for some months. Had a revision gone through when originally contemplated, the Italian Government would have received the dollar counter value of goods and services supplied during the intervening period.

(f) By accepting the goods and services made available by Italy without paying the dollar counter value the US has laid itself open, together with Britain, to charges from the USSR at the Paris peace treaty meetings that we were in effect collecting reparations from Italy. Making the non-troop pay dollars available to Italy might assist in furthering the objectives of the US in the discussions at Paris and expected Paris peace conference.

3. I suggest that any written response to the Ambassador's memorandum be deferred until decisions are reached respecting points 1. and 2. above.

GEORGE LUTHRINGER

865.51/7-946

Memorandum by the Commercial Attaché in Italy (Hunt) to Mr. C. Tyler Wood, Special Assistant to the Assistant Secretary of State for Economic Affairs (Clayton)

ROME, July 9, 1946.

Subject: 1947 Italian Foreign Loan Requirements

Forecasting Italy's requirements and financial position for 1947 is not only difficult but basic material for the purpose of drawing up

accurate estimates is in some cases completely lacking. Conditions in Italy are changing daily—foreign trade is developing, industrial production is increasing, immigrant remittances are coming in in increasing amounts, but such statistics as are available cover for the most part only the early months of 1946 and are not sufficient to permit accurate forecasts even for the complete year 1946, much less 1947. I still feel that forecasts of Italy's position and needs for 1947, however seriously drawn up, cannot be reasonably well substantiated until we have at least financial data, industrial production statistics and foreign trade statistics covering the first nine months of 1946 and can see how trends are moving. However, I am willing to put forward some arguments as to why, in my opinion, current estimates of the need of a loan approaching \$500,000,000 are probably exaggerated.

To start with, Italy has made very considerable strides towards economic recovery in the first half of 1946 and can hope for continued progress during the rest of the year. Transportation (a serious bottleneck) is improving; raw material stocks have been reconstituted to a considerable extent; factories are working (probably at about 50 per cent of capacity on an average); agricultural production improved greatly in 1946; exports are beginning to move out in fair quantities. This progress has been realized largely due to outside aid—UNRRA supplies, FEA 1945 supply program which carried on into the early months of 1946, AM—lire credits available to the Italian Government for its own purchasing program, and surplus property, salvage and scrap receipts. Italy, for the full year 1946, will have received, been allocated, or have ordered about \$700,000,000 worth of import commodities which will have cost Italian economy none of its own foreign exchange and which will not have been paid for by Italian exports. The problem is where will Italy get the money to carry on its own import program in 1947 and continue the work so well begun by UNRRA and other non-Italian agencies.

In the first place, not all of the UNRRA supplies—and possibly not all of the Italian Government purchases with AM—lire credits—will reach Italy in 1946. There will be a time lag of at least two or three months for UNRRA deliveries, which will be the bulk of the 1946 import trade. The time lag of past operations justifies an estimate that as much as \$100,000,000 of commodities ordered by UNRRA or the Italian Government in 1946 may arrive in Italy only in 1947 and should, in effect, be carried over into the 1947 balance of accounts statement (just as about \$40,000,000 of the FEA 1945 import program was carried over into 1946). As for proceeds with which Italy can pay for 1947 imports, the one great source of income other than possible loans is export trade. In a "Report on Mission to Washington,

27 April-30 May" by Harlan Cleveland (UNRRA), Mr. Cleveland mentioned that he assisted the Department in the preparation of a memorandum on post-UNRRA needs of Italy in 1947.⁶⁰ In the statistics presented, he estimated Italy's 1946 export trade at \$150,000,000 and her 1947 export trade at \$400,000,000. I believe that both figures, and particularly that for 1947, are underestimates. In any case, if there is a carry-over of \$100,000,000 into 1947 from the uncompleted 1946 supply programs, and if Italy receives \$250,000,000 more in foreign exchange for exports in 1947 than she received for exports in 1946, she will need only another \$250,000,000 dollars to maintain a flow of imports in 1947 equal to the flow of imports in 1946.

I realize that this is oversimplified reasoning, but it is something better than pure guesswork. There are other factors which will probably influence Italy's situation favorably. For instance, it now appears that more German coal will be coming into Italy in 1947 than in 1946 and at lower prices than American coal. The Belgian-Italian agreement on Italian labor in the Belgian coal mines will mean another source of coal (possibly as much as 3,000,000 tons) plus a certain amount of remittances from the Italian labor employed in Belgium. Agricultural production in 1947—when fertilizer should certainly be available—should exceed that of 1946, and the 1946 yield was favorable and is already easing the food situation. I believe that Italian exports in 1947 will exceed the estimate of \$400,000,000 used above. And, not the least important, raw material stocks will not have to be built up from nothing in 1947, but must simply be maintained as old stocks move into the production lines. I am not mentioning possible increased expenditures by American business in Italy, increased immigrants' remittances from the United States, and any possible small renewal of tourist trade.

That is the rosy side of the picture. The dark side is largely political, and is of such a nature that it would impel me to push for less aid rather than for more aid for Italy. Italians are extremely discontented over peace terms as they are now coming out of Paris. There is, of course, hardly any possibility of Italy getting into an armed conflict at this time, but feelings are running very high concerning both Trieste and the cession of territory to France. The acceptance of what the Italians consider to be harsh peace terms by an Italian Government will undoubtedly give rise to political intrigue and attempts to weaken the Italian cabinet (now encountering some trouble in getting formed) in favor of opposing groups. Confidence in the lira appears to be weakening further, and there is serious danger that the Italian cabinet may be forced to neglect urgent economic problems

⁶⁰ Not found in Department files.

and devote much of its time and energy to political squabbling and a struggle to hold office for fear that the Government could fall into worse hands. The outlook is not cheerful—but no amount of American financial aid can do much good to Italy if the Government and the people themselves become diverted from their own rehabilitation needs and devote their efforts to nonproductive political bickering. The country is in sore need of good leadership concentrated on economic problems and not on purely political goals. If such leadership can be established and is left free to cope with Italian finances, industry, trade and employment, Italy will be well worth the risk of a reasonably sized loan.

LEIGH W. HUNT

UNRRA now has its economic staff working on 1947 requirements for Italy and Italian foreign exchange availabilities. Copies of their work, with comments, will be sent in as soon as we receive our copies. LWH

865.00/7-1946: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, July 19, 1946—1 p. m.

US URGENT

[Received 6:04 p. m.]

3257. Deptel 1454, July 16.⁶¹ We are not of the opinion that general amnesty decree of new Italian Republic (Presidential decree No. 4, June 22⁶²) is contrary to interest of US in assuring that Fascists and Fascist institutions are eliminated from Italian political and economic life.

Briefly decree which grants amnesty for common crimes within certain limits also grants amnesty for political crimes. Amnesty for this latter category of crimes may be divided into two parts: (1) political crimes committed after liberation of Italian territory and (2) amnesty for certain "other political crimes" except those committed by persons of "high civil political and military functions" or where political crimes involve violence or political crimes committed for profit. Amnesty affecting the first class has been compared with general amnesty granted by President Johnson after Civil War to ex-Confederates since it applies to Italian citizens guilty of collaboration with Germany or rebel Mussolini government etc., after Italian surrender September 8, 1943. The second class covers political crimes committed earlier

⁶¹ Not printed; it asked the views of the Embassy on the possible effect of the amnesty on the U.S. Government's desire to see Fascists and Fascist interests extirpated from Italian life (865.00/7-1646).

⁶² For text, see *Gazzetta Ufficiale della Repubblica Italiana*, June 23, 1946, p. 1489.

but excluding crimes committed by persons in important posts of command and for crimes involving serious physical violence or profit. In decree there is also provision for pardon and commutation (as distinct from amnesties of penalties for political offenses excluded from the operation of the general amnesty). Briefly there are: death penalty commuted to life imprisonment, life imprisonment commuted to 30 years, all other sentences of imprisonment over 5 years reduced one-third.

Covering letter to draft decree when submitted to President Council of Ministers referred briefly to established Italian practice of granting amnesty for common offenses on historic dates such as founding of republic and said with regard to amnesty for political crimes that "A political and social peace is necessary" for Italy and that new republic must meet this need; that amnesty should not, however, apply to more serious offenses or in cases where political crimes were committed by persons in high public, political or military office; that for these cases, the persons involved must suffer their full punishment; and in conclusion that at this critical moment of Italian national life, present amnesty will contribute to creation in country of new atmosphere of unity and harmony necessary for economic and political rehabilitation of Italy. It is reported that decree was largely drafted by Togliatti, Communist leader and then Minister of Justice. In any event, draft decree emanated from Justice while Togliatti was Minister.

In letter dated July 8 to AFHQ on decree, chief commissioner reported that in his opinion shared by chief legal officer and political advisers there is nothing in decree which transgresses Moscow declaration on Italy or long armistice terms. Full text of decree and related papers by airmail.

Repeated Paris 444; sent Dept 3257.

KEY

865.5151/12-1046

*Memorandum of Conversation, by the Under Secretary of State for Economic Affairs (Clayton)*⁶³

[WASHINGTON,] December 10, 1946.⁶⁴

By appointment, Mr. Snyder and I met with Mr. Clarence Cannon, Chairman of the House Appropriations Committee, and other mem-

⁶³ Mr. Clayton was appointed Under Secretary of State for Economic Affairs on August 17, 1946.

⁶⁴ In a memorandum dated November 29. Mr. Ness, Director of the Office of Financial and Development Policy, pointed out to Mr. Clayton that the files of the Department contained no record of the discussion of July 25 with members of the Sub-Committee of the House Committee on Appropriations and suggested that a brief record might be desirable (865.5151/12-1046).

bers of the Committee on July 25, 1946 to discuss with them as to whether it would be appropriate for the United States Treasury to transfer to the Government of Italy the dollar equivalent of lire expended by the United States Government in Italy for supplies and services rendered to the United States Army in Italy.

A full discussion of the subject was had, Mr. Snyder and I stressing the fact that Italy had declared war against the Axis powers on October 13, 1943, and thereafter was recognized by the United States, the United Kingdom and the USSR as a co-belligerent; that Italy became a base of operations for the United Nations in their prosecution of the war against the Axis and rendered very valuable services to the armies of the United Nations; that the armed forces of the United States exercised an over-riding priority of the utilization of Italian transport, public utilities, housing, and other facilities and goods.

Mr. Snyder and I also pointed out to Mr. Cannon and members of his committee that the transfer of these non-troop pay dollars had been approved by President Truman, the National Advisory Council, the Secretary of State, the Secretary of the Treasury and the Controller General.⁶⁵

The matter was discussed at considerable length and Mr. Cannon, with the concurrence of other members of his committee present, stated that the committee felt it was in the interest of the United States Government to transfer these non-troop pay dollars to Italy. It was pointed out that the total might amount to 125 to 150 million dollars.

W. L. CLAYTON

865.51/8-846 : Telegram

The Acting Secretary of State (Acheson) to the Chargé in Italy (Key)

RESTRICTED

WASHINGTON, August 8, 1946—6 p. m.

1586. Re Emb A-725, July 15.⁶⁶ Dept objects limiting dol payments for military exports to period beginning July 1, 1946. Dol payments should be retroactive to cover all military exports from beginning in view Armistice terms do not require Italy pay for such

⁶⁵ A memorandum for Congressman Cannon, which he had requested of Secretary Byrnes, was submitted to Mr. Clayton by Mr. Spiegel, Acting Chief of the Division of Financial Affairs, with a covering memorandum of July 23 (811.516-Export-Import Bank/6-2046). No copy of the memorandum to Congressman Cannon, however, has been found in Department files.

⁶⁶ Not printed; it explained the practice of U.S. military procurement officers in purchasing fruits, vegetables, and other Italian commodities for the U.S. forces in Germany and Austria with lire obtained by cashing dollar checks or by "local procurement"; and it recommended a new procedure of dollar payments to be made directly to the Italian Foreign Exchange Office for the account of the Italian exporter with effective date of the new procedure set at July 1, 1946 (865.51/7-1546).

exports. War informed that Dept insists on this principle. Otherwise, Dept has no objection to procedure set forth re dol payment military exports provided in Emb judgement it will give Italy dols for all types exports financed by military and related establishments and give Ital Govt control over such dols and provided that other aspects of procedure are acceptable to Treas and War. Dept discussing subject with Treas and War and further comments will follow. Procedure conforms in principle with Civil Affairs Agreement and can proceed independently reurtel 3318, July 26.⁶⁷ Emb doubtless aware of Warx 95397 dated July 24, 1946⁶⁸ modifying WX 83569 and establishing dol payment for exports.

ACHESON

865.51/8-946

The Chargé in Italy (Key) to the Secretary of State

CONFIDENTIAL

ROME, August 9, 1946.

No. 3929

Subject: Proposed Note to Italian Foreign Office Concerning a Possible Loan from the United States.

SIR: I have the honor to enclose a draft of a note⁶⁷ which the Embassy proposes, if it meets with the Department's approval, to send to the Italian Foreign Office concerning a possible loan from the United States.

The Embassy feels that it is necessary to inform the Italian Government that, in the event the latter wishes to engage in loan negotiations with the Government of the United States, it will be essential for Italian negotiators to be well prepared with basic material in order to support their request for a loan. At the present time the Italian Government shows a tendency to rely upon the Embassy, and particularly upon UNRRA, to make known their needs. The Embassy is of the opinion that UNRRA is in a position to prepare studies on Italy's import requirements and export possibilities in 1947 which may be most useful to the Department. In this connection, reference is made to this Embassy's despatch No. 3924, dated August 7, 1946,⁶⁷ regarding relations with UNRRA Italian Mission. However, the Embassy feels strongly that the tendency of the Italian Government at the present time is to rely too heavily on the good services of other organizations to present their case. For this reason, the Embassy would like to state emphatically to the Italian Government that it is

⁶⁷ Not printed.

⁶⁸ Not found in Department files.

urgent and important that any delegation which Italy may send to Washington to engage in loan negotiations should be most thoroughly prepared to discuss Italy's needs and to substantiate them with supporting material which will be satisfactory and convincing to the American Government. The attached draft of a note has been prepared in the hopes that it will impress upon the Italians the necessity of serious advance preparation for loan negotiations.

The Embassy is also of the opinion that, if it meets with the Department's approval, it would be most helpful if the Italian Ambassador could be called into the Department to discuss this matter, and that he be requested to inform his Government directly what kind of factual material an Italian delegation should carry to Washington.

If the Department approves of the proposed note to the Italian Foreign Office, the Embassy would appreciate being authorized by cable to present the note, since it is urgent that the Italian authorities begin at the earliest possible moment the preparation of the type of material which they will need to support any request for a loan from the United States.

Respectfully yours,

For the Chargé d'Affaires
CHARLES A. LIVENGOOD
Counselor for Economic Affairs

865.24/8-2846 : Telegram

*The Commanding General, Mediterranean Theater of Operations
(Lee), to the War Department*

SECRET

CASERTA, 17 August 1946.

F 70622. Provision of armored cars for interim Italian Army is subject.

It has been agreed here to furnish 280 armored cars to the Interim Italian Army. This figure includes the requirements of the Italian Carabinieri. The British presently hold as surplus the required number of Staghound vehicles. The Staghound is an American vehicle obtained by the British through Lend Lease. American nomenclature is: Car, armored, T 17E1 or Car 17E2.

In January 1946 when immediate provision of 168 Staghounds to the Carabinieri was desirable, CG MTOUSA agreed to the transfer of this number of Staghounds on loan to the Italian Army from British stocks pending determination of availability of British type armored cars (number IV). War Office later informed GHQ CMF that number IV were not available on global basis and now request MTOUSA take back entire 280 Staghounds for final delivery to Italian Army.

Believed here much better to authorize British to turn over these Lend Lease items direct to 3rd country.

Request authority for British to turn over 280 Staghounds obtained through Lend Lease, to the Interim Italian Army. Can similar blanket authority be given regarding other Lend Lease items held by British which are surplus to British and US needs but which could be used for equipment of Italian Army? ⁷⁰

865.51/8-3046

The Italian Embassy to the Department of State ⁷¹

SECRET

The Italian Embassy understands that the granting of a credit on the suspense account of the War Department for supplies and services, paid in amlire, of the American troops in Italy, is being contemplated.

It is also understood that some delay might be expected for the final transfer of the sum to the Italian Government.

In view, however, of the urgency for Italy to have the actual availability of these funds, when the final decision will be reached, it will be greatly appreciated if the Department of State will use its good offices in order to obtain from the competent Authorities that all matters related to the procedure to be followed for the utilization of the funds and to the machinery to be set up, be worked out as soon as possible.

WASHINGTON, August 30, 1946.

102.1/9-546: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, September 5, 1946—6 p. m.

U.S. URGENT

[Received 9:15 p. m.]

3718. For Secretary of Treasury from Tasca. Embtel 3711, September 4; ⁷² repeated Paris 622; Moscow 188. Present govt crisis in Italy centering around person of Minister of Treasury involves es-

⁷⁰ In a covering letter dated August 28, Col. Joseph W. Scobey, Chief of the International Branch, Supply Group, W.D.G.S., forwarded a copy of this telegram to Mr. H. F. Havlik, Chief of the Division of Lend-Lease and Surplus Property Affairs of the Department of State, together with the draft of an affirmative answer including the following: "Blanket authorization to transfer other items of Lend-Lease origin held by British is approved provided items are excess to theater needs . . ." The concurrence or comments of the Department of State were requested. (865.24/8-2846)

⁷¹ A handwritten marginal note reads: "Handed to Mr. Clayton by Italian Chargé."

⁷² Not printed.

essentially question of role of Communist Party in Italian political life. Although submitted, his resignation has not been accepted by Prime Minister.

Present Minister of Treasury Epicarmo Corbino is one of the outstanding exponents of economic liberalism in Italy which to him means full development of private enterprise, economic freedom and political liberty. In his view the lira can be saved and should be saved by a firm policy of (*a*) holding the line on wages; (*b*) reduction of manufacturing and industrial costs through the elimination of the ban on dismissals; (*c*) the removal of economic and financial controls which tend to smother private enterprise and impede economic recovery; (*d*) increase in taxation to maximum consonant with principle of maintenance of private property and payment of taxation out of current income without dissipation of basic property holdings through forced transfers to speculators and black market operators and (*e*) a strong emphasis on increased production as the backbone of economic and financial recovery.

On the other hand the Communists have pressed very hard for substantial increases in money wages to cover gap between cost of living and wages (in large measure this gap is a measure of destruction of Italian national wealth and income caused by war). Communists state belief that well-being of worker cannot be improved through increase in rations and reduction in cost of living. Wage payments therefore must be increased. As a corollary Communists argue that wage increases are not necessarily inflationary.

Communists' opposition to present Minister of Treasury based on following: (*a*) Fact that present Minister of Treasury is a fighting exponent of private enterprise; (*b*) present weak technical position of lira with huge mass of liquid purchasing power in hands of banks and public gives great importance to psychology of Italians toward lira with respect to the prevention of serious inflation; (*c*) all measures, therefore, which may cause a shock to public confidence threaten basic stability of lira; (*d*) judgement of Minister of Treasury as to whether proposed economic financial measures of Govt may disturb profoundly public confidence becomes a decisive element in the final decision re the adoption of such measures; and (*e*) thus Minister of Treasury who is leading exponent of private enterprise becomes a decisive figure in the formulation of Italian economic policies.

Immediate cause of present crisis attributable to policy of Communist Party to agree in Cabinet meeting on Govt economic financial program and subsequently in the party press to attack such program agreed to through personal attacks on the present Minister of Treasury Corbino. As a result of organized agitation on part of Communist

Party, instability and uncertainty in Italy has been greatly accentuated with consequent impossibility of permitting Minister of Treasury to carry through Govt's financial program of stabilizing the lira. According to the present Minister of Treasury there must be a show-down in Italy between the forces who sincerely desire reconstruction and those who desire to keep the country in state of disorder and confusion for political reasons. He believes that the time for show-down is present.

Corbino appears to be supported in the present crisis wholeheartedly by the Democrat Christian Party of the center as well as Action Party of left. Socialists have maintained that increase of well-being of workers must come through increased production and rations and not through money wages and in general have not opposed Corbino. In fact P. Nenni, a leader of the Socialist Party is currently endeavoring to persuade Corbino to remain Minister of Treasury.

Results of the present conflict between Corbino and the Communists have included a weakening of the lira in the black market, substantial increases in prices of basic commodities throughout the country, significant decline in quotations on Govt securities and strength in stock market quotations.

Sent Dept 3718; repeated Paris 627; Moscow 190. [Tasca.]

KEY

[On September 9, 1946, Paul H. Bonner, Central Field Commissioner for Europe, Office of the Foreign Liquidation Commissioner, and Epicarmo Corbino, Minister of the Treasury of Italy, signed an agreement which came to be known as the Bonner-Corbino Agreement, or the Bulk Sales Agreement.

Article 1 provided that except for seven specified categories, the Italian Government was to acquire all of the surplus war property of the United States in Italy. Article 2 listed as categories which were not to be declared surplus by the Office of the Foreign Liquidation Commissioner:

- (a) Non-demilitarized combat material, including ammunition.
- (b) Installations owned entirely or in part by the United States.
- (c) Property in Italy of lend-lease origin in the possession of foreign governments.
- (d) Railway rolling stock and spare parts.
- (e) Aerial navigation and aerial communications facilities.
- (f) Scrap, salvage, and waste.
- (g) Property located in Italy which on September 30, 1946, had been sold or committed for sale.

The estimated original cost to the United States of this property was \$368 million, and the sale price to the Italian Government was

set at \$160 million. (865.24 FLC/9-946) The full text of the agreement in Italian and in English is published in *Trattati e convenzioni fra l'Italia e gli altri stati*, vol. 60, *Atti conclusi dal 1 gennaio al 31 dicembre 1946* (Rome, 1954) No. XXXIV, page 482.]

S65.51/8-946 : Telegram

The Acting Secretary of State (Clayton) to the Chargé in Italy (Key)

CONFIDENTIAL

WASHINGTON, September 10, 1946—noon.

1725. Reference despatch 3929, Aug 9 on proposed note to Italian Foreign Office concerning a possible loan from US:

(1) Dept agrees on urgency preparation of basic material for consideration of Italy's 1947 import requirements and her need for financial assistance. Italian Emb in Washington already received informal suggestion to this effect from Cleveland last June.

(2) Wording of proposed note AmEmbassy however implies probability of US loan to Italy to meet 1947 financial deficit. According to present thinking in Dept suspense account and possible 1946 Eximbank loan should furnish credits to meet late 1946 basic requirements, and industrial reconstruction 1947 deficit be met by International Bank. Post-UNRRA relief grant to Italy for 1947 food deficit under Dept consideration. Undesirable for US to suggest 1947 loan especially as 1946 Eximbank loan application still pending.

(3) Dept suggests that AmEmbassy informally call attention Italian Govt necessity Italian authorities start immediate preparation of type material described your despatch 3929, such material useful whatever the form of international financing. Material should also cover (a) economic effects of planned imports, degree of industrial and agricultural reactivation, level of consumption; (b) balance of payments, including invisible items and, to the extent possible, breakdown exports all merchandise by principal commodity groups and markets; (c) estimates formation and distribution national income pre-war and throughout transitional period.

(4) Following your suggestion Havlik, new chief ED, discussed informally this problem with Sacerdoti and economic officials Italian Emb and handed them rough draft of suggestions for presentation of Italy's 1947 estimated requirements, including sample form to be followed for justification of cotton requirements based on appendix A, despatch 3939 [3929]. Preparation loan applications along special project lines was also suggested. Copy of draft mailed by pouch. Sacerdoti, leaving by plane for Rome Aug 27, requested to inform Italian Govt.

(5) Dept still considering candidate for economic advisor requested under urtel 2139, Apr 25.⁷³

(6) Despatch 3924, Aug 7,⁷³ on relations with UNRRA Italian Mission being answered by pouch.

CLAYTON

102.1/9-1546 : Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, September 15, 1946—midnight.

[Received September 16—9:02 a. m.]

3815. Inform Treasury from Tasca. On September 13 Tasca called on Italian Prime Minister at latter's request to discuss theft of new currency plates, Embtel 3771, September 11, noon.⁷⁴ Prime Minister had discussed matter with Administrator [*Admiral*] Stone same morning who suggested that Prime Minister might wish to talk to Tasca regarding matter. Prime Minister desired to know what information was available regarding theft of currency plates for new currency. In reply he was informed that we had on various occasions heard reports that such currency plates had been stolen and that it was our understanding that plates in question had apparently been stolen at the Staderini plant by two members of Communist Party according to information supplied by Minister of Treasury.⁷⁵ We had also observed press reports which tended to indicate that such theft may have taken place. Before Tasca left Prime Minister commented as follows on present political crisis (Embtel 3808, September 13, repeated Paris 662, Moscow 193.)⁷³

(a) He was very sorry indeed that crisis had developed in such a way as to jeopardize the position of Corbino as Minister of Treasury. He stated he had sent an urgent telegram to Corbino not to make any moves until his return from Paris but telegram apparently had arrived too late. Corbino's error in his opinion was to have made a political statement to press since he had been nominated as Minister in capacity of an independent technical expert.

⁷³ Not printed.

⁷⁴ Not printed; it reported that news of the theft of the currency plates was filtering out, but that the press made no reference to the link between the Italian Communist Party and Yugoslavia (102.1/9-1146).

⁷⁵ In telegram 3165 of July 10, Mr. Key had reported having learned from a U.S. Army C.I.C. officer that the Yugoslavs possessed plates of the new, unissued Italian currency, and a stock ready for use at an appropriate moment (865.5151/7-1046). In telegram 3175 of July 11, it was reported that Tasca had learned from Corbino that the plates for the 500 and 1,000 lire denominations had been stolen by an employee (apparently a registered Communist) at the Staderini plant (865.515/7-1146). In telegram 3210 of July 15, Tasca sent word that U.S. C.I.C. agents were working with Corbino on the case (865.515/7-1546).

(b) While he sympathized wholeheartedly with Corbino's desire to have a showdown with Communists he did not believe this was possible at this time owing to Peace Conference and effects whip hand exclusion of Communists from Govt might have on Russia with respect to final peace terms to be imposed upon Italy. Once peace was signed, he continued, there would have to be a showdown out of which would develop a general crisis, main purpose of which would be to defeat definitively the Communists, he felt there was no possibility of reaching any viable long-time agreement with the Communist Party in Italy.

(c) With respect to the unification of the Ministers of Treasury and Finance, Chief of Communist Party had stated that any such attempt would be tantamount to broadening of present crisis.

(d) It has been very difficult, he added, to find a new Minister of the Treasury to substitute Corbino. Campilli, present Minister of Foreign Trade and a Democratic Christian, had definitely refused the post. Menichella, the present candidate, was quite uncertain and apparently does not consider it possible to accept the post at this time since certain guarantees are required that the Communists will not continue to sabotage such gov't program as might be agreed upon. De Gasperi stated he believed such sabotage would continue but he hoped a joint declaration of unity might be signed by the three largest parties which, although he was certain it would be violated by the Communists, would serve a useful purpose later on in connection with the showdown in which an attempt might be made to eliminate the Communists.

(e) He stated that he realized that any person accepting the post of Minister of Treasury was almost certain to fail and would be sacrificed to save the political prestige of the so called mass parties in the Govt. In this connection he stated that although Communists had raised question of electing a new board of directors of Bank of Italy apparently in an endeavor to infiltrate into the banking system, he hoped that if Menichella goes to the Treasury as Minister a vice director could take control of the bank.

Apparently Prime Minister while agreeing with Corbino has concluded that a general crisis at this time would not be opportune. He created the impression that he was prepared to make the necessary sacrifices including damage to the prestige of his party to avoid a general crisis at this time. He left the further impression of great bitterness toward the Communists and a desire to make a real effort at the appropriate moment to eliminate them from Italian political life. In this connection he lamented the fact that the Ministry of Interior required his full-time attention if public order were to be maintained in Italy and on the other hand he was confronted with the necessity of defending Italian interests at Paris which he felt that he alone could handle at the present moment.

A strong movement is presently on foot to unite L'Uomo Qualunque, the Liberal Party and the Italian Democratic Party into one big party

of the Right under leadership of Corbino. Such block would control over 90 seats in the National Constituent Assembly and would be intended to serve as a counter poise to the strong Communist pressure in Italy and bolster the believed weakness of the Democratic Christian party to meet successfully the Communist threat.

Repeated Moscow 194, Paris 664. [Tasca.]

KEY

865.51/9-2646 : Telegram

The Chargé in Italy (Key) to the Secretary of State

RESTRICTED

ROME, September 26, 1946—7 p. m.

[Received September 27—2:20 p. m.]

3903. Urtel 1586, August 9. Fiscal director MTOUSA ⁷⁷ states War Dept agreeable dollar payment for military export direct to official agency Italian Govt in line procedures we have suggested ⁷⁸ but desires delay initiating new system (except for exports to OMGUS) for several weeks in order avoid possible ill effect on negotiations with Netherlands Govt for return about \$21,000,000 which USFET apparently holds in guilders excess to needs.

It is therefore planned to institute new dollar payment procedure here effective about October 20 and fiscal director will so inform War Dept in early October trusting no objection.

Embassy should appreciate Dept's effort assure War's definitive approval dollar payments under new procedure without further delay beyond October 20.

KEY

[On October 3, 1946, D. P. Caulkins, Field Commissioner, Mediterranean Theater of Operations, Office of the Foreign Liquidation Commissioner, and Emilio Demarchi, Managing Director of ARAR (*Azienda Rilievo Alienazione Residuati*, Agency of the Italian Government to Receive Surplus Property) agreed to the sale for \$152,560.34 of 35,405 tons of aircraft bombs, 15,505 tons of artillery projectiles with cases, 14,717 tons of artillery projectiles without cases, and 14,603 tons of small arms ammunition. ARAR, on behalf of the Italian Government, agreed that the material, destined for civilian use, would be demilitarized within 6 months after delivery. (865.24 FLC/10-346)]

⁷⁷ Col. Richard K. LeBrou.

⁷⁸ See footnote 66, p. 927.

740.00119 Council/10-1046: Telegram

*The Ambassador in France (Caffery) to the Chargé in Italy (Key)*⁷⁹

RESTRICTED

PARIS, October 10, 1946—5 p. m.

[Received October 12—6 a. m.]

264. Delsec 1046. Please convey the following message to Prime Minister de Gasperi from the Secretary⁸⁰ which should be released for publication on delivery.⁸¹

"When you were in Paris in August you discussed with me the question of the American Government paying the Italian Government for the lira which it furnished to the American Army for the purchase of supplies in Italy.

I am now happy to inform you that after having examined carefully into this question the United States Government has decided to reimburse the Italian Government for the lira so furnished to the American Army. Arrangements are being made to transfer immediately \$50,000,000 to the Italian Government on account and as soon as the accounts can be processed such additional payments will be made as are found due. It is the view of the American Government that the Italian Government as a cobelligerent with the United Nations is entitled to such reimbursement.

The American people are deeply conscious of the contribution that Italy and her sons and daughters, have from the very beginning of our history, made to American life, and they wish to see the traditional ties that have bound together the peace-loving peoples of our two republics renewed and strengthened. The American people are happy to recognize the part that the Italian people have taken in liberating their country from the yoke of Fascist tyranny and in reestablishing a democratic government worthy of their finest traditions."⁸²

Sent Rome 264; repeated Department 5103.

CAFFERY

⁷⁹ This telegram was repeated to the Department as No. 5103.

⁸⁰ Secretary of State Byrnes was attending the Paris Peace Conference, which met July 29—October 15, 1946.

⁸¹ In despatch 4179 of October 18, Key reported that in the Roman newspapers of October 13 the announcement of the American decision followed the press release made in Paris on October 12. Due to unforeseen circumstances, Key had been unable to hand the text of the Secretary's letter to De Gasperi until October 15, and the Prime Minister gave his reply the next day. There was only the minimum of publicity, Key reported, probably because by that time the story of the United States' decision was considered old news. (740.00119-Control (Italy)/10-1846)

⁸² The text of Prime Minister De Gasperi's reply was forwarded in telegram 4024 of October 16, 1946, not printed.

865.24/8-2846

The Lend-Lease Administrator (Lane), Office of the Foreign Liquidation Commissioner, to Colonel Joseph W. Scobey, Chief of the Military Supply Section, International Branch, Service, Supply, and Procurement Division, War Department General Staff

SECRET

WASHINGTON, October 15, 1946.

MY DEAR COLONEL SCOBEY: This is in reply to your letter of August 28, 1946, to Mr. Havlik,⁸³ concerning a request from the Commanding General, Mediterranean Theatre, for authority for the British Army to retransfer 280 armored cars of lend-lease origin to the Interim Italian Army, and for blanket authority to retransfer other items of lend-lease origin to the Italian Army (U.S. reference No. 37).

As your office has been informed by telephone, the Department of State has no objection to the proposed retransfer of the armored cars, which is authorized subject to financial terms to be agreed in advance between the Italian Government and the representatives of the Foreign Liquidation Commissioner in Rome.⁸⁴ The British Army authorities in Italy should advise the Italian Government to approach the Foreign Liquidation Commissioner's representative concerning the terms of retransfer.

The Department of State has considered the request for blanket authorization for similar retransfers but is unable to consent to such an authorization at this time. The British Army may be advised, however, that such a request, accompanied by further information regarding the types, quantities, and condition of equipment which might be involved, etc., may be submitted through the regular channel (the British Army Staff in Washington) for consideration if so desired. This of course does not imply that such consideration would necessarily be favorable.

A copy of this letter is being sent to the British Army Staff in Washington for their information.

Sincerely yours,

CHESTER T. LANE

⁸³ See footnote 70, p. 930.

⁸⁴ A memorandum addressed by Gen. James K. Crain, Deputy Chairman, Policy Committee on Arms and Armaments, to Frederick Exton, Acting Assistant Chief of the Munitions Division on September 23, 1946, explained that the Policy Committee on Arms and Armaments in its meeting of September 20 held up action regarding transfer of the 280 armored cars pending decision by Acting Secretary of State Acheson, but it refused assent to blanket authority for the British to transfer lend-lease items to the Italians (865.24 FLC/9-2346).

General Crain's memorandum of October 2 to the Chief of the Munitions Division, advised that the Acting Secretary approved the request of the transfer (865.24 FLC/10-246).

865.51/10-1746: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, October 17, 1946—noon.

[Received 4:45 p. m.]

4027. Inform Treasury from Tasca. See mytel 3815, September 14 [15]. New Italian Minister of the Treasury, Bertone,⁸⁵ made following comments to Tasca yesterday.

a. Currency conversion not possible at the present time owing to the lack of sufficient quantities of new currency. Denominations of 500 and 1,000 lire notes of new currency which had been printed are now unuseable owing to probability foreign power (Yugoslavia) has obtained currency plates. Minister believes that perhaps in 6 or 7 months sufficient quantities of currency may be available. Reliable sources believe that De Gasperi, Prime Minister, may wish to use knowledge of participation of Communists in currency plate theft as lever against Communists during the present coalition govt period.

b. Minister appeared indefinite on question of timing of imposition of new capital levy. Apparently thought is being given to possibility of capital levy program without currency conversion. Minister revealed that part of capital levy program would involve registration of all govt bearer securities (excluding securities purchased under new loan to be launched in November). Italian Minister thought that the capital levy program proposed by the Ministry of Finance was far too drastic and could not be adopted in the form proposed.

c. Treasury Minister estimated that subscription to the new loan would amount to approximately 300 billion lire. He was unable to estimate what amount under such loan would involve simple conversion of outstanding securities into the new issue in order to avoid the capital levy program.

d. Menichella, Director of the Bank of Italy, informed Tasca that an invitation has been extended by the Italian Govt to the Export Import Bank to send a mission of technical experts to Italy to make a firsthand examination of Italian industry. The purpose of the mission would be to study Italian industry first hand and to determine the economic basis for loan from the Export Import Bank to Italy. The technical mission would be directed and guided in its work in Italy by the Bank of Italy.

Sent Department 4027; repeated Secdel Paris 734; Moscow 201. [Tasca.]

KEY

⁸⁵ Following the resignation of Epicarmo Corbino on September 2, Giovanni Battista Bertone was appointed Minister of the Treasury by decree of September 18.

865.00/10-1746 : Telegram

The Chargé in Italy (Key) to the Secretary of State

TOP SECRET

ROME, October 17, 1946—midnight.
[Received October 18—10:07 a. m.]

4034. Remytel 4031.⁸⁶ In conversation with me De Gasperi also discussed riot of October 9 and expressed same opinion as had Facchinetti⁸⁷ (remytel 3989, October 10⁸⁸) that similar disturbances likely to recur. De Gasperi was preoccupied with conduct of police who he thought could have handled crowd with fewer casualties if it were better trained in modern police techniques. He felt Allied police mission in Italy to revamp and retrain Italian force would be most desirable but I gathered he is still apprehensive over Communist opposition to any mission excluding Russians (remytel 3977, October 8⁸⁹).

Recent disturbances in Sicily culminated in reportedly serious outbreak October 10-11 food shortages understood be basic factor.

Council of Ministers' preoccupation with problem of public order reflected in decision to replace Questori at Rome and Palermo and appointment Giovanni Selvaggi member Republican Party new High Commissioner for Sicily. Council has also ordered investigation into police action in Rome October 9 and into operations of Govt depts and problem of migrations of unemployed to Rome and conditions at Cinecitta refugee camp. In addition Govt has sought to increase arms and mobile armament of civil police but Admiral Stone has informed De Gasperi SACMED cannot authorize reorganization and rearmament until question whether civil police would thus constitute part of armed forces and violate armistice and peace treaty ceilings is investigated.

It is becoming increasingly clear that problem of public order while arising basically from economic causes is aggravated by large floating population including refugees (see especially mytel 3994, October 11 and despatch 4153, October 11⁹⁰) and by ill trained and ill equipped

⁸⁶ Not printed; in this telegram Key reported a conversation in which De Gasperi discussed his intention of turning the Foreign Ministry over to Nenni, who would, however, consult De Gasperi on all important matters (865.00/10-1746).

⁸⁷ Cipriano Facchinetti, Minister of War in the second De Gasperi Cabinet, July 13, 1946-January 28, 1947.

⁸⁸ Not printed; it reported Facchinetti's view that the rioting was serious, that it would prove to be the precursor of further disturbances, and that the Leftist parties, the Communists particularly, were at the bottom of the trouble (865.00/10-1046).

⁸⁹ Not printed; in it Key reported that De Gasperi personally would welcome an Anglo-American police mission, yet for political reasons could not exclude the Russians, and would not have such a mission as that to which the Communists would agree (865.105/10-846).

⁹⁰ Neither printed.

police. Leaving basic cause aside, I believe we should take most seriously Italian Govt's desire work out joint plans for refugee dispersal and hope I may soon receive Dept's views for communication to the Italians. On political mission I do [not?] feel we should attempt to force any such group on Italians but the need is obvious and if De Gasperi can evolve political formula acceptable in Italy for request in one [*requesting one?*], I hope we as well as British would promptly accede and provide expert personnel. The alternatives appear to be increasing disorders from which Communists stand to profit the most.

Repeated Caserta 1060.

KEY

[On October 31, 1946, under provisions of the Merchant Ship Sales Act of 1946 (approved March 8, 1946; 60 Stat. 9683), the United States Maritime Commission signed in Washington a contract with Cesare Sacerdoti, Head of the Italian Technical Delegation, for the sale of 40 Liberty vessels, with 10 additional vessels to be sold later. Immediately after purchasing a ship, the Italian Government was to resell it to one of several Italian shipping firms, which collectively sent a mission to the United States to assist in selecting the vessels to be bought. Records relating to this transaction are filed under 195.2 and 865.85 of the Department of State and under "Application No. 2155: Italian Government" and "Contracts 2155" in the records of the United States Maritime Commission. Additional ships were sold to the Italian Government in 1947.]

740.00119 Control (Italy)/11-546

Memorandum by the Acting Secretary of State to President Truman

[WASHINGTON,] November 7, 1946.

Subject: Transfer to Italy of Non-Troop-Pay Dollars

As you are aware, you approved April 26, 1946 a recommendation of the National Advisory Council to the effect that the dollar equivalent of lira expenditures by our armed forces in Italy for the procurement of supplies, services, and facilities in that country be made available to the Italian Government.

In a letter to the Secretary of the Treasury dated May 10, 1946 the Comptroller General indicated he had no objection to the proposal. On July 25, 1946 the Secretary of the Treasury and the Under Secretary of State for Economic Affairs discussed this question with members of the Sub-Committee of the House Committee on Appropriations who indicated their approval of the proposal on the understanding

that announcement of this action to the Italian Government be left to the discretion of the Secretary of State.

On October 12, 1946 in a letter to Prime Minister de Gasperi the Secretary of State informed the Italian Government that the United States Government had decided to make available to Italy the dollar equivalent of lira expenditures made up to now and hereafter by American armed forces in Italy for the procurement of supplies, services, and facilities in that country.

In order that the funds may be turned over promptly to the Italian Government, it is necessary that the War and Navy Departments certify the amounts in question to the Secretary of the Treasury. It is believed by the War Department that this action requires a specific directive from you to the Secretaries of War and Navy.

In view of the urgent need of the Italian Government for dollar funds and of the promise of the Secretary of State that \$50 million would be made available immediately, it is requested that you send to the Secretaries of War and Navy letters along the lines of the attached drafts.⁹¹ Copies of these letters should be sent to the Secretary of the Treasury for his information.⁹²

DEAN ACHESON

Lot 60-D 137: Box 8

*Memorandum by the Staff Committee to the National
Advisory Council*

CONFIDENTIAL

[WASHINGTON,] November 15, 1946.

Document No. 269

Subject: Proposed Reconstruction Loan to Italy

1. *The Loan Request*

On February 14, 1946 the Italian Government requested a loan of \$940 million from the Export-Import Bank to purchase essential reconstruction materials. On April 19, the NAC deferred consideration of a loan to Italy of \$100 million. In the NAC Meeting on June 4, the State Department suggested postponement of any further con-

⁹¹ Not printed.

⁹² In the Department's telegram 2072 of November 25, 1946, the Embassy in Rome was advised that the United States Treasury Department had handed the Italian Embassy a suggested draft of a letter, to be sent by the Italian Government to the Secretary of the Treasury, in connection with arrangements for the transfer of non-troop-pay dollars (865.51/11-2546).

In despatch 4389 of November 27, the Embassy in Rome reported that the Italian Government had designated Cesare Sacerdoti, Chief of the Italian Technical Delegation in Washington, to receive, endorse, and collect all checks drawn on the Treasurer of the United States in favor of the Italian Government (865.5151/11-2746).

sideration of the Italian loan request.⁹³ In view of the progress made in resolving the Italian reparations problem,⁹⁴ the State Department has now requested that the NAC again consider the Italian request.

2. *Need for Credits*

External financial assistance to Italy is necessary in order to revive internal production and to increase exports. The relatively slow rate of Italian economic recovery has been due principally to lack of foreign exchange and inability to secure vitally needed raw materials and industrial fuels. As an indication of the possibilities of Italian recovery, it is now evident that Italian exports during 1946 will substantially exceed the amounts estimated by the Staff Committee earlier this year.

3. *Balance of Payments*

It is estimated, on the basis of a study of essential import requirements, that the current account deficit in the 1947 balance of payments will total \$443 million. This figure is derived from calculated current payments of \$1,158 million of which \$1,135 million are for merchandise imports and \$23 million for invisible items, and estimated current receipts of \$715 million of which \$575 million will come from merchandise exports and \$140 million from invisibles. The export figures are based on the expectation that Italy will reach 80 to 85 percent of pre-war production if the estimated imports of raw materials and fuel are realized.

The deficit in the estimated 1946 balance of payments is being covered primarily by the UNRRA contribution. Although no additional UNRRA funds are authorized for 1947, presumably transfers of materials in pipelines will continue beyond the first of the year until the UNRRA program tapers off.

4. *Foreign Exchange*

Available official and private gold and dollar balances of Italy amounted to about \$140 million on June 30, 1946 including an unknown quantity owned by the Vatican and not available to the Italian Government. No deduction has been made from this figure for any monetary reserves against the Italian note issue. Of the total assets, pre-liberation blocked dollar assets are estimated at \$104.9 million of which short-term assets comprised \$24.9 million. No estimate is available of the blocked and vested assets in other United Nations. The President has already authorized the transfer to Italy of the United

⁹³ Minutes of the National Advisory Council meeting on June 4 (Meeting No. 31) not printed.

⁹⁴ For documentation on the reparations problem in the negotiation of the Italian peace treaty, see volumes III and IV.

States dollar equivalent of the lire expenditures of United States military forces in Italy for procurement of goods, services and facilities. Upon the receipt of direct instructions from the President (which are understood to have been issued), the War Department has indicated that it will make the necessary certifications to the Treasury, which in turn can transfer the amounts so certified to the Government of Italy. It is indicated that the first certification will amount to approximately \$50 million and that additional certifications should amount to at least an additional \$50 million.

5. *Other Sources of Credits*

It is considered unlikely that either the International Bank for Reconstruction and Development or the International Monetary Fund will be in a position to extend any substantial assistance to the Italian Government at least during the next few months, when the need for funds is most urgent. Considerable delay in obtaining assistance from these sources can be expected since it will be some time before Italy attains formal membership status in either institution. Italy will also have to submit a formal application for a loan from the International Bank. Prior applications of other countries will already have been considered by that time. In any event, it is probable that Italy will not obtain large enough credits from this source in time to meet her needs for assistance in the present and immediate future. Borrowing from private sources is not now feasible.

Surplus property valued at \$160 million is being transferred by the U.S. on 30-year credit terms⁹⁵ and some surplus is being received from the British military. Practically none of the surplus goods duplicate the required imports.

6. *Ability to Repay*

The existing external debt of the Italian Government totals \$240 million; of this \$115 million is bonded debt, now in default; \$38 million of arrears on this debt; and \$90 million of debt on clearings to Switzerland and Sweden. An Italian representative initiated discussions in the spring of 1945 in New York looking towards a settlement of the funded debt in default. It is understood that further discussions are awaiting the peace settlement.

The Italian Government received \$640 million of civilian supplies from the Allies of which at least \$400 million came from the United States. The U.S. Government has presented notes to the other supplying governments, the United Kingdom and Canada, suggesting combined cancellation of any claim for repayment.

⁹⁵ See bracketed note, p. 932.

According to present indications, the Italian Government will have a reparations bill of \$325 million to pay. The reparations which Italy will be expected to pay out of current production will principally be in the form of contributions of Italian labor, since the recipient countries will provide the raw materials for processing by Italian industry. In addition, any loss in interest payments and dividends from Italian investments abroad which may be claimed by United Nations nationals in compensation for war damage will not be serious since Italy's important invisible earnings before the war were derived from emigrant remittances, tourist receipts, and freight and shipping services.

The proposed peace treaty will probably not have major harmful effects upon the Italian economy. The loss of Italy's colonies will remove a burdensome drain on Italy's export capacity and her potential foreign exchange earnings. Italian exports to the colonies, largely in the nature of capital investment, during the years 1936 through 1938 amounted to about 27 percent of total Italian exports. In addition the reduction in the expenditures for the upkeep of the military establishment which in 1936-37 accounted directly for about 40 percent of total budgetary outlays will free industrial capacity and manpower for export industries.*

On the other hand, owing to the changed conditions resulting from the war, Italy will have the problem of either re-establishing her former export markets or finding new ones, and of rebuilding her merchant marine.

A loan of \$100 million to finance industrial raw materials and fuel will permit a reactivation of Italian industry which should be reflected in a substantial increase in Italian exports.

Assuming an adjustment of the Allied claims and Italian counter-claims; adjustment of the prewar external debt, now in default, and its clearing obligations and the removal of foreign troops, Italy should be in a satisfactory position to service a long-term loan of, at least, \$100 million for reconstruction purposes. Before the war the Italian Government maintained payments on its external dollar obligations.

7. Italy's Further Needs

The amount of the loan recommended by the Staff Committee will provide for Italy's urgent import needs during the next few months. While this amount will reduce the need for further credits the question of filling the residual balance of Italy's minimum dollar requirements will necessitate further consideration of financial aid to Italy during the early part of 1947.

*Total budgetary expenditures in 1936-37 were 40.9 billion lire. The military budget in this period was 16.6 billion lire of which 9.5 billion went to the Army, 2.4 billion to the Navy and 3.7 billion to the Air Force. [Footnote in the original.]

The State Department is at present considering requesting Congress for an appropriation for relief aid to Italy and other countries after the termination of UNRRA. It is discussing with other governments the possibility of their participation in such relief aid or other financial assistance.

It is visualized that Italy's minimum needs for financial assistance can be met by a combination of aid in the form of a reconstruction loan from the Export-Import Bank followed by a relief grant from the U.S. and, ultimately, further reconstruction credits from the International Bank.

8. *Recommendation*

The following action is submitted for consideration by the Council:

The NAC approves the consideration by the Export-Import Bank of credits to Italy not exceeding in the aggregate \$100 million.⁹⁶

840.50 UNRRA/11-2646 : Telegram

The Chargé in Italy (Key) to the Secretary of State

CONFIDENTIAL

ROME, November 26, 1946—5 p. m.

[Received 6:05 p. m.]

4275. Reference mytel 4226, November 15.⁹⁷ The Prime Minister expressed to me last evening his deep concern about the wheat outlook for Italy. He stated that on the basis of information just received from UNRRA and Italian food experts, the shortage of wheat supplies had become so acute that unless assurances could be received from the US that 240,000 tons of wheat or wheat equivalent would be landed in Italy by January 15 it would be necessary, as an essential precautionary measure, to reduce the bread ration to 200 grams daily within the next few days. He stressed that such a move would, in view of present conditions in Italy, lead to serious political consequences which he was most anxious to avoid if possible.

It was accordingly his intention to approach President De Nicola today and to ask the latter to address a personal message to President Truman calling attention to the present critical food situation and urging the latter to give assurances, if possible, that the required 240,000 tons of wheat would be delivered to Italy before the middle of January.

Repeated Caserta 1100.

KEY

⁹⁶ The recommendation was approved on January 13, 1947 (N.A.C. Meeting No. 50).

⁹⁷ Not printed.

865.20/11-2646 : Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, November 26, 1946—midnight.
 [Received November 27—10:28 a. m.]

4281. We have seen secret telegram dated November 21 from British War Office to AFHQ regarding military mission to Italian army. This message states that British Foreign Office is about to initiate discussions with State Department on general question of post treaty military missions. We have also learned from AC that director land forces subcommission (British general) ⁹⁸ has made his personal recommendations thereon from British standpoint to War Office London.

Admiral Stone discussed subject with us and our Military Attaché this morning and following observations may be of interest to Department. Former feels US Government should make efforts to obtain invitation from Italian Government for purely American military mission for post treaty. He said that Italian army was better disposed and would be more receptive to purely American mission. In his opinion our long term interest in Italy and the Mediterranean justifies our undertaking this responsibility vis-à-vis postwar Italian army. If for policy or other reasons US Government is not prepared to assume this responsibility alone he said he feels that next best is joint Anglo-American military mission to Italian army with absolute parity in personnel and responsibility policy decisions. Last and least desirable would be our agreement to British undertaking military mission on their own.

While Admiral Stone's arguments are cogent we feel that the most important consideration is US participation in any military advisory body which may be established in Italy since its influence would of course extend during post-war period beyond purely military considerations and if successful would undoubtedly contribute to strengthening of commercial ties and of friendly relations between Italy and US. . . . We would recommend an Anglo-American Mission provided this is technically feasible in preference to a purely American mission in view of British susceptibilities and their well-known military interest in Italy and Mediterranean. A joint mission would also serve to emphasize Anglo-American solidarity in this part of the world.

Repeated Caserta 1101 for American eyes only.

KEY

Maj. Gen. Edward Henry Goulburn.

218-169-69—61

865.00B/12-246

*Memorandum by the Deputy Director of the Office of European Affairs (Hickerson)*⁹⁹

SECRET

[WASHINGTON,] December 2, 1946.

As you know, the recent municipal elections in Italy showed impressive gains by the Communists at the expense of the moderate Christian Democrats. These gains reflect the success of constant Communist attacks against De Gasperi and the Western powers. As we see it, the Communist strategy is to discredit De Gasperi and thus force his resignation as Premier; to form a new government more to the left; and then to hold national elections which would be expected to return the Communists as the strongest party with a firm grip on any government then formed.

To achieve all this, the Communists need a few more "failures" by De Gasperi. His "failure" to obtain support from the Western powers in the treaty negotiations has been the theme thus far, but a good domestic issue is now needed. Growing unemployment as raw materials from UNRRA taper off will help, but the wheat crisis is an immediate and more effective issue. If additional wheat cannot be shipped soon, and a reduction in the bread ration thereby averted, the Communists can be expected to make full use of another De Gasperi "failure", and I doubt if he could continue as Premier much longer.

I know that we are already working to obtain additional wheat for the Italians; I know too that there are tremendous practical obstacles in the way of meeting their desires in full. Yet, I feel we must keep in mind that a first-class political crisis is building up in Italy, and therefore use every possible means to increase the grain shipments. Wheat will not solve our problem there, but the lack of it may.¹

JOHN D. HICKERSON

861.20265/12-646: Airgram

The Chargé in Italy (Key) to the Secretary of State

ROME, December 6, 1946.

[Received December 30—11:23 a. m.]

A-1102. Press December 6 reports Italian Police Chief² confirmed authenticity letter published previous day by *Unità*³ whereby he directed Police Commissioners throughout Italy to investigate report of secret Troika organization comprising Russians, Yugoslavs and

⁹⁹ Addressed to Under Secretary of State Acheson and to the Under Secretary of State for Economic Affairs (Clayton).

¹ A marginal notation reads: "I agree and we are doing everything possible to get more wheat going to Italy. W[illiam] L. C[layton]"

² Luigi Ferrari.

³ Organ of the Italian Communist Party.

Italians, and pledged to terrorism and sabotage against Allied troops and anti-Communist elements in Italy.

Full text of letter, which was marked secret and dated September 19, 1946, as follows:

“To the Commissioners of the Police:

“We have received trustworthy information that a secret organization is about to be formed in Italy under the name of ‘Troika’. This organization is to comprise Russians, Yugoslavs, and Italians; at the orders of the Russian Government and at an opportune time, this organization is to carry out acts of terrorism and sabotage against the Allied troops, the Italian and foreign elements in Italy who are anti-Communist and opposed to Tito.

“This organization is to be divided into units of three men each. All members are to take a blood-oath, binding them to perform successfully each entrusted mission, and obligating them to commit suicide in case of failure.

“At the present moment, there may be in existence the following units: 100 in Milan, 100 in Turin, 50 in Ancona, 50 in Bologna; another 50 are soon to be located in Naples.

“All units are to take orders from the Russian Colonel Lebedijeff, one of the chiefs of the O.Z.N.A.,⁴ who is supposed to be already established in Rome.

“Members of the ‘Troika’ are supposed to have landed recently between Bari and Manfredonia.

“When the time comes for action, which is considered by members of the organization to be in the near future, the various units are to be joined by 280,000 well-armed, extremist sympathizers.

“We ask that you make an immediate and meticulous investigation of those persons who are suspect of belonging to this organization, to watch over their movements, and to send us, as soon as possible, a detailed report.

“Chief of the Police
“(Signed) Ferrari”.

In publishing letter *Unità* demanded to know whether it had been written because of “bureaucratic idiocy or anti-Communist provocation”, and wondered how Prime Minister could “permit a high Italian functionary to mobilize the whole apparatus of the state against one of the Allied nations.”

Unità December 6, publishes reports of Ferrari’s “confession” that circular was despatched, and says he denied that he had received any warning from Allies, Prefects of Foggia, Taranto and Bari, although he declined to specify basis for circular. *Unità* editorial ridicules Ferrari and the circular at length.

Other papers report that police officials emphasized that police have obligation to follow up all reports on political organizations, whether

⁴ *Obravestajna Zvrga Nacionalno Armije* (Division for People’s Defense: the Yugoslav Secret Police).

of the Right or of the Left. Several papers shared this view and some asked how a secret government document could have found its way into columns of *Unità*.

KEY

865.248/12-1046: Telegram

The Chargé in Italy (Key) to the Secretary of State

TOP SECRET

ROME, December 10, 1946—5 p. m.
[Received December 10—4:08 p. m.]

4350. We assume Dept has seen exchange of telegrams during past 2 months between War Dept and Western Base Sector and MTOUSA regarding equipping Italian air force from US sources with most modern combat planes available (see telegram 364 [2364], October 17 from WBS from Gerhart to War Dept for operations, telegram WX 83726 to WBS for Gerhart containing War Dept's reply and Naf 1235 from SAC to CCS November 21).⁵ Our Military Attaché has learned that representatives War Office London has presented under auspices air forces subcommittee AC which has British Air Vice Marshal as director⁶ complete plan for reequipment Italian air force from British sources for million and one-half pounds (see telegram Mar 521 and 526 dated December 2 and 5 from Military Attaché Rome to War Dept⁷). According to Italian Air Chief of Staff⁸ he expressed preference for P-51's. British representative has returned to London to report Italian reaction.

If Italian air force is going to be modernized with American equipment it is believed Dept will wish to impress War Dept and JCS with political desirability of furnishing directly from American sources and not through HMG.

Dept 4350, repeated Caserta 1104 and London 596. Please inform Secdel for Dunn and Gerhart.

KEY

865.00/12-1146: Telegram

The Chargé in Italy (Key) to the Secretary of State

SECRET

ROME, December 11, 1946—3 p. m.
[Received 8:45 p. m.]

4357. Department's 2062, November 21.⁹ It has been difficult to obtain comprehensive information on illegal armed groups in Italy.

⁵ None printed.

⁶ Air Vice Marshal C. M. M. Grece.

⁷ Neither printed.

⁸ Lt. Gen. Mario Ajmone Cat.

⁹ Not printed; it requested information regarding the illegal armed groups operating in Italy, with particular reference to their political composition (865.00/11-2146).

Our investigation leads us believe that, while there have been many committees, movements, groups, etc., of para-military character organized in various parts of Italy as aftermath of war and occupation, few if any at present are serious well-organized threat to government authority nor is there evidence of cohesion between them. Department should see SSU report from Rome dated November 27 telegram 485 Pir 369 to Headquarters Washington on this subject.

The serious disturbances in Emilia Province during past months are generally ascribed to armed bands of delinquents organized for purposes of banditry and having no political implications, my telegram 4178 November 7 and despatch 4355, November [22]; ¹⁰ some well informed sources believe these gangs are inspired by Communists but admit that there is no clear-cut evidence of this.

The MRP (Partisan Resistance Movement) led by Carlo Andreoni anti-Communist ex-Socialist established itself on military basis about 300 strong in Vercelli Province in October and assumed aspects of local military occupation. Any potential threat to constituted authority was nipped in the bud by prompt action of Italian Government in arresting leaders and dispersing group. Apparently little of incriminating nature was found as leaders were released without charges within few days. MRP is rival Partisan organization to ANPI ¹¹ estimated 1500 of whom one-half armed. Political character is simply anti-Communist.

Italian Army of Liberation has headquarters in Rome with recently opened branches in Genoa and Milan, Department's airgram 439, September 13.¹² Titular head is Colonel Musco but real head reported by SSU to be General Sorice former War Minister in first Badoglio government. It is veterans organization for those who fought with Allies after September 1943 in regular army or in Resistance Movement. Its political character is well to Right and its connections are invariably with Right Wing or monarchist political parties, see SSU reports from Rome Pir 93 and Jrx 3580 on this organization. It is not averse to close relations with Uomo Qualunque Front though does not seek its support exclusively. No general tie-up with Uomo Qualunque though some members of Italian Army of Liberation are also members of Uomo Qualunque. Estimated by SSU that strength less than 15,000 and 10% armed, not well organized.

Other Right Wing squadrist organizations lesser strength and importance are Tricolor Movement and Social Republican Military Movement.

¹⁰ Neither printed.

¹¹ Associazione Nazionale dei Partigiani d'Italia.

¹² Not printed.

On Left Socialist armed strength does not exist per se but rather consists of Socialists members of auxiliary police forces throughout Italy who of course are legally armed. Communists according to SSU have most effective armed force headed by Secchia, alias Bottechia. Estimates of mobilizeable strength vary with political view of course from 80,000 on one extreme to below 20,000 on other, in any event it is believed almost every able-bodied Communist in north has a weapon. However Communist Party arms diminish monthly due sequestration, poor conservation, etc.

Estimated cut 50% since armistice.

For information on alleged existence Troika group see my airgrams 1102 and 1103 December 6.¹³

Foregoing excludes Venezia Giulia and Udine Provinces. In latter, principal group is Osoppo Brigade, war-time Partisan outfit, which now numbers about 5,000 and is anti-Slav. Early reports indicated collusion Italian officials in supplying arms and funds, see Greene's reports from Trieste Nos. 272, May 15; 288 May 20; and 304 June 10.¹⁴

Recent arrests in Trieste of Action Party members concealing small arsenal indicates pro-Italian "action squad" activity still exists there; pro-Slav organizations often accused of hiding arms but very few seizures ever made.

KEY

865.00/12-2646 : Telegram

The Chargé in Italy (Key) of the Secretary of State

SECRET

ROME, December 26, 1946—midnight.

[Received December 27—11:20 a. m.]

4460. Remytel 4430, December 21,¹⁵ and airgrams A-1102 and A-1103, December 6.¹⁶ Manner in which Italian Cabinet completely backed down before Soviet protest over Troika incident indicates extent of Communist power in government as well as Communist intention disrupt efficacy of police forces and thus undermine public order.

Considering that Communist paper originally published circular and followed it up with vilification and ridicule directed at Police Chief and at De Gasperi as Interior Minister there can be little doubt of party's intentions. De Gasperi apparently failed to insist that as police pointed out in first place, police force can and should investigate impartially all reports of subversive organizations.

¹³ Latter not printed.

¹⁴ None printed.

¹⁵ Not printed; it forwarded press reports regarding the Cabinet's discussion of the Troika affair; and of its communiqué deploring the journalistic indiscretion in publishing the letter, denying the charges of anti-Soviet Government attitude, and expressing regret toward that Government (865.00/12-2146).

¹⁶ Airgram 1103 not printed.

Press reports make no mention of Nenni participation in Cabinet discussion of Soviet protest after first presenting it but conclusion is inescapable that he went along with Communists rather than attempting back up De Gasperi. Furthermore, with a Communist Minister of Justice¹⁷ there is little likelihood *Unità* will be tried for violation articles 256 and 261 of Penal Code as Gonella¹⁸ attempted insist.

Repeated Moscow as 221.

KEY

AGREEMENT BETWEEN THE UNITED STATES AND ITALY ON RECIPROCAL APPLICATION OF ARTICLE I OF THE EXTRADITION CONVENTION OF MARCH 23, 1868

[Effected by exchange of notes signed at Rome April 16 and 17, 1946. For texts, see Department of State, Treaties and Other International Acts Series No. 1699.]

AGREEMENT BETWEEN THE UNITED STATES AND ITALY WITH RESPECT TO THE DISPOSITION OF THE AMERICAN DEAD IN ITALY IN WORLD WAR II

[Effected by exchange of *notes verbales* dated at Rome September 13 and 24, 1946. For text of *notes verbales*, see Department of State, Treaties and Other International Acts Series No. 1713.]

¹⁷ Fausto Gullo.

¹⁸ Guido Gonella, Minister of Public Instruction.

LUXEMBOURG

AGREEMENT BETWEEN THE UNITED STATES AND LUXEMBOURG REGARDING MUTUAL AID SETTLEMENT EFFECTED BY EXCHANGE OF MEMORANDUMS SIGNED AT LUXEMBOURG AUGUST 29, 1946

[For texts of memorandums, see Department of State, Treaties and Other International Acts Series No. 2065, or 62 Stat. (pt. 3) 4003.]

MEMORANDUM OF UNDERSTANDING BETWEEN THE UNITED STATES AND LUXEMBOURG CONCERNING WAIVER OF CERTAIN CLAIMS ARISING OUT OF THE CONDUCT OF THE WAR

[For text of Memorandum signed at Luxembourg September 12, 1946, see Department of State, Treaties and Other International Acts Series No. 2067, or 62 Stat. (pt. 3) 4006.]

NETHERLANDS

DISCUSSIONS BETWEEN THE UNITED STATES AND THE NETHERLANDS REGARDING THE DISPOSITION OF AIR BASES IN ARUBA, CURAÇAO, AND SURINAM

S11.24556A/1-1246 : Telegram

*The Acting Secretary of State to the Ambassador in the Netherlands
(Hornbeck)*

TOP SECRET

WASHINGTON, January 12, 1946—4 p. m.

31. Deptel 12 Sept 11, 8 p. m.; urtel 41, Sept 22, 3 p. m.¹ The JCS have informed Dept that the mission of U.S. forces in Aruba has been completed and these forces are being currently withdrawn.

With regard to Curaçao and Surinam, U.S. forces are presently located at Hato Field, Curaçao and Zandery Field, Surinam for the primary purpose of providing landing, communications, navigation, and servicing facilities for U.S. military aircraft in connection with operation of U.S.-Canal Zone-Natal-Dakar military air route to South America, Europe, and Middle East. The need for these services in connection with World War II will continue as long as U.S. maintains substantial occupation forces in Europe. These fields are particularly valuable during periods of unfavorable weather conditions along north and east coasts of South America.

You may inform Foreign Office that, while it is considered a military necessity that these fields and ancillary facilities continue to be available during this period for use of United States military aircraft, it is not considered essential that they should be maintained and operated by U.S. military or civilian personnel. If the Netherlands Govt, therefore, would agree to maintain and operate the fields and required air facilities and make them available to U.S. military aircraft, U.S. would be entirely agreeable to withdrawal of its military personnel from these fields as soon as Netherlands personnel were prepared to assume maintenance responsibilities involved in accordance with maintenance and operations standards to be jointly agreed upon. To aid the Netherlands Govt in assuming these responsibilities U.S. would, of course, be glad to provide technical instruction for Netherlands maintenance personnel, should this be desired.

On the other hand, should the Netherlands Govt feel that it is unable to maintain these facilities U.S. Govt would wish to continue their

¹ Neither printed.

operation and maintenance by its own personnel during such time as U.S. may maintain occupation forces in Europe, as mentioned above.

The foregoing should be conveyed to the FonOff in writing. In delivering your note you should orally emphasize that arrangements discussed therein are concerned only with U.S.-Netherlands cooperation in Allied commitments connected with the war and its aftermath. In all candor we feel that we should take this opportunity to say that at some time in the future this Govt will undoubtedly wish to discuss with the Netherlands Govt mutually satisfactory arrangements which will take into account relationship of Surinam and Curaçao to Caribbean defensive systems. We wish you to emphasize, however, that there is no connection whatsoever between the interim arrangements which we are now proposing (namely, the operation of facilities in Curaçao and Surinam by the U.S. Govt or the Netherlands Govt, whichever the latter prefers) and the discussions which we will hope to initiate at some future date with respect to long-term arrangements in those two territories. In other words, please make clear that present proposals are not in any sense an entering wedge designed to give us any special advantage for the future, but are put forward strictly on their own merit as a matter of present military necessity.

Loudon² confidentially informed substance foregoing.

ACHESON

811.24556A/1-1746

*The American Ambassador in the Netherlands (Hornbeck) to the Netherlands Acting Minister for Foreign Affairs (van Roijen)*³

EXCELLENCY: Acting under instructions from my Government, and referring to a Note which I had the honor to address to you on September 21, 1945⁴ on the subject of use of air bases in Aruba and in Curaçao and Surinam, I now have the honor to inform Your Excellency that the Department of State has been informed by the Joint Chiefs of Staff that the mission of the United States forces in Aruba has now been completed and those forces are being withdrawn; and that with regard to the presence of United States forces in Surinam and Curaçao the situation is as follows:

United States forces are now located at Zandery field, in Surinam, and at Hato field in Curaçao. The primary mission of these forces is to provide communication, landing, navigation and servicing facilities for United States military aircraft in connection with operations of

² Alexander Loudon, Netherlands Ambassador.

³ Copy transmitted to the Department in despatch 568, January 17, 1946, from The Hague; received February 1.

⁴ Not printed.

the United States military air route (U.S. Canal Zone–Natal–Dakar) to South America, Europe and the Middle East. These services will continue to be needed so long as the United States maintains substantial occupation forces in Europe. The fields under reference are of particular value during periods when the weather conditions along the east and north coasts of South America are unfavorable.

It is considered to be a military necessity that United States military aircraft shall continue to have available to them as long as the United States maintains substantial occupation forces in Europe the use of these fields and auxiliary facilities. However, it is not felt to be essential that United States personnel, either military or civilian, should continue to maintain or operate the fields. It would be entirely agreeable to the United States Government to withdraw its military personnel from these fields were the Netherlands Government to give an undertaking that it will maintain and operate the fields and the required air facilities and make these available to military aircraft of the United States. It would be possible to withdraw United States military personnel as soon as Netherlands personnel would be prepared to assume responsibilities of maintenance and operations in accordance with standards to be jointly agreed upon. Should the Netherlands Government so desire, the United States Government would be glad to provide, as an aid to the Netherlands Government toward its assumption of these responsibilities, technical instruction for Netherlands maintenance personnel. Should the Netherlands Government feel that it is not in position to maintain these facilities, the United States Government would wish to continue maintenance and operation of them by United States personnel during such period as the United States may continue to maintain forces of occupation in Europe.

I avail myself [etc.]

[File copy not signed]

THE HAGUE, January 16, 1946.

811.24556A/1-1746 : Telegram

The Ambassador in the Netherlands (Hornbeck) to the Secretary of State

TOP SECRET

THE HAGUE, January 17, 1946—4 p. m.

[Received January 18—12: 12 p. m.]

69. Reurtel 31, Jan. 12. Note delivered and oral statement made by me as instructed, to Acting Minister for Foreign Affairs this afternoon.

Dr. Van Roijen expressed appreciation of the explanation given in the oral statement. He said that he felt he should, in view thereof,

and also speaking frankly, inform me off the record that there is in process on the part of his Govt consideration of a proposal that an approach be made to the American Govt on the subject of security arrangements, wherein there would be involved the question of air bases under reference in my Govt's communication just delivered; and that he should add, also off the record, that the approach thus contemplated should be disassociated from the question of arrangements in effect or to be made which flow from military necessities of World War II and operations in liquidation of disposals of forces connected therewith; he was telling me this in advance of there having been made a Cabinet decision and in order to guard against possibility of any inference, at such time as such approach might be made, that it had been inspired by or came in consequence of receipt by his Govt of the communication which I had made.

I inquired whether such contemplated approach would be likely to be made in the near future. Van Roijen replied that it might be comparatively soon.

HORNBECK

811.24556A/10-1446 : Airgram

The Ambassador in the Netherlands (Hornbeck) to the Secretary of State

SECRET

THE HAGUE, October 14, 1946.
[Received October 22—10:06 a. m.]

A-174. Reference Embassy's secret despatch No. 568, of January 17, 1946,⁵ transmitting copy of note to Foreign Office dated January 16, 1946, relative to airbases in Curaçao and Surinam.

The text of the Foreign Office's reply to this note is given verbatim below:

"Political Department
85891-6439 G.S.

"Sir: With reference to Your Excellency's note of January 16, 1946, on the subject of the use of air bases in Curaçao and Surinam, I have the honour to inform Your Excellency that investigations have been made with regard to the possibilities of operation and maintenance of the airbase at 'Zanderij' field in Surinam, now being operated by United States military personnel.

"The airbase at 'Hato' field in Curaçao has, according to a report, received from the Governor of that territory, already been transferred to the Netherlands authorities.

"With regard to Surinam, the Netherlands authorities are ready to take over in the near future the operation and maintenance of the airbase at 'Zanderij' field and to furnish the required air facilities.

⁵ Not printed.

The Netherlands Government would highly appreciate it, if the American material could be transferred to the Netherlands authorities on conditions to be settled mutually.

"Consequently the United States Government will be able gradually to withdraw their forces from the airfield of Surinam. However, certain measures of a technical nature will have to be taken by the Netherlands Government before this transfer can be carried out.

"Her Majesty's Government are prepared to enter into an agreement with the Government of the United States to allow the passage of United States military aircraft, serving forces of occupation in Europe through the aforesaid airbases in Curaçao and Surinam, during a period to be agreed upon by both Governments.

"The Netherlands Government gladly avail themselves of the kind offer of the United States Government to provide, if necessary, as an aid toward the assumption of these responsibilities, technical instruction and assistance for Netherlands maintenance personnel in Surinam.

"I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

W. v. Boetzelaer

"The Hague, October 8, 1946."

HORNBECK

811.24556A/10-1446 : Telegram

*The Acting Secretary of State to the Ambassador in the Netherlands
(Hornbeck)*

SECRET

WASHINGTON, December 2, 1946—6 p. m.

678. Re FonOff reply contained your A-174 Oct 14 Dept desires consult Neth Govt on question disposal installations and equipment Zandery Field. Pan American Airways now operates Zandery thru subsidiary company under contract with Surinam Govt to maintain and operate until 1976, with option in Surinam Govt to buy out PAA's interest in 1951. It appears that contractual obligations on part US Govt necessitate leaving fixed installations in possession PAA during period PAA's operation Zandery. If Neth Govt has no objections to PAA operation, US Govt proposes leaving all fixed installations Zandery in possession PAA. If on other hand Neth Govt intends operate Zandery and expects purchase installations from US Govt (as implied your A-174, Oct 14), please advise immediately.

With specific reference our request for transit rights military aircraft Zandery during period occupation Europe, Dept requests info on (1) whether Neth Govt aware PAA's contractual rights and obligations; (2) whether Neth Govt intends continue PAA operation, or, as possible alternative, to purchase fixed installations Zandery from PAA rather than from US Govt.

ACHESON

**THE INTEREST OF THE UNITED STATES IN NATIONALIST OPPOSITION
TO THE RESTORATION OF NETHERLANDS RULE IN THE EAST
INDIES**

[For documentation on this subject, see volume VIII.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE NETHER-
LANDS REGARDING THE PURCHASE OF NATURAL RUBBER**

[For text of Agreement effected by exchange of notes signed at Washington January 28 and February 9, 1946, see Department of State, Treaties and Other International Acts Series No. 1524, or 60 Stat. (pt. 2) 1688.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE NETHER-
LANDS REGARDING COMMERCIAL POLICY, EFFECTED BY EX-
CHANGE OF NOTES SIGNED AT WASHINGTON NOVEMBER 21, 1946**

[For text of agreement regarding commercial policy to be followed by the two nations pending a contemplated international conference on world trade and employment, see Department of State, Treaties and Other International Acts Series No. 1564, or 61 Stat. (pt. 3) 2424.]

NORWAY

AGREEMENT BETWEEN THE UNITED STATES AND NORWAY REGARDING AIR SERVICE FACILITIES AT GARDERMOEN AIRFIELD IN NORWAY

[For text of Agreement signed at Oslo November 12, 1946, see Department of State, Treaties and Other International Acts Series No. 1737, or 61 Stat. (pt. 4) 3861.]

PORTUGAL

AGREEMENT BETWEEN THE UNITED STATES, THE UNITED KINGDOM, AND PORTUGAL REGARDING THE TRANSFER TO PORTUGAL OF THE AIRFIELDS AT SANTA MARIA AND LAGENS¹

811.34553B/1-3046 : Telegram

The Secretary of State to the Chargé in Portugal (Crocker)

TOP SECRET

WASHINGTON, January 30, 1946—6 p. m.

103. Article 3 of the Santa Maria Agreement² with the Portuguese provides for a termination of the use of the field 6 months after the end of hostilities, but also provides for an extension of its use up to 3 additional months. It is our interpretation that the 6 months period would end March 2, that being 6 months after V-J Day. Please inform the appropriate Portuguese authorities immediately that we shall wish to avail ourselves of the extension provision in Article 3. You may explain that redeployment and other plans in connection with our occupation of Germany and Japan will not have been completed by March 2 and it is for that reason that we are availing ourselves of the provision in Article 3.

BYRNES

811.34553B/2-846

*The Portuguese Ministry for Foreign Affairs to the American Embassy in Portugal*³

SECRET

[Translation]

The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to acknowledge the receipt of the Embassy's note dated February 1, 1946, in which the desire of the American Government is expressed to prolong for three months the

¹ For previous documentation regarding interest of the United States in acquiring long-term rights to operate military bases in the Azores, see *Foreign Relations*, 1945, vol. v, pp. 451 ff.

² For text of agreement between the United States and Portugal relating to air transit facilities in the Azores effected by exchange of notes November 28, 1944, see Department of State, *Treaties and Other International Acts Series No. 2338; United States Treaties and Other International Agreements*, vol. 2 (pt. 2), p. 2124.

³ Copy transmitted to the Department in despatch 723, February 8, 1946, from Lisbon.

period of use of the facilities in Santa Maria. The Portuguese Government, in view of the circumstances set forth, hereby grants a pro-rogation of the period originally fixed, for a further three months, within the provisions of Article 3 of the Agreement of November 28, 1944, and agrees with the interpretation of the United States Government in respect of the date when the period of six months set forth in the same article, should be considered at an end.

FEBRUARY 6, 1946.

811.34553B/2-2546 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, February 25, 1946—1 p. m.

[Received 3:32 p. m.]

202. Recent acceptance by Portuguese Government of 3 months extension from March 2 of Santa Maria Agreement stimulates our thinking along following lines:

1. Under terms of agreement, we must relinquish use and control of field to Portuguese on June 2, which is date of last possible extension and (see article III) all military and civilian personnel must leave the field within the extension period.

2. As Dept is aware (Embtel 2252, November 14, 1945, last paragraph ⁴) the Portuguese Government has informally stated that upon our relinquishment of field, it would be then made available for commercial use.

3. In assumption that U.S. will wish to safeguard its important interest in Santa Maria Field, not only for financial but also strategic reasons, we should anticipate prior to June 2, 1946, certain steps to be taken by way of preparing ground for possible negotiations for future use and control under certain conditions. In our view, it is essential that we fulfill promptly and correctly all our obligations under Santa Maria Agreement as a precedent to initiating any new negotiations. The sensibilities of the Portuguese on matters involving their sovereignty are too well known for discussion and need not be re-emphasized.

4. We believe that British intend to relinquish use and control of Lagens Field prior to June 2. This would presumably mean that Lagens would be thrown open to commercial use before Santa Maria and traffic would tend to be channelled through Terceira to our possible disadvantage from point of view of increasing importance of Santa Maria.

5. We believe that Dr. Salazar ⁵ might be disposed to entertain a

⁴ Telegram not printed.

⁵ Antonio de Oliveira Salazar, President of the Portuguese Council of Ministers and Minister of Foreign Affairs.

proposal from US that (a) we relinquish use and control of Santa Maria formally and in writing on a date prior to June 2, in which case he will probably be prepared to make field available for commercial use; (b) we be invited to maintain under Portuguese control an adequate technical force on field for indefinite period or definite period to be determined by agreement. This force could be composed largely, if not entirely, of present military personnel, but not men in uniform and Portuguese control need only be sufficient to satisfy requirements of Portuguese sovereignty.

6. The advantages of an agreement based on foregoing are patent and would provide an admirable interim arrangement for continued maintenance and operation of field under conditions favorable to any negotiations which we might wish to initiate.

7. Embassy believes early action along lines of paragraph 5 above desirable lest we arrive at June 2 with question of future use of Santa Maria unresolved.

BARUCH

S11.34553B/4-2546 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, April 25, 1946—1 p. m.

US URGENT

[Received 2:36 p. m.]

358. For Hickerson.⁶ Arrangements are being made for an early meeting with Dr. Salazar, at which time I will make the following statement and leave him a copy in the form of a confidential memorandum of oral conversation:

"In 1944, through Your Excellency's cooperation and understanding, our two Governments reached an agreement with regard to the construction and use of the present airport on the island of Santa Maria. The use of that airport and the facilities granted to my Government were very important factors in bringing the wars in Europe and the Pacific to early and successful conclusions. The present agreement expires on June 2, 1946. By that agreement my Government is obligated to withdraw on that date.

"Prior to initiating that withdrawal, I have come to you today with Ambassador O'Malley⁷ in order, in all frankness, to say to you that our two Governments have a continuing interest in the facilities and privileges in the Azores now enjoyed by your Government. Hostilities in Europe and the Pacific have happily come to an end. The situation has changed since the date of our agreement in 1944. American participation in, and responsibilities for, the maintenance of order and the control over our zone of occupation in Germany, however, continue and will continue under present plans for a considerable

⁶ John D. Hickerson, Deputy Director of the Office of European Affairs.

⁷ Sir Owen St. Clair O'Malley, British Ambassador in Portugal.

number of years to come. We have similar, and even greater, responsibilities in the Far East. I need not explain to you the importance my Government attaches to the fulfillment of its obligations, not only to its Allies, but to the cause of world peace. My Government has obligations to itself, as well as to its friends. The continued cooperation of Portugal in the future as in the past, will greatly facilitate my Government in its task of fulfilling those obligations.

"The conclusion of recent hostilities has left many problems. Postwar adjustments and understandings remain for the future, not only between the Allies and their former enemies, but also between themselves. Frankly, we feel that your Government and mine have a mutual interest in finding the basis for continued mutual cooperation. We should like to undertake discussions with you and your Government to the end whereby, in full recognition of Portuguese sovereignty, provision may be made to continue for a mutually acceptable period of time the present facilities now enjoyed and whereby, through mutual cooperation, there may be established and maintained great airports serving as most important links in the commercial airways of the world. Mr. Paul Culbertson⁸ and Maj. Gen. Laurance Kuter⁹ are here in Lisbon for the specific purpose of these discussions. With your permission I should like to bring these gentlemen to see you, in order that a more detailed presentation may be made to you."

We discussed this question with Ambassador O'Malley this morning and he will make a similar statement to Dr. Salazar when he and I call jointly on him. The meeting this morning with Ambassador O'Malley was extremely satisfactory and indicated his full cooperation and support.

BARUCH

S11.34553B/4-2946 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, April 29, 1946—5 p. m.

[Received 10:34 p. m.]

368. Emtel 364, April 27.¹⁰ For Hickerson. On Saturday¹¹ Ambassador O'Malley and I saw Dr. Salazar at which time I presented the statement quoted in Emtel 358, April 25. Ambassador O'Malley likewise presented his memo. In the discussions that followed Salazar made it clear that he felt that present agreement had been based upon a certain hypothesis and that hypothesis no longer prevailed. If, however, British and American Govts had new hypothesis to put to him he was ready to examine with minute attention any proposals for new agreements which two Govts wish to put forward. I called attention

⁸ Chief of the Division of Western European Affairs.

⁹ Commanding General of the Atlantic Division of the Air Transport Command.

¹⁰ Not printed.

¹¹ April 27.

particularly to two sentences at end of paragraph 1 of my statement and I made clear to Salazar that that language meant what it said. I added, however, that as discussions progressed it might be found that there would be practical advantages in avoiding any interruption of existing facilities now enjoyed by US and Great Britain. Salazar pointed out that if we were only discussing an agreement for continuance of facilities for passage of aircraft for limited period after June 2 whole matter was of secondary interest but that it would be different if we all agreed (as he himself has suggested in public statements) that security in Atlantic and on European seaboard was matter of common concern.

In connection with new hypothesis Ambassador O'Malley discussed present position of Great Britain and Portugal and relationship of each to US and of all three countries to each other making clear predominant position of US in relation to security of all three. O'Malley also laid emphasis on civil commercial aspects of presentation pointing out advantages which would accrue to Portugal in being able to keep abreast of developments in science of aviation thru cooperation and coordination with US and Great Britain.

In response to Salazar's inquiry with regard to relationship of UNO to our proposal both Ambassador O'Malley and I emphasized wholehearted support which our two Govts are committed to give UNO. At same time, however, we both emphasized fact that this organization is still in its infancy and pending its complete establishment we felt it essential to move forward with security and civil arrangements pending such time as we may mutually find it advantageous to make Azores facilities available to Security Council. I mentioned importance of Azores to maintenance of our air lines of communication with our zone in Germany; I mentioned to Salazar what some of his officials had been a bit critical of rapid withdrawal of our troops from Europe and endeavored to tie importance of Azores to problem of maintaining and supporting existing troops in Germany.

At end of this discussion Salazar said that he would invite Mr. Culbertson and General Kuter to explain to him in detail and at length proposals which we wish to put forward. While Salazar did not commit himself it is quite clear that he is prepared to go into these discussions with an open mind. O'Malley has drawn up a memo of discussions with Salazar and I have gone over it with him so that we have an agreed statement of what actually transpired. O'Malley has presented this draft to Salazar who has likewise accepted it as statement of what was discussed. Copy of this memo is being sent by Culbertson to Hickerson thru army channels.

For Hickerson from Culbertson.

I wish to call particular attention to the Portuguese emphasis on termination of existing agreement. I feel, however, that we are vindicated in our feeling that we do not have to worry too much about actual date of June 2. Other points of importance are likely to be (1) question of troops in uniform (2) that Salazar may well oppose idea of public treaty and (3) that Portuguese may lay considerable emphasis on question of Timor¹² and they may desire participation in final adjustments in Pacific. I would like to know whether we can give any encouragement to this latter point.

Ambassador O'Malley has worked very closely with us and Ambassador Baruch was particularly impressed with strength of Ambassador O'Malley's presentation to Salazar. Both Kuter and I are very pleased with support, cooperation and assistance which Ambassador Baruch and Embassy have given us. It is perfectly clear to us all that our proposals are receiving support and cooperation of highest order by Ambassador O'Malley. His strong assistance is a principal factor for optimism we feel as result of this introduction of our negotiations.

End from Culbertson.

BARUCH

S11.24553B/5-546 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET
US URGENT

LISBON, May 5, 1946—3 p. m.
[Received May 6—3:25 a. m.]

395. For Hickerson. Salazar received Kuter and Culbertson yesterday afternoon. O'Malley was also present.

Salazar opened by reading a news flash of a story appearing in yesterday's *New York Times*. He was obviously concerned over this leak. This was no doubt same story Horsey¹³ telephoned about. O'Malley stated AP had approached him. We stated that presence of Kuter and Culbertson in Lisbon was known and newsmen would easily put two and two together. We recalled to Salazar that Kuter had talked to Minister of War¹⁴ about likelihood of leak and need for some release in order avoid speculation by press as well as avoid Russian press distorting story. Salazar agreed all parties might say something to the effect that present discussions are for the purpose of terminating the wartime arrangement for the use of Santa Maria and arranging for transition of airfield to civilian use. Salazar was not

¹² For documentation relating to the re-establishment of Portuguese sovereignty and control in Timor, see *Foreign Relations*, 1945, vol. v, pp. 452 ff.

¹³ Outerbridge Horsey of the Division of Western European Affairs.

¹⁴ Lt. Col. Fernando dos Santos Costa.

willing to add any reference to use in connection with our occupation in Germany since we had not yet discussed this point. Salazar then stated he wanted to outline his understanding of our proposal and to give his comments. He read from a paper,¹⁵ a copy of which he gave us. Such side comment as he made was only by way of amplification of this paper. Complete substance in translation, follows:

INTRODUCTION

"1. For the further elucidation of the problems presented it appears that we must deduce from the previous explanations given by Mr. Culbertson and General Kuter that:

A. The United States and British Governments propose that we should examine the possibility of the cooperation of the Portuguese Government, by means of facilities in the Azores similar to those granted during the recent conflict, in the hypothesis of a war with Russia.

B. These two Governments, having in mind present necessities arising from the occupation of Germany and Japan, request the continuation of the facilities previously granted.

C. For the purposes of international civil aviation and for the purposes of subparagraph A [B?] above, they propose to assist the Portuguese Government to maintain the two existing airports in a state of perfect preparation and equipment. For the better fulfillment of this objective the United States Government suggests a special arrangement relating to Santa Maria.

2. It is necessary to examine the essence of these proposals in detail.

I

1. The question of greatest political importance is the first, which should therefore be examined first.

2. We do not reject *in limine* the possibility of Portuguese cooperation in the security of the Atlantic. In more than one public statement the Head of the Government has left the way open for such cooperation. Not only did he affirm on one occasion that the conflict of 1939-1945 was perhaps the last war in which Portugal might be able to remain neutral, but he also said that the shift of the world's political center westward confronted the Atlantic countries or some of them with the necessity of coordinating their policies. This second affirmation may not of itself require more than the strengthening of existing bonds and an understanding on the problems connected with the security of the Atlantic. The first proposition quoted, however, implies only two possible hypotheses—the obligations assumed towards an international organization, such as UNO, or a war in which Portugal would feel that she had to make her contribution to the defense of the west, i.e., a war with Russia.

3. As we are outside UNO, at least at the present moment, the question to be faced can only be the latter.

4. We must now consider the juridical and political aspects of a possible cooperation.

¹⁵ Apparently this paper was dated May 2.

5. The question would be simplified, if within the framework of UNO, because of the obligations which the charter imposes on the member states. For the present, however, this road is closed.

6. When we examine the same problem outside UNO, we have the following:

A. Vis-à-vis ourselves, England has the position of an ally. Although this alliance is purely defensive, and the interpretation has been established that each party reserves the right to judge the *casus foederis* for itself, it is perfectly understandable that we should confer together in anticipation of a certain hypothesis and undertake mutual obligations for that eventuality. These obligations are necessary because Portugal, should she be outside UNO or should this organization not function, is in the event of her cooperation immediately exposed to risks, whether in metropolitan Portugal or in her colonial empire. These risks may be defined as follows: Portugal in the Iberian Peninsula; Portugal in Africa; Portugal in the Far East.

B. This is not the position vis-à-vis the United States, and one may therefore enquire how this aspect of the problem may be faced. There is no doubt that the intervention of the US constitutes an element of security for peace loving nations in general; but this conclusion does not signify any undertaking in respect of the integrity and independence of any one nation in particular or of its dominions, nor does it involve any obligation as to the help to be given to such a nation to lessen the possibility of loss and damage. One recalls the case of Santa Maria and the agreement concerning our participation in the war in the Far East.¹⁶ We also refer to the American undertakings regarding the Portuguese colonial empire. We recall the difficulties to the conversations between the General Staffs.

7. The development of these ideas raises the following question: Do you envisage, or regard as possible, any basis for a political agreement on which it might be reasonable and legitimate to build the hypothesis of cooperation in a certain way and for a certain period, against a certain risk or for a definite objective? (The question is asked because we do not have sufficient knowledge of the scope of the American Govt's powers in this respect.)

II

1. In whatever manner the first question is resolved, there remains the second, which may be considered practically independent of the first: There is no doubt that this question remains even if no agreement is reached on the collaboration outlined above: At least certain requirements of the forces of occupation remain. This second problem has not the same weight or political importance as the first but presents its own difficulties.

¹⁶ For text of agreement between the United States and Portugal establishing form of indirect participation of Portugal in operations in the Pacific, signed at Lisbon November 28, 1944, see Department of State, *Treaties and Other International Acts Series*, No. 2338; *United States Treaties and Other International Agreements*, vol. 2 (pt. 2), p. 2124. For documentation relating to the Agreement, see *Foreign Relations*, 1944, vol. iv, pp. 1 ff.

2. In the first place we must state that we have every understanding of what are said to be the needs of the forces of occupation in Germany and in the Far East in the near future. They involve aerial communications, though these are at present at a reduced level, according to the average rate of those passing through Santa Maria.

3. But one must make the following points.

A. When the Santa Maria agreement was concluded, the Allies had already formed plans for the occupation of the enemy countries;

B. The period of the Santa Maria agreement and its prolongation were exactly as requested by the American General Staff, which leads one to suppose that they were relying on a different solution for their military needs after the conclusion of the period in question;

C. The Santa Maria agreement was connected with the war in the Far East and not with the war in Europe, which is a point that has since been somewhat forgotten.

4. The American General Staff therefore had in mind in 1944 that their needs which exist today and were already foreseen at that time would be solved by a different formula than that which was adopted during the period of validity of the agreement. We have to see how it will be possible to facilitate or guarantee the passage of military aircraft to Europe and the Far East and reconcile the continuation of this service with the expiration of the Santa Maria agreement.

5. As regards English aircraft, it appears that the question does not arise, because:

A. England does not need to pass through the Azores as a necessity of the occupation of the enemy countries;

B. The Lagens Agreement must already be considered to have lapsed. The Government, having been informed in September of the British Government's intention of leaving Lagens, is only waiting for the clarification of certain details concerning the handing over of installations.

III

1. I now turn to the third question.

2. When this problem is examined solely on the plane of civil aviation, and in spite of the fact that the American Govt pays attention to the development of international aviation, we do not see how we can admit that Santa Maria merits its special concern. We are therefore led to believe that the real basis and objective of the proposals regarding Santa Maria, as of the reference which the British "memorandum of oral conversation" makes to Lagens, is the necessity of having two airfields in a state of preparation for the end envisaged in the first question. In one word: they must be in such a condition that from one moment to another they can change from commercial to military use.

3. If this is the case, and in the event of agreement being reached on collaboration, we must seek a method of achieving that result which will take into consideration national susceptibilities, the functioning of whichever airport is destined for civil traffic and the continued use thereof.

4. We start from the following points :

A. The Government is anxious to open an airfield in Azores to commercial aviation. They have not wished to do so as yet in order not to allow civil flying and military occupation at the same airfield, and because Lagens as well as Santa Maria was used for military purposes. The Governments are awaiting the advice of their experts to make their choice between them. The other will be used as an emergency landing ground.

B. The Government does not see [*seek?*] to avoid all or a part of the expenses which it will incur for the maintenance of the aerodromes, even above the level required for commercial use, should some agreement be reached containing the undertaking referred to in the first question.

C. The principles of Portuguese policy and public administration do not allow the leasing or exploitation of civil airports by private entities, whether Portuguese or foreign. The exploitation of airports is made 'em regie' (autonomous administration by government functionaries). As far as the works or installations are concerned, this is not always the case; these may be conceded to private entities, and even to foreign private entities.

D. The Government does not dispose of sufficiently numerous and experienced experts to take over at once and alone the operation of an airport like Santa Maria or Lagens. For this reason the Government contemplates, and wishes to enter into, special combinations with the American and British Governments for technical consultation, the training of Portuguese personnel, the supply of experts, the supply of the necessary apparatus and the knowledge of its use, under conditions to be determined. In the Santa Maria agreement provision is made for the sale of other than fixed apparatus, with the exception of secret appliances.

E. The existence of or necessity for such secret appliances (should it continue) raises problems which will have to be considered separately.

F. It is understood that it will be necessary to define, in the case of an agreement for military use, the improvements or alterations [*alterations?*] which the airfields will require for this purpose at any given moment".

After Salazar read the three points covering his understanding of our proposal O'Malley called attention to fact of no reference to Lagens. He then stated very clearly that his Government wants the same arrangement for Lagens that we seek for Santa Maria and furthermore that the British Government fully supports the American proposal.

We stated at the conclusion of Salazar's presentation that we would not undertake any reply at this time; that we would study his statement, obtain instructions from our Government and as soon as possible seek another interview with him. Salazar was quite friendly, said to come to him at any time if we wanted further clarification and that he was ready to continue discussions at any time. Please instruct.

Sent to Dept as 395, repeated to Paris 61 for Matthews¹⁷ from Culbertson.

BARUCH

811.34553B/5-546 : Telegram

*The Acting Secretary of State to the Ambassador in Portugal
(Baruch)*

TOP SECRET
US URGENT

WASHINGTON, May 6, 1946—7 p. m.

460. Urtel 395 May 5. For Culbertson from Hickerson. We would not object to a press statement which describes our proposals but we believe that omitting any reference to use of facilities by our military planes during occupation period would be misleading. We have declined to comment on Reston story.¹⁸ We have had no press inquiries since Saturday.¹⁹ Perhaps a press statement is not now necessary.

In reply to the points in Dr. Salazar's memo you may wish to make a reply along the following lines:

We have read with interest Dr. Salazar's comments but believe that he has misunderstood the import of our proposal. His thoughts on the subject appear to go far beyond the scope of the agreement we had in mind which would only cover approximately a 10 year period. You may wish to express again to him that we are proposing simply:

1. To join with Portugal in operating a great civil airport which would be open to aircraft of all nations as designated by Portugal.
2. In addition the US, which has an obligation to the world as well as to itself for the occupation of enemy territories, would have certain rights for the use of the airport by its military aircraft engaged in communication with and support of the occupation forces.
3. Finally we have in mind that Portugal may become a member of the UN and that, if and when it does join, it could arrange to have the airport facilities in the Azores made available to the Security Council on its call. The US wholeheartedly supports the UN, and believes that our joint maintenance of the airport would reinforce and strengthen the UN concept of a collective security system.
4. You should point out that if an emergency developed and the Security Council made no call upon Portugal for the use of the facilities in the Azores, this would present a contingency for which no specific provision is made in the contemplated agreement.

In his memo Dr. Salazar indicates that when the Santa Maria agreement was concluded we had already formed plans for the occupation

¹⁷ H. Freeman Matthews, Director of the Office of European Affairs; member of the United States Delegation at the meeting of the Council of Foreign Ministers at Paris.

¹⁸ For James Reston's story, see the *New York Times*, May 4, 1946, p. 1.

¹⁹ May 4.

of the enemy countries, and that in 1944 our needs, which exist today, had already been foreseen. You should assure Dr. Salazar that at the time of the Santa Maria agreement we were trying to provide only for the immediate requirements for the successful prosecution and early termination of the war. Our needs during the occupation period were not entirely foreseeable in 1944 but we felt certain we could count on a friendly Portuguese Govt to assist us in working out subsequent arrangements.

Much of what Dr. Salazar had to say is of course pertinent to a long term program but not to the shorter 10 year agreement which we envisage. As you know we look eventually for a long term agreement but were unable to persuade the British to undertake the necessary discussions at this time.

For your guidance, we have learned from Bianci²⁰ that Dr. Salazar was disturbed by implication in *NY Times* story that, since our proposed agreement will be related to and will, in our opinion, strengthen and reinforce the wider system of UN collective security, arrangements contemplated in the agreement will therefore be under the "supervision" of UN. You should, if necessary, correct that impression. Evidently Dr. Salazar does not want this agreement used as a vehicle for Portugal's entrance into the UN.

Repeated to Paris as 2132 for Matthews. [Hickerson.]

ACHESON

811.34553B/5-946 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET
US URGENT

LISBON, May 9, 1946—5 p. m.
[Received 6:05 p. m.]

411. Emtel 395 May 5. For Hickerson from Culbertson. I had a conversation yesterday and another this morning with Mathias²¹ in an effort to clarify certain points brought out in Salazar's memo. At yesterday's meeting Mathias gave me a 1½-hour monologue with regard to Portugal's position under point A of Salazar's memo. Basically he presented nothing new. At this morning's meeting I told him that I found it difficult to understand the statements in Salazar's memo to the effect that the Portuguese have every understanding of our needs in connection with our occupation in Germany and the three points which Salazar made in this connection. I indicated that these three points in some measure seem to negate the statement of understanding.

²⁰ João Antonio de Bianchi, Portuguese Ambassador in the United States.

²¹ Marcello Mathias, Director General of Political Affairs in the Portuguese Ministry for Foreign Affairs.

. . . I could only draw one conclusion and that was that they were making an effort to make it clear that our present agreement will come to an end on June 2 and that any new agreement must have a new basis.

I then asked Mathias whether he was familiar with the discussions between Gen. Kuter and the Minister of War and more particularly whether he had seen Kuter's letter of May 6 and the enclosures thereto especially the "working paper".²² He said that he had not seen these papers altho he had had a brief talk with the Minister of War. I then allowed him to read my copy of Kuter's letter and the "working paper". (These documents were sent to you thru military channels leaving here May 6 and should now be in your hands.) Mathias read thru the "working paper" in what seemed to me a very short time. Even before completing the reading he practically "blew a gasket" and said that under no circumstances would Portugal ever accept an agreement such as that proposed; that the spirit was entirely unsatisfactory and furthermore that he would resign his position before agreeing to any such arrangement between Portugal and the US. I made no comment other than to say that I would appreciate it if he or Dr. Salazar would arrange for an early meeting between the Minister of War and Kuter in order that those "soldier to soldier" discussions could be concluded. Mathias agreed to arrange such a meeting.

Until Kuter has had his talk with the Minister of War it will be difficult to give balanced judgment to Mathias' actions and statements of this morning; however, I find it hard to believe that Mathias would go so far out on a limb without being relatively sure of his ground. Nevertheless, I prefer to hold up on our seeing Salazar again until Kuter has had his talk. Mathias' attitude leads me to the following preliminary conclusions: The Portuguese expect Santa Maria to be turned over to complete Portuguese control on June 2; they will want our technical assistance; they think they can operate a commercial airfield and plan to try it; they envisage an arrangement whereby our military aircraft may use their two fields in transit to and from US and our zone. They do not envisage the existence at Santa Maria of any military personnel to assist in this transit operation.

I might add that I raised with Mathias the question of removal of our property and he was very specific in saying that that was a mechanical problem which could easily be handled. Please let me have your views.

²² Memorandum of General Kuter's conversation with the Portuguese Minister of War on May 2 and the attached draft treaty entitled "Working Paper", not printed. The draft agreement quoted in telegram 511, May 21, p. 983, embodies the salient points of the "Working Paper".

Kuter and I are seeing O'Malley this afternoon when we will let him read this telegram and will suggest that he himself undertake discussions with Mathias in order to sound him out in more detail and make clear that the American proposals have British support and cooperation.

Sent Dept 411; repeated Paris for Matthews as 64. [Culbertson.]
BARUCH

811.34553B/5-1346: Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET
US URGENT

LISBON, May 13, 1946—1 p. m.
[Received 3 p. m.]

419. To Hickerson from Culbertson. O'Malley called Kuter and me to his office late Saturday.²³ After reiterating his pessimistic view of results to be expected from current negotiations he outlined an alternative solution.

This alternative consisted of British invoking ancient treaty²⁴ and bringing us into Anglo-Portuguese airdromes under complete British cover. We would naturally pay the bills. Problem of US appropriations for such a deal appears to us to be insurmountable. We passed off this approach with statement that we did not wish to consider at this time so abject a failure in current negotiations.

Concerning achievement of current objectives we deduced only one new angle from O'Malley's conversation with us. O'Malley stated that Mathias had remarked to him that US history and political structure did in fact permit statements or understandings that might be acceptable to Portuguese in lieu of old fashioned bilateral offensive-defensive treaties. Mathias indicated he had in mind the present Santa Maria Agreement.

Kuter and I have been thinking for some time that an approach along the following lines may stand a slight chance of a favorable reaction from Salazar:

"If you will accept in substance the terms of our 'working paper' the Govt of the US will accept in substance your requirement for US-Portugal understanding and cooperation as set forth as the point of greatest political importance in your memorandum for second conversation with Mr. Culbertson and General Kuter. When an agreement

²³ May 11.

²⁴ Treaty of Peace, Friendship, and Alliance between England and Portugal, signed at London June 16, 1373. For text, see *British and Foreign State Papers*, vol. 1, p. 462.

in principal is reached along the lines of our 'working paper' a national policy statement substantially as follows will be issued by the President of the United States:

The US is bound under UNO to preserve the peace of the world. Under that obligation the US would view aggressive action against Portugal as a major threat to the peace of the world and would invoke action by the United Nations whether Portugal was or was not a member. Furthermore the US has and will continue to respect the sovereignty of the Govt of Portugal over all components of the Portuguese Empire. The agreement between Portugal and the US for joint activities at Portuguese airbases in the Atlantic further strengthens this policy and further cements the ties between the Portuguese and the Americans."

You will note that this is very little more than a normal release upon the signing of our proposed agreement although it may be given especial weight by the Portuguese.

Please give us your considered views of the practicability of such an approach. Our Ambassador encourages the belief that if you find this plan feasible it may go a long ways toward bridging the gap between Salazar and ourselves. If not viewed from Washington as impracticable please clear and forward the word for word public statement of his policy which we might present to the Portuguese. We would prefer to handle coordination with UK from this end. [Culbertson.]

BARUCH

811.34553B/5-1446 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, May 14, 1946—3 p. m.

US URGENT

[Received May 14—2:37 p. m.]

425. To Hickerson from Culbertson. Warm letter has been received from Minister of War to Kuter in reply to our letter of May 6 which transmitted "working paper", copies of which should be in your hands.

Minister said substantially that further discussion of working paper would not be profitable until proper political orientation is provided by agreement to principles that may be established by our reply to Salazar's last paper.

Bearer of Minister's letter indicated that Salazar had suspended discussion of working paper and may have spoken severely to Minister to get him on the beam.

Significant, however, is the fact that the emissary stated that the one point sticking in the Portuguese craw is the Jim Crow suggestion in proposal that certain American facilities be reserved for Americans. Even then the emissary indicated that that item could be

handled separately and informally. It naturally would not be sticky as to modification or elimination of that item.

We are now grinding out the next paper to Salazar under constant pessimistic comment by O'Malley. We are keeping him in position of responsibility and avoiding grounds whereby he might step out from under. To date every known action of his, however, indicates wholehearted strong support and cooperation.

Expect to get our views to Salazar on Wednesday May 15.
[Culbertson.]

BARUCH

811.34553B/5-1446: Telegram

*The Acting Secretary of State to the Ambassador in Portugal
(Baruch)*

TOP SECRET

WASHINGTON, May 14, 1946—7 p. m.

NIACT US URGENT

486. For Culbertson from Hickerson. In our opinion your next discussion with Salazar should develop the line stated in Deptel 460 May 6 in an effort to make it perfectly clear that what we seek, essentially, is an extension of the Santa Maria agreement for the period of occupation or 10 years with the addition of provisions for civil aviation use—not the long term agreement which is apparently comprehended in the draft statement contained in ur 419 May 13. In doing so it might perhaps be well to review again with Salazar the substance of the agreed instructions to the negotiators. We feel ur 425 May 14 emphasizes the desirability of this course.

Incidentally, we hope that you have by now substituted the revisions contained in Deptel 449 May 3²⁵ for the original "working paper".

Meanwhile we assume that you have in mind arranging with Salazar, possibly by an exchange of notes, an extension of the Santa Maria agreement to cover the hiatus between June 2 and the completion of a new agreement. From what Salazar said at the beginning of his talk with the two Ambassadors on April 27²⁶ we judge that there will be no difficulty on this score. [Hickerson.]

ACHESON

²⁵ Not printed.

²⁶ See telegram 368, April 29, from Lisbon, p. 965.

811.34553B/5-1546 : Telegram

*The Ambassador in Portugal (Baruch) to the Secretary of State*TOP SECRET
US URGENTLISBON, May 15, 1946—6 p. m.
[Received May 15—5:25 p. m.]

428. Part one Deptel 486, May 14. For Hickerson from Culbertson. Our present draft reply to Salazar reiterates that in substance we want to obtain privileges and facilities similar to those provided for in present agreement and that in exchange we offer financial technical and other assistance in operation and development of a civil airport. However we are convinced that Salazar will be equally insistent on some so-called political hypothesis for any agreement no matter what its duration. There has been no suggestion in our discussions of a long (99 year) term agreement. We feel also that vague language may well serve Salazar's purpose; note his own reference to language of present agreement. He may be satisfied with general statement such as suggested in Emtel 419, May 13, and for that reason we would still like your specific reaction to our suggestion.

We are working on getting a definite understanding as to operation after June 2. Mathias indicated to Crocker this morning that he thought there would be no difficulty in exchanging letters, providing for a month's extension of present arrangement. After consultation with Salazar, Mathias will then give us a definite reply. [Culbertson.]

BARUCH

811.34553B/5-1646 : Telegram

*The Ambassador in Portugal (Baruch) to the Secretary of State*TOP SECRET
US URGENTLISBON, May 16, 1946—4 p. m.
[Received May 17—7:30 a. m.]

433. For Hickerson. We are delivering following to Salazar this afternoon. It has O'Malley's O.K.

"Notes for basis of further oral discussion between Dr. Salazar, Mr. Culbertson and General Kuter.

Careful consideration and study have been given to the important statements made by the President of the Council on May 2, 1946 to the British Ambassador and the American negotiators.²⁷ Advice has been received from Washington.

There are two essential elements in the American proposals (a) the Govt of the US seeks to obtain from the Portuguese Govt the grant of facilities and privileges in the Azores similar in character and extent to those provided for in the agreement of November 28,

²⁷ For substance of the statements, quoted in telegram 395, May 5, see pp. 968-971.

1944. These facilities and privileges were originally granted in connection with the prosecution of the recent global war. They are now desired in order that the US may thus the better fulfill the post war responsibilities and obligations it has assumed in connection with Germany and Japan. It should be recognized that the new pattern of cooperation among states seeking the common goal of peace and security allows for the use by one nation of facilities of another nation without in any way impairing the sovereignty of the accommodating nation. Underlying every feature of the American proposals has been unqualified recognition and respect for Portuguese sovereignty. In exchange for the facilities and privileges requested the US is offering to Portugal intangible advantages as well as financial, technical and other assistance in the maintenance and development of its civil airports in the Azores; (b) the Govt of the US feels that Portugal, as one of the Atlantic powers, has a direct and mutual interest in these proposals because of their basic political implications and their relation to security in the Atlantic. For this reason discussions have included, with full frankness, the potentialities inherent in the world situation as it exists today, or may exist tomorrow. These potentialities in most respects involve elements of concern shared by both our Govts.

In his statement made on May 2 the President of the Council set off the British and the American proposals in three parts.

(I) The US is associated with the principal and other Allied powers in the UNO, the main precept of which is to assure, through cooperation and mutual understanding, peace and security to the world. The UNO shall continue to receive the full support and best efforts of the US and we must assume that other nations will act accordingly. Fundamentally, therefore, we cannot assume that the cooperation sought of Portugal has as its hypothesis a conflict with any particular country. Nevertheless, adjustments and understandings remain to be made between the Allies themselves as well as between the Allies and their former enemies. The proposed cooperation has as its great intangible advantage to Portugal and as its new hypothesis provision for mutual security against any threat to peace in the Atlantic from any source. Both nations, therefore, have an important contribution to make to this end. Mutual cooperation for the purposes envisaged will likewise afford a considerable measure of security for the world as a whole. For this latter reason it is envisaged that the facilities of the Azores might be made available to the Security Council on the call of that body, if and when Portugal so desires. Recognition of its responsibilities and obligations to the rest of the world, and its collaboration with the US in measures, affecting security in the Atlantic

open the way for Portugal's participation with all other peace loving nations in the task of maintaining world stability.

In his statement of May 2 the President of the Council asked whether we 'envisage or regard as possible any basis for a political agreement on which it might be reasonable and legitimate to build the hypothesis of cooperation in a certain way and for a certain period against a certain risk or for a definitive objective'.

The answer to this question would of necessity be determined by the meaning of 'basis for a political agreement'. Because of acknowledged factors in American history and political structure, the Govt of the US would not undertake a formal, specific, bilateral agreement with Portugal by which is guaranteed the integrity of the Portuguese empire against aggression from any or all sources. On the other hand, the US is, of course, prepared to reiterate its own assurances with regard to its full respect of Portuguese territory and sovereign position therein. Insofar as the political situation in the Atlantic is concerned it is considered very important that full appreciation be given to the fact that the US has, as a member of the UN, assumed definite obligations and responsibilities to assist in the maintenance of the security and peace of the world. It follows, therefore, that any physical threat to the peace and security of Portugal or Portuguese territory would be a matter of immediate concern to the US, particularly when Portuguese and American interests have been joined in the Azores.

II. With respect to the second question the interpretation expressed by the President of the Council is in complete harmony with the American proposals concerning the requirements for lines of communication to the occupation zones.

Reference was made to the fact that the US Govt in 1944 did not negotiate for rights in the Azores to extend for the period of the occupation of Germany and Japan. It has been suggested that apparently the US Govt at that time was not interested in such rights. Such was not the case.

At the time that the present agreement was negotiated, the Portuguese Govt, as indicated by the President of the Council, was faced with certain juridical problems which apparently prevented the Govt from making any commitments regarding the use of the Azores in connection with hostilities against Germany.

For this reason it was then assumed that the Portuguese Govt would not entertain more extensive proposals than were made at that time.

III. The President of the Council's deduction that the US Govt's interests in civil commercial developments at Santa Maria are

prompted in a large degree [*degree*] by the security aspects which such developments afford is in accord with the American view.

The decision as to whether Santa Maria or Lagens shall be the principal or the alternative civil commercial airdrome is obviously for determination by the Govt of Portugal. The US offers the advice of experienced technical personnel that operating conditions are less hazardous at Santa Maria.

In exchange for the privileges and facilities which are desired in the Azores by the US Govt, Portugal will receive reciprocal benefits of equal or greater value. The US Govt is prepared to provide technical and financial assistance and trained personnel in generous amounts for the development, maintenance and operation by Portugal of Acrean airport at Santa Maria, linked to the field at Lagens. With proper development this unit will become the crossroads of the air in the Atlantic.

Buildings constructed at the airport and permanent equipment installed there will, of course, accrue to the unqualified ownership of Portugal. Portuguese personnel indoctrinated in the aeronautical techniques developed by the world foremost airmen will be another major national asset. It is anticipated that at the end of a 10-year period American technicians will have been entirely replaced by Portuguese technicians trained at American schools or at work. Only those American technicians introducing the newest and most advanced equipment and techniques would be expected to be in the Azores.

By encouraging the development of a great air center in the Azores, Portugal makes a substantial contribution to the attainment of that more durable peace and that greater prosperity so desired by all the world.

Concluding, it is believed that these additional statements, which have been made in response to the memorandum of May 2nd, can form the basis for a mutually acceptable understanding and that the two Govts can agree upon language necessary to confirm the same. It would be most helpful if the Portuguese Govt now deemed it advisable to draft a statement of the new hypothesis which would be satisfactory to it, in both form and substance, and which would at the same time embody these points upon which mutual agreement is deemed probable.[""]

811.34553B/5-1546 : Telegram

*The Acting Secretary of State to the Ambassador in Portugal
(Baruch)*

TOP SECRET

WASHINGTON, May 18, 1946—2 p. m.

505. Urtel 428, May 15. For Culbertson from Hickerson. Extension of present Santa Maria agreements for period as brief as 30 days will bring us quickly to another deadline. In view of period required for evacuation (up to 60 days) and necessity of uninterrupted operation please endeavor to arrange extension of existing Santa Maria agreements for at least 6 months unless superseded by another agreement, with British arranging by tacit consent or otherwise for similar use of Lagens field. [Hickerson.]

ACHESON

811.34553B/5-1846 : Telegram

*The Secretary of State to the Ambassador in Portugal
(Baruch)*

TOP SECRET

WASHINGTON, May 21, 1946—3 p. m.

US URGENT

510. Urtel 444, May 18.²⁸ For Culbertson from Hickerson. After studying ur 433 of May 16, and while waiting a report on Portuguese reaction, we have reviewed all drafts and revisions to date and are telegraphing separately text of draft, as agreed with War and Navy Depts,²⁹ for use in your discussions. When you present this to Portuguese you should make it clear that this is only a working draft and that any agreement on final terms must be subject to our approval over here. You will note from this working draft that we wish to include only essential principles with a minimum of detail. This draft is subject to comments contained in Deptel 449 May 3.³⁰ Please comment urgently.

Since it is our understanding of agreed instructions that British would conduct parallel negotiations for use of Lagens airport at same time and similar to our negotiations for use of Santa Maria, we would appreciate an urgent report on British negotiations with a copy or substance of draft agreement they are using. As you know, the satisfaction of US requirements at Lagens is predicated on successful negotiations between British and Portuguese to include US use. [Hickerson.]

BYRNES

²⁸ Not printed.²⁹ See *infra*.³⁰ Not printed; in its comments the Department suggested many changes in draft such as omission of certain paragraphs, changes in wording, etc. (811-34553B/5-346).

811.34553B/5-2146 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET

WASHINGTON, May 21, 1946—3 p. m.

US URGENT

511. For Culbertson from Hickerson.

PREAMBLE. The Govt of Portugal and the Govt of the US of America in recognition of their mutual interest in developing international air navigation and commerce, have entered into the following treaty (agreement).

ARTICLE I. A. The airport at Santa Maria Island (hereinafter referred to as "the airport") constructed by the two Govts, in accordance with the agreement of Nov 28, 1944, and more particularly described in the annex thereto, shall remain the property of Portugal and under its sovereignty.

B. Movable property of the US, which is not sold to the Portuguese Govt under the terms of the third numbered pgh of the Accord relative to conditions of delivery of the base at Santa Maria, signed July 23, 1945,²¹ shall remain the property of the US.

ARTICLE II. A. There shall be established a joint US-Portuguese Aviation Board which shall establish policies and plans for the administration and use of the airport. The Board shall determine its procedure.

B. The Board shall be composed of not more than six persons including equal numbers of Portuguese and American representatives, appointed respectively by the Presidents of Portugal and the US.

C. The Board shall recommend to the two Govts a formula for the equitable distribution between the two Govts of the costs of maintenance and operation of the airport and of the revenues received from its commercial operations.

D. The airport shall be administered by an airport manager, who shall be appointed by the US Govt and who shall be guided by the policies laid down by the Aviation Board.

ARTICLE III. Civil aircraft of Portugal and the US which have been or may be granted traffic rights in the Azores Islands shall be permitted to use the airport and its auxiliary facilities in the exercise of such rights, under suitable regulations and upon the payment of proper and scheduled charges. Civil aircraft of the US shall not be subjected to the payment of charges for the use of the airport and its auxiliary facilities other or higher than the charges that are ex-

²¹ The four supplementary accords of July 23, 1945, not printed, were agreements implementing subdivisions a), b), c), and d) of article IV of the Agreement of November 28, 1944.

acted and paid for the use of the airport and its facilities by civil aircraft of Portugal engaged in similar international services. Civil aircraft of Portugal and the US may exercise the right of transit over the Azores and the right of non-traffic stop at the airport.

ARTICLE IV. A. In order to support its occupation forces in Germany and Japan, the US Govt shall have the unrestricted use of the airport for its military and other aircraft engaged in such operations and shall have the right to provide and maintain at the airport sufficient personnel for the efficient handling of this traffic.

B. The US Govt shall have the right to provide and maintain at the airport aircraft and personnel to provide for air search and sea rescue operations and for weather observations.

C. The US Govt shall have the right to use the port and harbor facilities and anchorages necessary to supply and maintain the operations provided for in pghs A and B.

D. The US Govt shall have the right of passage on Santa Maria Island for its personnel, vehicles and equipment necessary for the exercise of the rights accorded.

ARTICLE V. The Portuguese Govt shall have the right to make the airport available to the Security Council in accordance with any agreement or agreements which the Portuguese Govt may wish to make under Art 43 of the United Nations Charter.

ARTICLE VI. The defense of the island of Santa Maria and the airport shall remain within the responsibility of the Portuguese Govt. The US shall have the right to assist in the defense of the airport when, in the judgment of the US, such a course is necessary.

ARTICLE VII. A. All materials, fuels, equipment, supplies or other cargo imported to, or exported from, Santa Maria, by air or by sea, for the use of the US or for the use of local US personnel employed by the US Govt in the operation of the airport, shall be exempted from any duties, port taxes, emoluments, or other type of tax or fee normally assessed by the Portuguese Govt.

B. No employee of the US resident on Portuguese territory by reason of employment pursuant to this treaty (agreement) shall be liable to pay income tax on income derived from the Govt of the US, unless such person is a national of Portugal.

ARTICLE VIII. (Jurisdiction article to be worked out later.)

ARTICLE IX. A. The US Govt shall have the same rights of use at Lagens airport on Terceira Island as are accorded to the Govt of the UK.

B. The US Govt shall have the right at its discretion to assume the rights and responsibilities accorded the Brit Govt if at any time during the life of the agreement between the British and Portuguese Govts the British Govt desires to withdraw from Lagens airport.

ARTICLE X. A. All aircraft having landing rights at Lagens airport on Terceira Island, Azores, shall have emergency landing rights on Santa Maria airport. Likewise, all aircraft having landing rights at Santa Maria shall, in case of emergency be permitted to exercise such rights at Lagens.

B. The US Govt shall have the right, for official purposes, to land its transport and administrative aircraft at any airdromes in the Azores and at Lisbon, Portugal.

ARTICLE XI. The present treaty (agreement) shall be ratified by the two Govts in accordance with the provisions of their respective laws, and the ratifications shall be exchanged at Lisbon. The treaty (agreement) shall come into force between the two Govts, upon the exchange of their respective instruments of ratification, and shall remain in force for ten years or for the duration of the US' occupation of Germany and/or Japan, whichever is the longer, unless the two Govts agree otherwise.

[Hickerson]
BYRNES

811.34553B/5-2346 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, May 23, 1946—7 p. m.

US URGENT

[Received May 24—1:10 a. m.]

460. For Hickerson from Culbertson.³²

"1. A week ago today the US Government thru the Embassy's Counselor, Mr. Crocker, requested the Portuguese Government thru yourself to permit American operations at and thru the Santa Maria airdrome to continue on a day to day week to week or month to month basis until the negotiations on which Mr. Culbertson and General Kuter are engaged could be completed.

2. After his conversation with you Mr. Crocker stated that you believed a note authorizing such operations could be expected within a day or two after you had had an opportunity to talk with the President of the Council and the US Government was so informed. From your conversation with Mr. Xanthaky³³ yesterday however it appears that no decision has yet been reached with respect to this proposed temporary arrangement and that the anticipated note may be delayed."

Mathias said matter would be referred to Salazar who left yesterday and will be out of town for several days. There is no indication that Mathias took any action as result of Crocker approach on May 15.

³² Presumably the quoted portion below is a memorandum which General Kuter gave to Marcello Mathias; see telegram 428, May 15, from Lisbon, p. 978.

³³ Theodore Anthony Xanthaky, special assistant to the Ambassador in Portugal.

Mathias response to Kuter included belief that request in last paragraph of memo would be approved without hesitation but extension of *status quo* also requested would depend upon some overt recognition of resumption of unqualified Portuguese sovereignty. We therefore feel we should be prepared to go thru with some brief symbolic ceremony at the airfield or possibly public statement by Ambassador here in Lisbon if that is what they need to satisfy their sovereignty complex, provided basic operations at Santa Maria remain absolutely in our hands. We would like urgently your views on how far we might go in this matter. Also we need your instructions and authorization to go thru with closing down June 2. We take it there is no thought of staying on in the absence of Portuguese agreement to do so. We find it difficult to believe that Portuguese will go so far as to require us to cease operations but Mathias did tell Kuter they realize what is involved should operations cease.

In spite of Kuter's repeated unsuccessful efforts to interrupt Mathias indulged in an hour of . . . oratory focused around the Salazar theory that provision of air base rights to the US without US written guarantee to defend Portugal may make this poor weak little country the first "no mans land" when the next war breaks out. Thus even when discussing day to day extension of Santa Maria agreement we cannot avoid "nouvelle hypothèse" and "juridical basis".

We have departed from your instructions to obtain a 6-months extension of the Santa Maria agreement for two reasons. In the first place we introduced the subject prior to receipt of your instructions with the request for purely stopgap action. If we subsequently change to a 6-month proposition we are not only embarrassed but we would be providing sound grounds for Portuguese suspicion of our good faith. We must not forget that the agreement itself included an extension of only 3 months. In the second place our judgment of tactics led us initially to request the day to day extension in order to keep attention focused on the objective of our negotiations and to indicate an expectation of mutual agreement in a matter of days. Such tactics still are sound. Our principal reason for departure from your instruction is the tactical factor and our assurance that you would wish us to exercise tactical discretion.

In addition to action you take Kuter requests that the operational aspects be passed to Operations Division for Army Air Forces and necessary secret planning by Air Transport Command. None of the operational aspects or implications of the June 2 possibilities have been made known to any office or activity in ATC except by this message.

In another effort to get an answer on the interim extension question Kuter saw Mathias yesterday afternoon in order particularly to discuss operational problems. The following memo was left with Mathias:

3. Mr. Culbertson and General Kuter feel that some arrangement or procedure is readily possible by which the airfield at Santa Maria could be opened to civil aviation June 2 and which would give complete recognition to Portuguese sovereignty while still enabling the US Government to continue to enjoy the present facilities and privileges and to continue American operation of the field. For a variety of technical reasons, however, the US Government must know within a very few days from today whether the *status quo* may continue after June 2; otherwise General Kuter as the commander of the American air transport operations will be compelled for the stated reasons to give orders on May 28 to effect a cessation of operations by June 2 and withdrawal from the island will be undertaken immediately with the consequent disruptions and dislocations.

4. General Kuter feels in duty bound to acquaint you with the following air-operational facts:

1. In the absence of any further indication from the Portuguese Government, having in mind full recognition of Portuguese sovereignty and of the good faith of the US Government, it will be necessary for General Kuter to issue the orders referred to not later than noon on May 28 so as to ensure that no American flights are cleared thru Santa Maria after June 2, 1946, the date of the expiration of the present agreement.

2. It will be impossible for the US Government to provide air transport for an adequate volume of mail or otherwise to furnish sufficient air support to the American forces in Europe after June 2 without operational rights at Santa Maria.

5. The cessation of American air operations thru Santa Maria can scarcely be interpreted by public opinion in our US as other than evidence of the failure of the Portuguese and US Governments to reach an understanding with regard to the Santa Maria air base.

6. Having these thoughts in mind it is earnestly hoped that in the interests of all concerned you may be able to confirm the following interim understanding:

1. In the event the current discussions are not concluded prior to noon on May 28 operations at Santa Maria may continue as at present on a day to day basis.

2. In the event the desired accord now under negotiation is not consummated the US Government will be given a reasonable period within which to remove American material and personnel from Santa Maria.

[Culbertson]
BARUCH

811.34553B/5-2346 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, May 23, 1946—8 p. m.

US URGENT

[Received May 23—4:50 p. m.]

461. For Hickerson from Culbertson. In answer second paragraph Deptel 510 May 2 [21], British have not started detailed negotiations, leaving it to us to spearhead the issue. Salazar is not going to talk any details of an agreement until we have some so-called political formula. He already has that with the British, who, of course, are interested almost entirely in the civil side and who have no June 2 deadline since they are staying on at Lagens under some oral understanding. O'Malley continues to talk to us quite personally about some agreement brought in under the Alliance umbrella but we continue to tell him that that is not possible. His idea seems to be that they would be the front and we would pay the bills. We have no particular reason to feel, however, that O'Malley is not playing the game entirely straight so far as the Portuguese are concerned.

A telegram in answer to paragraph 1 Deptel 510 is in process of preparation as well as a telegram covering a conversation this afternoon with O'Malley. [Culbertson.]

BARUCH

811.34553B/5-2346 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET

WASHINGTON, May 25, 1946—11 a. m.

US URGENT

526. For Culbertson from Hickerson. Your 460 May 23, 7 p. m. Because of second paragraph of your 428, May 15, your message came as complete surprise to us. We had assumed because of Mathias statement that there would be no difficulty about a temporary extension of present arrangements and based all our negotiations on this assumption.

It would be difficult for us to agree to a press statement or public ceremony on June 2 of sort suggested in your message. We would be criticized for not having obtained an extension of this agreement to permit the use of the airfield by our military planes as at present to meet universally recognized need for line of communication between our occupation forces. Portugal's attitude would probably be criticized to such an extent that a future agreement might be jeopardized, Portugal's attitude would be assailed in our press and in Congress as being unreasonable, ungrateful and uncooperative.

Please see Salazar urgently at once and endeavor to convince him of the necessity of our position for continued use of the field on a month to month basis after June 2nd without any kind of public statement which could only render more difficult the present negotiations. We are trying to find a satisfactory formula for a public statement to be issued on the conclusion of an agreement. We find it difficult to believe that if our position is explained Mr. Salazar will decline to agree to a reasonable extension on such basis of our use of the facilities at Santa Maria without a public statement which could only embarrass and render more difficult for both countries the conduct of the present negotiations.

Keep us urgently informed of the developments in this situation. You must realize that we are in no position to agree to begin evacuation of these islands by June 2nd.

The Secretary is preparing a personal message to send to you for delivery to Mr. Salazar in the foregoing sense. [Hickerson.]

BYRNES

811.34553B/5-2746: Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET
US URGENT

WASHINGTON, May 27, 1946—10 a. m.

530. For Culbertson. There is quoted below a personal message from the Secretary to Dr. Salazar which you are authorized in your discretion to deliver to him to bring about an informal extension of the present agreement:

"My dear Dr. Salazar, When the United States Government entered into negotiations with your Government on April 27th for a new arrangement governing the use of the airport at Santa Maria, I had hoped that a basis for agreement would have been established before the expiration of the Santa Maria Agreement on the second of June. However, when it became apparent that these negotiations would be somewhat more lengthy than had originally been anticipated, our Embassy in Lisbon presented a request to Mr. Mathias, on May 15th, for a month's extension of the present agreement. On the basis of Mr. Mathias' informal remarks in the opening talks with Ambassadors Baruch and O'Malley, we have been encouraged to believe that there would be no difficulty in providing for an informal extension and have since acted on that assumption.

"The United States Government is at the present time maintaining large occupation forces in Germany and Japan. It is universally recognized that a line of communications must be preserved with such forces. In our case the airport at Santa Maria provides an essential link in the system of communications with our occupation troops

This line of communications is essential under normal conditions of occupation in Germany and Japan, and it would be indispensable in the event of an emergency in connection with the occupation in either country. Any interruption in our line of communications with the American Occupation Forces would thus have immediate and serious consequences. It seems to me that a temporary continuation of the present facilities at Santa Maria for this purpose should be regarded as an integral part of the contribution to victory which Portugal made when it entered into the present agreement on November 28, 1944. It is in this light that we regard such an extension, not as a part of a new agreement.

"The United States Government is giving careful study to the problems involved in the current negotiations and is making every effort through Mr. Culbertson in these negotiations to arrive at a mutually agreeable arrangement. I therefore ask you, in the interests of the traditional friendship between our two countries, not to take any action which would jeopardize these negotiations and interrupt the essential communications between the United States and its occupation forces. I have every hope that patient and understanding consideration will result in a mutually satisfactory agreement, and for this purpose I request that the present agreement be extended on a month to month basis without prejudice to any agreement which may, in the course of the present negotiations, be achieved."

BYRNES

811.34553B/5-2746

*War Department Memorandum of Trans-Atlantic Teletype
Conference*

[Extract]

TOP SECRET

[WASHINGTON,] May 27, 1946.

WD-TT-6398

Addressees are: To Asst Chief Staff OPD (Colonel Robert Tate) and State Dept Mr. John D. Hickerson.

Present at Santa Maria for conference will be Mr. Paul T. Culbertson, Maj Gen L. S. Kuter, Brig Gen A. W. Kissner.

Subject: United States Portuguese Agreement Concerning Santa Maria Air Base.

Initial material for presentation from Santa Maria being lengthy, it is organized in parts A, B, and C. Part A consists of two papers delivered to us in Lisbon in Portuguese about 0000Z May 27, second portion of which entitled "Proposed Note" is principal subject of this conference. Part B contains background, our views, comments and conclusions on Part A. Part C is our recommended action.

Part A. Section 1. Memorandum of transmittal of proposed note from Portuguese Government to us follows:

"Lisbon 26 May 1946

"My Dear Mr. Ambassador:

"I enclose herewith the proposed agreement which the Portuguese Government, in the broad spirit of friendship and comprehension which joins Portugal, the United States of America, and England, proposes for the satisfaction of the interests of the United States and of Great Britain, which were recently set forth by the American negotiators now in Lisbon, in view on one hand of the termination of the Azores agreements and, on the other, of certain requirements of the American and British Occupation Forces in Germany and Japan.

"The draft project referred to was drawn up with equal attention to the desires of the Portuguese Government as to the future use of the two fields of the Azores.

"It is intended that the airdrome of Santa Maria shall be used for commercial aviation while that of Lagens will be for military purposes. In connection with this latter objective, the Portuguese authorities will proceed, beginning 2 June next, to the progressive integration of the airdrome of Lagens into the plan of national military airbases.

"The circumstances which I have just outlined will aid in the comprehension of the terms of the Portuguese proposal which I am greatly pleased to transmit to Your Excellency by virtue not only of its practical advantage for the American and British interests, but also by the significance it expresses as to the friendly sentiments of the Portuguese Government for the great American nation and for our ally. With the compliments of my highest consideration, etc., etc. Marcello Mathias."

Part A. Section 2. "Proposed note:

"Mr. Ambassador,

"Pursuant to the conversations recently held in virtue of the termination of the Azores agreements and of the request presented by the Governments of the United States of America and of Great Britain as to certain necessities of the Occupation Forces in Germany and Japan, I have the honor to communicate to Your Excellency the formula found to satisfy the several interests in cause:

"A. The American and British Governments will solemnly deliver, on the second day of June next, to the Portuguese authorities designated for that purpose, the respective fields of Santa Maria and Lagens with their installations;

"B. The Portuguese Government will authorize, for a period of 18 months counting from that date, that American and English aircraft in the service of the Occupation Forces in Germany and Japan may pass in transit through the field of Lagens, the special character of such aircraft being taken into consideration insofar as customs and other facilities are concerned;

"C. Temporarily, however, and until the installation in Lagens of a Portuguese military airforce unit, the Portuguese Government will permit the transit of the aircraft referred to in the foregoing paragraph to be effected either through the airdrome of Santa Maria or through the airdrome of Lagens;

"D. Until the Portuguese authorities have organized the services relative to the utilization of the airdromes of Santa Maria and Lagens, the American and English authorities agree to maintain, in collaboration with and under the supervision of the Portuguese authorities, the services presently existent which are necessary to the use of the field;

"E. During a transition period of ninety days the American and English authorities will order withdrawn from the airdromes referred to all material and personnel there existent which the Portuguese authorities do not consider indispensable to the maintenance and utilization of the fields and which they do not wish to acquire or to contract for. In case the American and British Governments accept the terms set forth above, an affirmative answer from Your Excellency and from His British Majesty's Ambassador, to whom an identical note is sent on this date, will constitute, with this (project), the agreement of the three governments on the matter. I take this opportunity to renew to Your Excellency the protests of my highest consideration."

Part B.

The message quoted above was delivered to the residence very late last night. Mathias had come personally to the residence at about six thirty and orally outlined to us³⁵ the proposals contained in these messages. As usual he did all the talking. He was quite pointed in that he considered that the Portuguese Government was being most generous, was in fact giving us what we have asked for and was playing a big role in American British Portuguese cooperation. He came back to . . . our inability to give political guarantee. On the longer term negotiations (as separate from reaching our understanding for June 2) he said that with our acceptance of his present proposals these negotiations could continue if we wish if we wish (he made this statement twice) this statement is generally in line with our request for a stop gap agreement and was not intended as a threat or indication at Portuguese desire to suspend the overall discussion. One could interpret Mathias oral presentation as indicating that if we will accept the Portuguese formula the actual mechanics of operation may go along somewhat as they are now. Our local Lisbon boys feel that it would work out that way.

[2?] O'Malley who had seen Mathias at five thirty came to the Embassy after dinner to discuss new proposals. He showed us his telegram to London, to Washington and referred to our Emtel May 26. He made it quite clear that he considered that the proposals adequately meet British interest; that the proposals should be equally acceptable to us and suggested strongly we recommend that you authorize us to accept. O'Malley seems to feel that if we accept forthwith the mechanics of operation will continue for some time as they are at present.

³⁵ Mr. Culbertson and Generals Kuter and Kissner.

He pointed out Portuguese were not asking financial or other support—a point of considerable interest to the British. O'Malley spoke in justification of Portuguese skepticism of what the U. S. might do in the event of another war and more particularly in the event of a threat to Portugal citing particularly the danger to Portugal of a Soviet dominated Spain. If O'Malley's attitude as represented by what he had to say last night receives London support we won't get much help from the British in objecting to these new proposals.

3. Deptel 526 May 25 indicates to us we have not made clear the vital importance Portuguese attach to a full and open recognition that the present Santa Maria agreement ends on June 2 and that any arrangement for operations after that date must have an entirely new basis. We agree that Mathias statement as reported by Crocker (Emtel 460 May 23) was misleading. Nevertheless they have insisted on this June 2 business from the very start. We have stated in our telegrams to you that we assume there is no intention of continuing our operations unless such action has the full approval of the Portuguese Government. We are now confronted with specific proposals which in fact come from Salazar. We are certain in our own minds that the proposed direct approach we were told in Deptel 526 May 25 to make to Salazar would not change Salazar's fixed idea that present agreement must end June 2. Such an approach might well nourish the already existing suspicion about American power politics and about our interest to live up to the June 2 obligation. Proposed message from Secretary to Salazar had not arrived Lisbon prior to our take off for Santa Maria.

4. You are reminded that we left Washington with the mutual understanding among us that we were entering a fairly important game without any big chips. We have stated every advantage to Portugal that we have to offer in terms as strong as honesty tolerates. In reply the Portuguese repeat their indifference to tangible, material and aeronautical advantages and state politely but firmly that their interests are in the political field and our government comes to them with empty hands. We have made several unsuccessful attempts to get the Portuguese to extend the June 2 date, leaving operations, control etc just as they are now. We feel further efforts along this line will get us nowhere. The Portuguese have now come forward with a definite proposal, a proposal which apparently will have British support. We are more or less at a point of fishing or cutting bait. If we are not going to stay on unless the Portuguese agree we are confronted with a decision of getting out or accepting these proposals hoping that in practice the problems will work themselves out satisfactorily.

Failure to arrive at an understanding on the June 2 question substantially along lines of Portuguese proposal might well jeopardize the long term discussion.

Part C. While we appreciate fully that the Portuguese proposals are far from being satisfactory, we feel

1. That the US for policy reasons cannot stay here by force.
2. The ATC operations can not be halted, war 89346 May 25.
3. The proposals now before us are the best we can get between now and 2 June, and therefore we recommend we be authorized to agree to these proposals subject to a proviso that our acceptance is without prejudice to the long term proposals we have made and that our negotiations will continue. We will try to influence Portuguese to accept our original concept that both airfields will be open to civil commercial aviation and that U. S. Government aircraft will not be excluded from either.

811.34553B/5-2946 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET
US URGENT

WASHINGTON, May 29, 1946—4 p. m.

541. For Culbertson from Hickerson. It would be helpful to us to have answers to the questions which we communicated to you over the teletype Monday.³⁶

It seems to us that the matter of working out the detailed provisions on the proposed exchange of notes is primarily a War Dept. matter. The Embassy at Lisbon should detail an officer to assist. Do you agree with us that you should return to Washington perhaps in the early part of next week. We believe that it would be useful for you to return and discuss the whole situation with us. Our present thought is that we should not resume negotiations perhaps for several months. Probably the next 90 days will be fully occupied with transitional arrangements under the new exchange of notes.

It is our hope that Portugal will be elected to membership in the UN in September. This should facilitate further discussions.

Searls³⁷ has suggested that it might be well for you to propose to Salazar that he send someone to Washington to inform us more precisely of the kind of assurances which Portugal would wish in connection with long-term base agreement. What is your reaction to this suggestion?

³⁶ May 27.

³⁷ Fred Searls, Jr., a special assistant to Secretary of State Byrnes.

Our civil aviation boys urge that the following three points be taken care of in connection with the proposed exchange of notes.

“(1) The airport at Lagens shall be available to United States civil aircraft, which have the right to use the airfield at Santa Maria, as an alternate field in the event of adverse weather conditions;

(2) The civil aircraft of the United States shall receive most favored nation treatment at Santa Maria;

(3) United States civil aircraft, other than those covered by the bilateral air agreement, shall have the right to use the airport at Santa Maria for transit and non-traffic stop purposes.”

[Hickerson]
BYRNES

811.34553B/5-2846 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET
US URGENT

WASHINGTON, May 29, 1946—4 p. m.

542. For Culbertson. You are authorized to agree to the Portuguese proposals set forth in their note of May 26 which you conveyed by teletype on Monday³⁸ from Santa Maria.

The War Dept. suggests³⁹ that our acceptance should include the following understandings:

“(a) Ceremony on 2 June which turns over title of U.S. installations to Portugal will be followed by detailed inventory of actual fixed installations involved.

(b) Many details remain to be worked out pursuant to the general principles of the Portuguese proposal (particularly does it seem desirable to expand sub-paragraph e, either in exchange of notes or by supplementary working agreement, to give further assurance of safe and efficient operational standards).

(c) We assume that Portugal will sympathetically consider continued use of the Azores by U.S. military aircraft beyond the 18 months period contemplated in this agreement if it is mutually agreed at that time that further U.S. occupational commitments so require.”

We believe that these understandings can be handled by you in such a way as to avoid prolonged negotiations with the Portuguese. They might if necessary take the form of unilateral statements by you in connection with the exchange of notes.

BYRNES

³⁸ May 27.

³⁹ Memorandum dated May 28, 1946, to the Department of State.

811.34553B/5-2946: Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET

WASHINGTON, May 29, 1946—4 p. m.

US URGENT

543. For Culbertson from Hickerson. Brit. Emb. has just read to me a summary of a telegram to O'Malley authorizing approval of Portuguese proposal subject to the following informal understandings:

1. British assume that Lagens would be made available for civil use in emergency and Santa Maria for military use in weather and other emergencies;

2. British expect British personnel to be employed by Portuguese at both airfields and not at Lagens alone;

3. While British not under obligation to hand over Lagens on June 2, they are prepared to do so provided Portuguese agree on *ad hoc* occasions to grant permission for special RAF flights not directly connected with occupation forces;

4. After the 90 day period, UK is prepared to assist Portugal as follows:

(a) Provision of limited number of technical personnel, military at Lagens and civil at Santa Maria to be employed by Portuguese Govt.

(b) Provision of soldiers in training Portuguese personnel in England.

(c) Assistance in buying equipment in England.

We wanted you to have this information at once. Naturally we expect to receive treatment no less favorable than that accorded the UK. [Hickerson.]

BYRNES

811.34553B/5-3046: Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, May 30, 1946—9 p. m.

US URGENT

[Received 10:10 p. m.]

480. For Hickerson from Culbertson. We called on Mathias this morning and went over with him all of the various problems raised in your 541 and 542, May 29. We also discussed with him the mechanical problems such as those raised by O'Malley in the latter's conversation with Mathias reported in Embtel 476, May 29.⁴⁰ Mathias made very clear that he could not undertake any specific commitments outside of the language appearing in the proposed exchange of notes.

Mathias accepted our preferences to treat the agreements themselves as classified documents, which will remove any necessity to explain

⁴⁰ Not printed.

them to the American press and we feel quite appropriate in view of the hoped for interim nature of these papers. There was, however, no hesitation in his assurances to us that within the framework of the proposed exchange of notes there would be no difficulty in ironing out mechanical or other problems in a friendly, cooperative manner at any time. Insofar as the 18 months period is concerned there is no reason to feel that the two Governments may not in a friendly spirit reexamine the requirements which may then exist in relation to our occupation forces.

While we were not able to "nail Mathias down" on any of the specific issues, we were quite satisfied ourselves with the manner in which he covered the problems in general. We have constantly in mind the views and experiences of both US and UK Embassy personnel. Crocker particularly cited instances of Portuguese adherence to oral understandings even after both parties to the original conversation had departed. Mathias agreed to an extension from ninety to one hundred and twenty days (90 to 120) for the transition; he agreed that the ceremony on June 2 at Santa Maria would be a simple turning over by the commanding officer to the Minister of War, who will go out to Santa Maria for that purpose. We discussed the simple dignified ceremony that has been used throughout the world when we have returned military air bases to their proper owners. There will be a ceremony of some sort here in Lisbon which may in fact merely reduce itself to separate press conferences at which the respective Ambassadors would make polite statements. We feel that the assurances that we got this morning are as good as we can get and will therefore proceed to an exchange of notes in which we will quote the agreement as proposed by the Portuguese.

Kuter made clear to Mathias the fact that he bases his acceptance of this paper on his confidence that a longer range accord will be reached between the American and Portuguese prior to the expiration of the time periods indicated. Mathias again clearly stated his willingness to continue long range discussions, but once more inescapably inferred that the impetus was ours.

We then told Mathias that the two of us had been ordered urgently to return to Washington in order that we might the better bring Washington up to date on the present discussions. We made clear that our departure should not be interpreted in any way as an interruption to the long term discussions which would be continued by the Ambassador. Mathias wanted to know whether Kuter or Culbertson would return and in response we said that in all likelihood Kuter would not, but that there was a possibility that Washington would order Culbertson back to assist in these negotiations.

At present we expect to pay goodbye calls on Mathias and have accepted his invitation to lunch about midday May 31. At this time we will leave with him draft copies of the June 2 statement by the Ambassador, an outline of the ceremony at the Santa Maria air base and a draft of the final exchange of notes.⁴¹

We propose to depart about 1100Z, June 1, for Santa Maria. Due to the fact that our B-17 lacks bomb-bay tanks the airplane may be delayed some time awaiting favorable winds. It is therefore, not possible at this time to forecast our time of arrival in Washington.

These final actions will naturally be coordinated with O'Malley in detail, and it is our intention to ask him to be sure that the special provisos which he may wish to put on the British-Portuguese agreement be given a parallel extension in the American-Portuguese considerations. [Culbertson.]

BARUCH

811.34553B/6-546 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, June 5, 1946—6 p. m.

US URGENT

[Received June 5—3:58 p. m.]

505. For Culbertson. I have just received reply dated June 3 from Salazar to my note of May 30⁴² expressing our desire to continue discussions on long term facilities. This reads in translation as follows:

"I have the honor to acknowledge receipt of Your Excellency's note of May 30 last in which you inform me that although Gen Kuter and Mr. Culbertson had received instructions to return to Washington the Govt of the US desired to continue the conversations recently opened in Lisbon by the British and North American Govts to consider the possibilities of new agreements between the three Govts regarding the Azores.

"It is a pleasure for me to renew to Your Excellency by means of this note the oral communication already made to Your Excellency as well as to the British Ambassador by the Director General of Political Affairs that the Portuguese Govt is entirely agreeable to the continuation of these conversations in the most friendly spirit and in conformity with the points of view already expressed in the Portuguese memo of May 2 last.⁴³ However as the Director General of Political Affairs personally stressed to Gen Kuter and Messrs Culbertson and Zanthaky⁴⁴ at the Ministry of FonAff upon the establishment on May 30

⁴¹ The notes effecting the agreement were signed May 30, 1946. For texts, see Department of State, Treaties and Other International Acts Series No. 2345; *United States Treaties and Other International Agreements*, vol. 2 (pt. 2) p. 2201.

⁴² Not printed.

⁴³ See Salazar's statement of May 2, 1946, quoted in telegram 433, May 16, from Lisbon, p. 978.

⁴⁴ Apparently the reference is to Theodore Anthony Xanthaky, special assistant to the Ambassador in Portugal.

last of an agreement by exchange of notes regarding the Azores fields the obligations assumed regarding this matter by the Portuguese Govt are exclusively those mentioned in the agreement referred to."

BARUCH

811.34553B/6-646 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET
US URGENT

WASHINGTON, June 6, 1946—7 p. m.

572. Urtel 506 June 6.⁴⁵ Dept has no objection to proposed Portuguese White Paper. Dept will release simultaneously in Washington and without comment text of (a) Amb's note to Dr. Salazar dated May 30 containing terms of May 30 agreement; (b) Timor note, Portuguese acknowledgement of Timor note, text of Santa Maria agreement and text of informal letter concerning "control"—all of which were sent under cover of Emb Despatch No. 1210 Nov. 30, 1944; ⁴⁶ (c) supplemental accords to Santa Maria agreement exchanged on July 23, 1945 forwarded in Emb Despatch No. 311 of Jul. 27, 1945 including Amb's letter to Dr. Salazar of Jul. 23, four accords and Crocker's two letters of Jul. 23 to Mathias.⁴⁷

Dept is agreeable to release on June 10, or on any other day Portuguese Govt prefers, and suggests for convenience (Deptel 563 June 5 ⁴⁸) that 6 pm EST be agreed as hour of release.

BYRNES

811.34553B/6-2246 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

SECRET

LISBON, June 22, 1946—9 p. m.
[Received June 23—12:40 a. m.]

549. For Culbertson. British Ambassador has just handed me following *aide-mémoire* delivered by his Counsellor to Mathias this afternoon without previous consultation with us:

"1. The Air Ministry wish to [send?] out soon a mission of eight experts headed by an officer of Group Captain rank and including a

⁴⁵ Not printed; it reported that the Portuguese proposed to issue a White Paper giving full text of the May 30 agreement and previous Santa Maria and Lagens agreements (811.34553B/6-646).

⁴⁶ Despatch 1210 not printed, but for texts of the enclosures, see Department of State. Treaties and Other International Acts Series No. 2338; *United States Treaties and Other International Agreements*, vol. 2 (pt. 2) p. 2124.

⁴⁷ Despatch 311 and enclosures not printed. The supplementary accords were not released to the press in either the United States or Portugal.

⁴⁸ Not printed.

representative of the Ministry of Civil Aviation to discuss with the Portuguese authorities:

- (a) Future policy for the use and development of the military air field at Lagens;
- (b) The disposal of Royal Air Force material and installations at Lagens;
- (c) The programme of Royal Air Force withdrawal and replacement by Portuguese during the 4 months interim period;
- (d) The arrangements necessary for the training of Portuguese personnel in connection with (c) above;
- (e) The size of the Royal Air Force long term contribution in key personnel for the operation of Lagens air field;
- (f) The status conditions of service etc., of Royal Air Force personnel employed in connection with (e) above;
- (g) The Ministry of Civil Aviation's contribution in civilian key personnel at Santa Maria.

2. It is proposed that the mission should leave the United Kingdom on July 5th, stay one day at Lagens to study the present position and arrive in Lisbon on the 7th. It is hoped that the Portuguese authorities would be prepared to start discussions on July 8th and would by that date have prepared their principal proposals for the future of the air fields.

3. The United States authorities will, it is assumed, have very similar problems to discuss with the Portuguese authorities in respect of Santa Maria and will presumably also wish to ascertain what American military personnel the Portuguese Government wish to employ at Lagens. Furthermore, the number of British personnel to be employed at both Lagens and Santa Maria must depend to a large extent on the number of American personnel being employed at both places and vice versa. For all these reasons it would seem desirable that any discussions concerning the future use and staffing of Lagens and Santa Maria should be on a tripartite Anglo-United States-Portuguese basis.

4. His Majesty's Government are therefore suggesting to the United States Government that they should, if possible, arrange for US representatives to take part in the discussions in Lisbon on July 8th.⁴⁹ In view of the short notice, however, it may not be possible for the US representatives to be made available quite so soon. In that event, however, there would not seem to be any reason why the discussions should not be begun on a purely Anglo-Portuguese basis and concentrate first on the questions concerning the disposal of materials, etc., at Lagens in which the US Government are not directly concerned.

5. It is hoped that the Portuguese authorities will be prepared to hold the discussions on the lines suggested and that the tentative dates suggested will be convenient to them. It is presumed that the Portuguese Government would not object to members of the proposed mission wearing uniform."

I refrained from discussion or any comment awaiting your advices.

BARUCH

⁴⁹ British Embassy note No. 395 to the Department, dated June 28, 1946, transmitting the suggestion not printed.

811.34553B/6-2846 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

SECRET

LISBON, June 28, 1946—1 p. m.

US URGENT

[Received June 28—10:55 a. m.]

561. Embtel 549, June 22. For Culbertson. British Embassy has received following memo from Portuguese Foreign Office in reply to its *aide-mémoire* of June 22:

"The Portuguese authorities will receive with great pleasure the mission of English technical experts which the Air Ministry wishes to send to Portugal for the study of matters concerning the execution of the agreement of May 30.

It is thought however that this mission's stay of only one day at Lagens will not be sufficient for the necessary exchange of views on the spot and for this reason the Ministry regards it as desirable that the possibility of a more prolonged initial stay there should be considered. As the questions to be studied will be of a technical and practical character it is of the greatest advantage that at least in their first stages they should be able to be considered locally as fully as possible.

The Portuguese authorities not having previously been aware of the dates suggested in the British *aide-mémoire*, the contents of which are being studied by the competent departments, do not find themselves able to begin work before July 13 and for this reason request the good offices of His Majesty's Embassy in arranging that this date may be fixed for the arrival of the mission at Lagens.

The American authorities have not yet taken any corresponding steps concerning matters relating to Santa Maria. The Minister for Foreign Affairs takes this opportunity however to suggest that the nature of the agreements to be reached and also the different uses for which the Portuguese Govt have destined the two airfields do not require joint conversations for the purposes in view.

The Portuguese Govt will not fail however to supply the Embassy of the United States of America in due course with the necessary material for the objects mentioned in Clause 3 of the British *aide-mémoire*.

On these conditions there is no objection to the initiation of the proposed conversations with the British mission on the date indicated above.

In accordance with the request made in the *aide-mémoire* the members of the English mission may wear uniforms during their stay in Portugal."

BARUCH

740.00119 Council/7-646: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, July 6, 1946—6 p. m.

US URGENT

3280. Secdel 415. For the Secretary ⁵⁰ from Acheson. Secretary Patterson ⁵¹ is strongly urging upon me Army's feeling necessity of early action or decision on Azores question raised in Secdel 342, June 25.⁵² In memorandum received yesterday ⁵² Patterson says implementation of May 30 agreement, as now interpreted by the Portuguese, places Army in a militarily unacceptable position. Reports received from commanding general Santa Maria indicate Portuguese are in fact giving strictest possible interpretation to May 30 agreement, which if carried through may well result in making the transit privileges through the Azores practically useless. Patterson concludes his memorandum by suggesting that (1) a State Dept officer proceed to Paris carrying a proposed form of political assurance to the Portuguese which if approved by you could then form the basis for renewed negotiations in Lisbon (2) such renewed negotiations would have as their first objective suspension of May 30 agreement and (3) in so far as our bargaining position permits the new agreement should follow the requirements of the Joint Chiefs of Staff and should seek to obtain the continued use of Santa Maria on terms no less favorable than the 1944 agreement.

At the time we accepted the May 30 agreement we realized it was a far cry from what we wanted. Our negotiators did feel, however, on the basis of their talks with Portuguese officials that practical interpretations would be given to the agreement and that workable arrangements could be reached whereby, at least at Lagens, American technical and other personnel would in fact carry the major share of the operation of the field. The Portuguese are quite incapable of doing it themselves.

I appreciate the impracticability of even trying to formulate political assurances which would have any real meaning. Salazar's position is that by giving us military base rights he automatically puts himself on our side in any future conflict, and wants to know what guarantees we have for Portugal in the event of such conflict. It is possible that very general language might be sufficient. Our people are, however, convinced that in the absence of some formula we are not going to get any better rights than we now have.

It might meet Salazar's contentions for U.S. to agree to a public

⁵⁰ Secretary Byrnes was in Paris attending the Council of Foreign Ministers meeting.

⁵¹ Robert P. Patterson, Secretary of War.

⁵² Not printed.

statement reaffirming our obligation under UN to use force if necessary to assist in restoring international peace if Portugal were a victim of aggression. It probably would satisfy Salazar if we did that and continued with a statement that if the Security Council were unable for some reason to take action, U.S. and Portuguese Governments would consult with one another in regard to the situation. There are other forms of words that might do but they amount to variations of the foregoing. I recognize fully the political importance, domestic and international, of any such statement but the action described is only what we would probably do anyway.

The War Dept has recommended that we reopen now negotiations with Portugal on the basis of our trying to find some political assurance that will satisfy Salazar. War Dept would like to obtain military rights with provision for maintenance in the Azores U.S. military personnel to service our planes; they would prefer to have such rights for a long term but would doubtless agree if you urged them to limit agreement to our occupation period of Germany or Japan or 10 years whichever is the longer.

The second alternative, if you feel that the international situation makes an approach along the foregoing lines inadvisable at this time, would be to do what we can right away to try to get the Portuguese to agree to a workable interpretation of the May 30 agreement. This would mean endeavoring to obtain Portuguese agreement to the maximum possible participation by American military personnel in the operation of the field and auxiliary services at Lagens and some participation at Santa Maria. Since we have nothing to offer to the Portuguese their agreement will probably be difficult to get.

The third alternative would be to do nothing now; let the Portuguese work out their plans; completely take over both fields; withdraw all U.S. forces and such equipment as we do not sell to the Portuguese; retain our military transit rights at Lagens for 18 months; and await developments. The War Dept say that the fields would be unsafe for operations and that they probably wouldn't send any military planes through the Azores. For that reason the War Dept would be strongly opposed to alternative 3.

In connection with alternative 3, we could, of course, in an emergency, ask the British to demand military rights under the alliance and let us in under the alliance umbrella. Lincoln,⁵³ Bonesteel⁵⁴ and Matthews have a considerable amount of background on the subject.

I know how busy you are and I dislike adding to your worries but Patterson is pushing me very hard on this matter.

ACHESON

⁵³ Brig. Gen. George A. Lincoln of the Operations Division, War Department.

⁵⁴ Col. C. H. Bonesteel, III, of the War Department.

811.34553B/7-1646 : Telegram

*The Ambassador in Portugal (Baruch) to the Secretary of State*TOP SECRET
US URGENTLISBON, July 16, 1946—3 p. m.
[Received July 17—2:25 a. m.]

615. For the eyes of the Secretary only from Russell.⁵⁵ The Ambassador and I saw Salazar at 11 o'clock this morning and made the following statement to him:

"Mr. President: I appreciate this opportunity to meet you, to bring you the personal respects of Secretary Byrnes and to discuss with you in broad outline the negotiation of a satisfactory agreement between our two Governments for the use of the Azores and Cape Verde Islands in the interest of security in the Atlantic. I wish to emphasize to you the importance and deep concern with which my Government views this question and the personal interest which the Secretary of State has in it. It is our feeling that since Portugal and the US are both important Atlantic powers, you and your Government are likewise vitally interested in this matter and that there exists a mutually advantageous basis upon which our two Governments may agree concerning their own security and that of the world. I feel assured in my own mind, therefore, that we can in a friendly and forthright way discuss this whole question and quickly determine the character and extent of the basis upon which agreement can be reached.

The Government of the US desires to come to an agreement with Portugal for joint use and operation of extensive airbase rights and privileges in the Azores and Cape Verde Islands. Frankly we feel that such a contribution by Portugal to Atlantic and world security is definitely in Portugal's interest as well as our own. Since the conclusion of the May discussions Mr. Byrnes has given earnest study to your statements concerning Portugal's own security position. It has been our understanding that in the absence of certain assurances from the Government of the US, the Government of Portugal would find it difficult to extend to the US the rights and privileges we desire.

The Secretary has asked me to come here in order to submit for your consideration an assurance such as has never been proposed by the Government of the US to any power outside of the Western Hemisphere. This assurance would contemplate an understanding that any threat to the territorial security of Portugal would constitute a threat to the security of the Atlantic and of the world as a whole and would therefore represent a problem of paramount interest to the Government of the US. Furthermore, were Portugal to be the victim of aggression the US, by reason of its commitments under the United Nations, is obliged to use force against any aggressor in the maintenance of peace. Should the United Nations through the Security Council fail for any reason to act in the event of such aggression, the Government of the US would be prepared to consult immediately with the Portuguese Government with regard to this situation. This assurance

⁵⁵ Donald Russell, Assistant Secretary of State on temporary mission to Lisbon regarding the Azores.

would be predicated upon the Portuguese Government granting the desired airbase rights and privileges in the Azores and in the Cape Verde Islands.

On May 2 you informed the American negotiators that you 'do not reject *in limine* the possibility of Portuguese cooperation in the security of the Atlantic.'⁵⁶ I appreciate that an agreement such as I have proposed would require negotiations and study by both parties. I have brought Mr. Culbertson and General Kuter with me in order that they and Ambassador Baruch may go forward with you and your Govt with such negotiations provided you feel in the light of my remarks to you that a real basis for agreement exists. As much as I would like to stay in your delightful country I must return immediately to Washington. In view of Mr. Byrnes' personal interest in this question and the importance which he attaches to it, however, I am anxious to give him as full a report as possible upon my return. I, therefore, hope that you can advise me before I leave whether you consider that a basis for agreement does exist and whether you would be prepared to undertake negotiations to that end.

Should your answer to my inquiry be in the affirmative, I would suggest that immediate consideration be given to the effect which such expected agreement would have on the May 30th agreement. In any event a reexamination of that agreement and mutual understanding of its interpretation is essential."

After the President of the Council had read this memorandum I inquired specifically whether I could say to the Department of State on the basis of his quick review of this memorandum without any final commitment on his part that he felt this provided a basis for a final agreement on long term base rights. He replied that he was "not unfavorable" to the suggestion but that the whole idea would require further study. The President then reviewed previous negotiations referring (1) to commercial rights, (2) transit rights in support of our occupation forces and (3) long term airbase rights. He said that the first question had been solved and that the second was "liquidated" by the agreement of May 30th leaving for discussion only the third question on which we had submitted a proposal for study. He expressed the view that our proposal met the requirements of what he described as a "juridical" basis but that there were other considerations. These he said were that Portugal could not cede its territory to a foreign power or deal with a proposal for the presence of foreign troops on her soil in time of peace. I pointedly asked if this represented a final statement on these points. He replied that he was merely stating what were "Portuguese susceptibilities". I then emphasized that we did not ask for a cession of territory; that we recognized the

⁵⁶ For substance of the paper which Salazar gave to the American negotiators, see telegram 395, May 5, from Lisbon, p. 967.

territorial sovereignty of Portugal but wished a joint use and operation airbases under arrangements which should be worked out in a spirit of friendliness looking to the broad objectives of the agreement itself. I stated however that any agreement would be useless if we were not permitted to use military personnel because we would expect to install facilities which would be available only for military purposes and could be operated only by our military personnel. He then wished to know what specific uses we wished to make of the airbases. After stating that this was a technical question which I would prefer for the negotiators to discuss in detail I said that we wished (1) the right to base military planes, (2) transit rights and (3) the right to install communications, meteorological and other facilities essential to the most modern airbases. He then discussed the agreement of May 30th which he considers as final. After I had stated that we wished to observe the agreement but felt that there must be some discussion of its interpretation, he said that he thought these questions could be easily resolved but that the presence of his Minister of War was necessary for the discussion and that his Minister of War was on an inspection tour abroad until August 8. I told him we felt that these discussions should proceed at once and inquired if he could not recall the Minister for this purpose. He then wished to know which of the two discussions we wanted to take up first and I replied that we wished to discuss both immediately and simultaneously and that we regarded time as of the essence in both cases. While he expressed some reluctance for simultaneous discussions, he said that he would accede to our request. I then told him that the Ambassador, Mr. Culbertson and General Kuter were at present available for discussion of both matters at such time and with such personnel as he should designate on behalf of his Govt.

In conclusion I again asked whether it was agreeable with him for me to state to you on my return that on the basis of our discussion and his hurried examination of the memorandum he felt there existed a reasonable basis for negotiating an agreement for long term airbase rights. He authorized me to say that he did.

Sent to Dept as No. 615; repeated to Paris as No. 96 for Matthews only. [Russell.]

BARUCH

811.34553B/7-1946: Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, July 19, 1946—5 p. m.

[Received 6:35 p. m.]

633. For Hickerson. Mathias telephoned yesterday to say Salazar had instructed him to start discussions. We naturally assumed he

would talk on the political long term proposal in view of what Salazar had told Russell and me last Tuesday.⁵⁷ On the contrary, however, Mathias announced that the long term discussions must await the return of the Minister of War; that he, Mathias, would discuss interpretation of the May 31 [30] agreement. Immediately said that was not what Salazar had said. He undertook to clarify the question with Salazar and to find out at our insistent request whether long term discussions would have to await the return of the Minister of War scheduled for August 8.

The conversation alternated back and forth between the long term and May 31 agreements, three points developed: (1) Mathias will be strictest possible in interpretation of May 31 Agreement and considers it supersedes 1944 Agreement on questions of materials and supplies; (2) Portuguese are apparently thinking of long term agreement on basis of commitment to make fields available in event of and at time of war; it was made clear to Mathias that we would not consider giving political guarantees in exchange for any such deal; (3) Mathias stated specifically that Portugal would not permit "occupation" by foreign troops in time of peace. I immediately caught him up on this statement and demanded to know whether that was his Govt's considered position in relation to our proposal as presented by Mr. Russell making clear at the same time we were not proposing "occupation" but joint use and operation. Mathias immediately backed away by trying to explain that he was merely expressing his personal views and that he was not authorized to discuss long term arrangement.

Kuter and Culbertson feel that in order to head off misunderstanding and quibbling Culbertson should now send Mathias a detailed informal statement of our requirements. The statement will outline the maximum requirements and is in preparation now.

In telephone conversation this afternoon Mathias explained that Minister of War would while in Azores discuss technical problems arising from May 31 Agreement, Mathias would handle interpretation of Agreement, Minister of War would have to be consulted re long term agreement, not that he would negotiate it; that other Cabinet members would have to be consulted. Looks like negotiations may drag.

Mathias also said Portuguese had given story to British. Russell said he would let me know what to give British. Are we authorized to keep British fully informed currently?

Sent Dept 633; repeated Paris as 98 for Delsec.

BARUCH

⁵⁷ July 16.

811.34553B/7-2146 : Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET

WASHINGTON, July 23, 1946—7 p. m.

US URGENT NIACT

698. For Culbertson from Hickerson. After further consideration here of urtel 638 Jul 21⁵⁸ and consultation with War and Navy we believe it is preferable not to make such a detailed statement to Portuguese in writing at this time. We feel it is essential first to dispose of the deadline of Aug 2 which is inherent in the 120 day period of May 30 Agreement and therefore propose an approach to Portuguese along following line:

In Mr. Russell's memo to Dr. Salazar⁵⁹ he suggested that if assurances outlined by Russell appeared to provide basis for long term agreement, immediate consideration be given to the effect which such an agreement would have on May 30 Agreement. Salazar agreed assurances did provide such a basis.

Any new agreement will inevitably require different dispositions of matériel and personnel now at Santa Maria than that contained in the May 30 Agreement. Thus, in view of this relationship between the May 30 Agreement and a new agreement, we ask that application of Pgh (E)⁶⁰ of May 30 Agreement be suspended during period of discussions.

Meanwhile we are recasting language of your letter and will send on our comments as soon as possible. [Hickerson.]

BYRNES

811.34553B/7-2446

The British Embassy to the Department of State

MEMORANDUM

AZORES

Under instructions from the Foreign Office, Mr. Sichel⁶¹ had a conversation with Mr. Dunham⁶² on the 22nd of July. Mr. Sichel said

⁵⁸ Not printed; it outlined the points of political guarantees to Portugal which the United States was prepared to make regarding the Azores (811.34553B/7-2146).

⁵⁹ See telegram 615, July 16, from Lisbon, p. 1004.

⁶⁰ Paragraph (E) provided that "During a transitional period of 120 days the American and British authorities will withdraw from the airfields in question all the material and personnel at present there which the Portuguese authorities do not consider to be indispensable for the maintenance and operation of the airfields and do not wish to acquire or engage."

⁶¹ Herbert M. Sichel, First Secretary of the British Embassy.

⁶² Presumably William Barrett Dunham of the Division of Western European Affairs.

that the Foreign Office had received a short report from H. M. Ambassador in Lisbon of his conversation with Mr. Culbertson, General Kuter, and the U.S. Ambassador, during the course of which the American officials informed H. M. Ambassador,—

(a) that the Portuguese authorities at Santa Maria were applying the agreements of April [*May*] 30th in a way which was very disagreeable to the United States Government and necessitated direct recourse by the Americans to Dr. Salazar; and

(b) that the U.S. Government were anxious to pursue with Dr. Salazar the large political and strategic questions in connection with further long-term arrangements.

Mr. Sichel told Mr. Dunham that the Foreign Office had expressed surprise that the U.S. authorities had given them no warning of Mr. Culbertson's and General Kuter's pending visit to Lisbon, and, furthermore, that they had given no indication of the instructions under which the U.S. officials were opening their conversations with the Portuguese Government.

Mr. Sichel said that while His Majesty's Government have, of course, no intention or desire of intervening in any way in the American-Portuguese discussions at Lisbon, they are naturally very closely interested in the outcome of the discussions regarding long-term issues and hoped, therefore, that the State Department would be prepared to inform them generally of the nature of the instructions given to Mr. Culbertson and General Kuter, and that the State Department would also arrange for His Majesty's Government to be kept informed of the course of the discussions in Lisbon. His Majesty's Government are naturally anxious that the American-Portuguese conversations on the long-term issues should be successful.

Mr. Dunham replied that Mr. Culbertson had already been given instructions to keep the British Embassy in Lisbon fully informed on the progress of the American-Portuguese discussions.

His Majesty's Government have received a communication from Dr. Salazar asking what is the point of view of His Majesty's Government regarding the wish of the United States Government to resume negotiations on the long-term issue. In the absence of information as to the intentions of the United States Government, His Majesty's Government sent Dr. Salazar an interim reply to his communication, stating that his enquiry was receiving urgent consideration but that there was little that His Majesty's Government could usefully say until they are more fully aware of the views of the United States Government and of the nature of the representations made by the U.S. representatives in Lisbon.

[WASHINGTON,] 24 July, 1946.

S11.34553B/7-2146: Telegram

The Secretary of State to the Ambassador in Portugal (Baruch)

TOP SECRET

WASHINGTON, July 24, 1946—8 p. m.

US URGENT NIACT

706. For Culbertson from Hickerson. After further consideration of urtel 638, July 21⁶³ with War and Navy Depts we suggest that a letter along the following lines be sent immediately to Mathias:

"Reflecting on our conversations to date, it has occurred to me that you would find it useful to have at hand a complete draft statement of our proposals for use in considering the new agreement we have in mind as well as the effect the new agreement will inevitably have on the Agreement of May 30.

"I am, therefore, sending you a draft of the agreement which we envisage would result, in substance, from these negotiations."

The text of the draft agreement quoted in Bonesteel's OCD 59 of July 13 to War Dept⁶⁴ should be sent with this letter using Version A of Article III with the following drafting changes:

1. In references to this document in the preamble and in Article IX the word "agreement" should be used.
2. Article I, change "accept" to "recognize".
3. Article III, Version A should now read:

"In order that the Govt of the US may better fulfill its obligations to contribute to the maintenance of security in the Atlantic and in the world as a whole, the Port Govt grants the request of the Govt of the US for rights (1) to establish, operate and maintain bases at Lagens, Santa Maria and at such other sites in the Azores and Cape Verde Islands as are mutually agreed, and (2) of naval anchorage in the Azores and Cape Verde areas. The details of these arrangements shall be determined through mutual agreement and shall include the following essential elements:

"1. Installation and operation of weather and communications services and equipment, air navigational aids and servicing facilities, reconnaissance and air sea rescue, as may be required for all necessary operations at the bases. To establish, operate and maintain additional military installations, defense facilities, warning systems, weather and communications installations, and aids to navigation at such sites in the Azores and Cape Verde areas as may be mutually agreed.

"2. Operation of governmental craft, including aircraft, vessels, and vehicles into, through, over and away from the Azores and Cape Verde areas without restriction except as mutually agreed.

⁶³ Not printed.

⁶⁴ Col. C. H. Bonesteel's OCD 59 not found in Department files.

"3. Use of the port, transportation, and communication facilities in the Azores and Cape Verde areas, and installation and/or improvement of such as are mutually agreed.

"4. Importation, stationing, storage or removal from the Azores and Cape Verde areas of personnel, matériel, and supplies free of customs, duties, taxes and imposts of any kind.

"5. Jurisdiction over US personnel, present in the Azores and Cape Verde areas in the exercise of the rights accorded.

"6. Employment of a civilian contractor as an instrument in the exercise of such of the above rights as may be mutually agreed."

4. Article IV, should be dropped. Not required with Version A.

5. Article V, should now read:

"The right of the Portuguese Govt to make available to the Security Council, by any agreement under Article 43 of the Charter of the UN, facilities in the Azores and Cape Verde Islands shall not be impaired by the terms of this agreement."

6. Article VI, should be dropped for the present.

7. Article VII, change last word from "colonies" to "territories".

8. Article IX, period of agreement is 99 years. Do not use phrase "as long as the US Govt agencies are maintained in Germany or Japan."

(Deptel 680 of Jul. 18 ⁶⁵). [Hickerson.]

BYRNES

811.34553B/8-546

The Acting Secretary of State to the Secretary of War (Patterson)

WASHINGTON, August 5, 1946.

MY DEAR MR. SECRETARY: An agreement of May 30, 1946, between the United States Government and the Government of Portugal, stipulates in Paragraph (e) that:

"During a transitional period of 120 days the American and British authorities will withdraw from the airfields in question all the material and personnel at present there which the Portuguese authorities do not consider to be indispensable for the maintenance and operation of the airfields and do not wish to acquire or engage."

While we are continuing negotiations with the Portuguese Government for long term military rights in the Azores, it is apparent, from the advice of our negotiators in Lisbon, that the United States Government must be prepared to fulfill its obligations under the Agreement of May 30, 1946, if no new agreement has been reached which alters those obligations. It is also clear that the Portuguese Government is expecting literal compliance with the terms of the May 30 Agreement.

⁶⁵ Not printed.

It appears, therefore, that arrangements should be initiated by the War and Navy Departments in sufficient time to ensure that the commitments of the United States Government under this Agreement, which fall to those Departments, are carried out by October 2,⁶⁶ if the commitments of the United States Government have not before then been changed by a new agreement. The Department of State will, of course, assist in resolving any difficulties which may arise with the Portuguese Government in the course of the fulfillment of these obligations.

Sincerely yours,

[File copy not signed]

811.34553B/8-646: Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, August 6, 1946—7 p. m.

[Received 10:51 p. m.]

698. For Hickerson from Culbertson. Met with Portuguese yesterday. Copy of statement I made on way to you through Army channels should arrive day or so. It was mostly a summary and re-statement. Portuguese presented outline of basis upon which they feel agreement might be possible, having in mind sovereignty and sensibilities. This morning they sent us the following notes on meeting. Literal translation points of what they presented yesterday:

"1. Duration of agreement.

The American proposal establishes 99 years. The Portuguese Delegation could only accept an agreement for a very short period, say of about 5 years, because:

a. They cannot agree to the utilization of the two fields in the Azores against any enemy and, on the other hand, as it is not possible to indicate the enemy, only by making a short-term agreement can the enemy be in a certain manner defined and the Portuguese Delegation may thus take a conscientious (intelligent) position.

b. We limit the case to a conflict in which the two Anglo-Saxon powers are on the same side in a great war.

2. Anglo-American military utilization of this field is limited to wartime.

This means that in time of peace:

a. There cannot be any discrimination in the use of the two fields in favor of any nation.

b. The direct control of all activity on the two fields will be exclusively Portuguese.

⁶⁶ Date for end of the 120-day transitional period.

c. That is, there will not be any type of military occupation or intervention by foreign elements in the fields nor any type of condominium.

d. But Portugal, with the objective of guaranteeing the highest type of efficiency of these fields accepts and desires advice and indications and suggestions which English and American experience points out in connection with the improvement of installations, services and equipment of the fields, not only for its civilian usage but also for its defense and military utilization, which would be presented to it by a fixed commission, the composition and function of which would be agreed upon.

e. In the same manner and in order that their civilian and military personnel may be perfectly trained and acquainted with the improvements made in the fields, Portugal will promote an agreement with the governments of those two nations, either for the sending of its personnel to foreign schools or the bringing of American and British technicians to the Azores fields under conditions to be agreed upon.

f. The financial responsibilities for new works, installations and equipment and their maintenance will equally be agreed upon.

In time of war, in case the two Anglo-Saxon powers are on the same side, the Portuguese Government will place at the disposal of the military air forces of the two countries, both of the fields, on a footing of equality with Portuguese air forces with all of the facilities existent therein as well as those which it may be agreed to establish there during the war, under conditions to be determined not only for the use but also for the distribution of the financial responsibilities and for their evacuation after the war.

3. The utilization of the fields by the military air force of either of the two countries will terminate within 6 months after hostilities have ceased or an armistice has been signed and within that period all military and civilian personnel should abandon the field.

4. The main agreement will be accompanied by supplementary agreements having equal value which will define details regarding:

a. The conditions for the military utilization of the fields.

b. The conditions for the service of foreign personnel who come here to render service in the fields in time of peace.

c. The functioning of the mixed commission.

d. The distribution financial responsibilities in time of peace of constructions or new equipment which is not of interest to the civil operation of the fields and in time of war those resulting from military utilization.

e. Exemption of customs dues, imposts and taxes.

f. Civil and criminal jurisdiction in time of war."

These notes should be read along with minutes of July 29 meeting, now on way to you through Army channels.

There is an obvious desire on the part of the Portuguese to keep the door open but there is no basic change in their refusal to agree to presence of garrisoned troops on Portuguese territory or to a joint

operation. It must be solely a Portuguese show although they will accept and expect financial assistance and want technical help. They have no concept of what constitutes an effective operating military air base. No doubt they will be willing to learn and to attempt to maintain one if we give them the necessary bombers, fighters, ack ack, radar, etc., and train the Portuguese either in the States or in the Azores how to use the equipment. This training business is the only suggestion we get that Americans might be in the Azores in peacetime. They may well have in mind a concept of a test pilot in civilian clothing although it may be possible to dress up this training business even to a point of getting bomber groups, etc., in from time to time.

The group yesterday repeated their feeling that political formula was insufficient. I said we would have to know more about the Portuguese reaction to political formula before we could expect Washington to give full consideration to their proposal. Garin⁶⁷ undertook to arrange Foreign Office discussions with us. It is certain they expect formula to be part of agreement they propose and that they will endeavor to step it up.

If I were asked to summarize their proposal of yesterday, such summary would be practically the same as guessed at in Embtel 680, August 1.⁶⁸

We can probably through long patient hours, all days of negotiations get some worth-while improvements in their proposal. This, of course, their first counterproposal presentation and they obviously want to keep the door open. We will not, however, get it to the point of joint operation and control of the base itself. . . .

Please instruct. We would also like to know whether there has been any development on the British angle.

Sent Department 698; repeated Paris 121 for Delsec. [Culbertson.]

BARUCH

811.34553B/8-1546: Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, August 15, 1946—4 p. m.

[Received 7:05 p. m.]

727. For Hickerson from Culbertson. Am at a bit of a loss to know how to answer urtel August 12⁶⁸ since Emtel 698 gives basic Portuguese proposal or offer. We have not been able to obtain improvement in or more details on that proposal. We have no statement of what

⁶⁷ Vasco Vieira Garin, Assistant Director General of Political Affairs in the Portuguese Foreign Office, member of the Commission to discuss with Mr. Culbertson and colleagues military utilization of the Azores.

⁶⁸ Not printed.

they want (I presume you mean the political formula). They have however made quite clear that they do not consider our draft as being satisfactory. From what little we have been able to get out of them I anticipate they will ask for a formula which would commit us to come to their immediate military aid in the event Portugal or any of her territories were attacked and that action would not be dependent on Security Council. I reminded Foreign Office yesterday of my suggestion we discuss the political formula. So far no response.

We had another fruitless meeting with Portuguese group Tuesday afternoon.⁶⁹ We have endeavored to educate this group to a point where they will understand the requirements essential to a satisfactory air base and why Portugal could not maintain and operate such a base. Colonel Lopes . . . has no hesitation in arguing with Kuter on aerial requirements and strategy. However, even when we apparently get them to a point of understanding they drag out . . . inability to have foreign troops on Portuguese territory in peace time and then we find ourselves back where we started. We did get some small acceptance from them yesterday that if we were to train Portuguese personnel we would have to have American military personnel on the base. . . . They want to talk in terms of limited periods of time. Unless this Portuguese group receives radically different instructions the greatest improvement we can expect in their conditions would include American fighter group at Lagens with an Operational Training Unit title and function. This OTU would be expected to scale its strength rapidly as Portuguese substitutes were trained. Extensive training in the States would be required only the operational phase taking place in the Azores. The permanent basing of American VHB will not be accepted. On the other hand the building of all necessary VHB facilities is within the Portuguese concept. We might be able to obtain agreement on occasional brief visits by American VHB units in the Azores. They are thinking only in terms of a purely defensive base which they think they can operate with restricted amount of help from American technical personnel and a maximum American contribution of equipment and money. I feel quite sure we are not now going to get any basic change in that thinking nor will it come as a result of long weeks of negotiation and talk. It might come some time in the future if the Portuguese try to run an air base themselves and find if they will ever admit it that they are incapable either technically or financially to do so. Even so it would not necessarily follow that experience would modify their position on sovereignty and susceptibilities which gets repeated every time we see any of the Portuguese. They assume an attitude of our asking for a favor which if granted would jeopardize their

⁶⁹ August 13.

independence of action and position and would subject them to attack from any potential enemy of the US. We told them last week that if they considered our proposal as being one-sided, purely selfish and not in equal mutual interest we might or will [*as well?*] stop talking.

We got a new sidelight Tuesday from a non-official Portuguese citizen, one who is very close to Salazar. Salazar apparently feels that if he permits American "occupation" of Portuguese territory in time of peace he will be placing in the hand of the opposition a weapon and talking points which might well be used to whip up national pride and sentiment to point of causing Salazar's downfall. If Salazar really feels this way our chances of getting any favorable modification of the Portuguese proposals are practically nil. I would guess that Salazar probably does feel that way and that to give us what we want would be a contradiction of his publicly announced policy. . . . We tried to plant the thought that the opposition may effectively criticize Salazar's refusal of an opportunity to strengthen his ties with the US.

I think your decision will be whether we are prepared to give a political guarantee to Portugal and to undertake a commitment to assist financially and technically in the maintenance of a purely Portuguese air base which would be immediately available to us in the event of a war in which Britain and US would be co-belligerents. If the answer is no you will have to decide whether we are to hang on here for a long period of time trying to improve the proposals. If I were given a vote in these two decisions mine would be negative. We can now see the maximum improvement we might obtain as a result of continued negotiations (para 2 above) and we do not consider such improvement worthwhile since the proposal would still be such a far cry from what we want as to make it unacceptable.

It would be our recommendation that we tell the Portuguese that we regret our inability to arrive at an understanding at this time, say that our proposals will remain open if at some future date they feel an agreement along the lines we have proposed is feasible and then see whether time and experience will give them such practical education as to result in their adopting a different view of sovereignty and susceptibilities and in their developing a realistic appreciation of a time and other factors in modern warfare (perhaps this is too much to expect).

Our recommendations do not take into consideration the possibility of strong British support and participation or support from any other source if there is any. There is no particular reason to feel, however, that British or other support would in fact materially alter present Portuguese position.

Sent Dept 727, repeated Paris 129 for Secdel. [Culbertson.]

BARUCH

811.34553B/8-2246 : Telegram

*The Acting Secretary of State to the Ambassador in Portugal
(Baruch)*

TOP SECRET

WASHINGTON, August 22, 1946—6 p. m.

808. For Culbertson from Hickerson. For your information the War and Navy Depts have indicated that while appropriate rights and operational arrangements in the Azores for the entire period of occupation are considered essential, recent progress in working out operational arrangements under the May 30 Agreement have relieved the urgency for immediately replacing that agreement. If operational arrangements, such as those recently agreed upon, are carried out in practice, a more liberal interpretation would be given to the May 30 Agreement, and operations under it would thus be feasible. Barring a change in these conditions, therefore, the question as to the timing of the approach to the Portuguese, as outlined in Mr. Byrnes' memo to Mr. Bevin (see War Dept tel 97855 Aug 18 and OCD 100 from Paris Aug 21 ⁷¹), can be decided as a matter of tactics.

Under these circumstances we see some advantages in postponing this approach pending further developments in the discussions in the Azores and a more appropriate time for the presentation of our request. However, we will be guided by your judgment.

Sent to Paris as 4297 rptd to Lisbon as 808. [Hickerson.]

ACHESON

811.34553B/9-346 : Telegram

The Ambassador in Portugal (Baruch) to the Secretary of State

TOP SECRET

LISBON, September 3, 1946—7 p. m.

[Received 9:12 p. m.]

777. For Hickerson from Culbertson. Mathias lunched with the Ambassador and me yesterday. He was told of our intention to recess discussions for the time being, that it is our feeling that considerable progress had been made in the development of American-Portuguese relations and understanding although our proposals and theirs were still considerably far apart and that it was my intention to return in a few days to Washington in order to be in a position to explain in person rather than by telegram the course and progress of our discussions here. Mathias seemed somewhat taken aback by this and took the attitude that we were breaking off negotiations entirely. I think we were able to straighten him out on that score and that he has now accepted the recess idea. He talked at great length of his hopes

⁷¹ Neither printed.

and aspirations to develop and build closer ties between our two countries, ties that would stand the test of time in the years to come, etc., etc.

It was obvious throughout the whole discussions that Mathias is resentful of and maybe antagonistic toward the understanding Kissner has been so successful in reaching with the Minister of War. He directly implied that we were calling a halt to our present long term discussions because we were getting indirectly all we wanted under the arrangement with the Minister of War. I am afraid he may try to throw a monkey-wrench into the works. With much gesticulation he outlined what he had had in mind when he proposed the language of the May 30 Agreement emphasizing that the transit rights did not envisage the maintenance of troops at Lagens, just a few technicians, no hospital or anything like that. . . . War Minister is expected to sign memorandum of understanding tomorrow.

I received this morning at 10 o'clock from Admiral De Souza the memorandum quoted below. It is dated August 31 but I wonder whether the timing of its delivery does not have some connection with the conversation with Mathias yesterday.

"As a result of the conversations which have taken place between the two delegations and after a closer examination of the conditions under which Portugal will cooperate with the United States and the United Kingdom to the security of the Atlantic the Portuguese position may be summarized as follows:

"1. In case of war, in the hypothesis which has been considered and during the period of effectiveness of the agreement which may be entered into for the purpose and once guarantees which are deemed sufficient have been obtained Portugal will cooperate with the US and the United Kingdom placing at the disposal of the American and British air forces for the time of duration of the war and for use without restrictions the air bases of the Azores. These bases will be served through certain ports where the necessary facilities will be granted.

"2. The Portuguese Government cannot acquiesce to the establishment of American or British forces in its bases in the Azores in times of peace.

"3. Portugal with the object of giving its cooperation in the most effective form compatible with its possibilities intends already in times of peace to take certain steps and would therefore desire to know: (a) the improvements which the American delegation understands as convenient to be made to the installations either from the technical point of view or from the military point of view for a more efficient use in warfare so as to examine up to what point it will be possible to give satisfaction; (b) the plan of training of the Portuguese Air Force in American and British schools so that its personnel may conveniently familiarize itself with the new equipment to be utilized."

At Mathias' invitation I lunched alone with him today. He had talked with Salazar last night who according to Mathias was greatly

disturbed about recessing the discussions and also about the terms of the Kissner–Minister of War agreement. Apparently the Minister of War has not kept Lisbon informed of the character of the agreement and had, again according to Mathias, far exceeded his authority. Mathias did not know what Salazar would do. He did say that if the understanding were approved he would submit his resignation to Salazar and to prove his point reached in his pocket and produced his letter of resignation. On the other hand if Salazar disavows the Minister of War that could possibly produce a Cabinet crisis. From Mathias' point of view things are really snarled up.

It again came out that Mathias feels that we think we have put a fast one over by means of getting the Minister of War to agree to what we want and we are not therefore interested in continuing long term discussions. I told him the two had nothing to do with each other and that I fully expected to see us resume long term discussions in the not too distant future. Mathias' attitude does not surprise me since I never have been able to figure out how the Minister of War could commit the Portuguese Government to our keeping several hundred troops at Lagens in time of peace when at the same time here in Lisbon Salazar and the Foreign Office were telling us such a thing was not possible under a long term understanding.

Mathias reiterated several times this afternoon that the Kissner–Minister of War negotiations had caused him and Dr. Salazar to lose faith in negotiating with Americans; that when the American Army once got in a place they would never leave; that he could assure me that notice would be given that there would be no extension of the present 18 months May 30 Agreement; that the presence of American troops in Portuguese territory in time of peace was impossible of acceptance.

He spent considerable time in extolling the possibilities of a long term understanding by which we could have use of any Portuguese territory in time of conflict or if we thought conflict imminent we could move in bombers for a short period of time etc., etc., always however we guaranteeing Portugal and her territories.

I don't like the way the atmosphere has changed and although I am anxious to get home I feel I should stand by a few days longer than I had planned and will do so unless you instruct to the contrary.⁷²

Sent Department 777, repeated Paris for Delsec as 140. [Culbertson.]

BARUCH

⁷² Department agreed with Mr. Culbertson's decision to stay.

811.34553B/9-746 : Telegram

*The Ambassador in Portugal (Baruch) to the Secretary of State*TOP SECRET
PRIORITYLISBON, September 7, 1946—6 p. m.
[Received 7:40 p. m.]

794. Hickerson from Culbertson. Kissner and Sintra signed entirely satisfactory memorandum at War Ministry today. The issue of the implementation of 30 May Agreement is not leveled off.

Following signature Kissner and Davidson ⁷³ discussed with War Minister the surplus property question. In their opinion War Minister was stunned by the price of the total and complicated nomenclature on the FLC forms. Next 2 hours were spent by Kissner and Davidson trying to build up fact that Portuguese are getting a bargain—soon were involved in question of what specific items are being left at Santa Maria under the clause “indispensable” to maintenance and operation of a civil airport in an isolated location. This remained uppermost in War Minister’s mind and he insisted on at least a week for study of the property lists and coordination with Portuguese civil aeronautics and public works people.

You will recall that British sold their Lagens surplus for 100,000 pounds and thus established a precedent in the Portuguese mind for a not too expensive deal.

I still feel that War Minister has stuck his neck way out in trying to be cooperative with us and opposing Portuguese Foreign Office. He is the one man who is going to make it possible for us to later develop a long standing operational arrangement which will approach our requirements. He has expressed a hope and expectation that he will see Kuter and Kissner in the spring. This means that he himself appreciates the value to Portugal and the US of what we have sought to obtain.

I would like to emphasize that I feel strongly that my original recommendation (Embtel 787, Sept 5 ⁷⁴), should be accepted. The Santa Maria surplus is a white elephant to the Army boys especially due imminence of date of Oct 2 and necessity of caretaking the stuff. It will be no mean headache to them if they cannot dispose of it in bulk and to War Dept if at this late date we again talk of shipping it out.

I frankly feel that arguments in Deptel 862, Sept 6 ⁷⁵ fail to appreciate the situation as it actually is here and the extent of the War Minister’s efforts to help us. I still would like to say that had we lost

⁷³ Colonel Davidson, Executive of the Office of Foreign Liquidation Commission.

⁷⁴ Not printed; the recommendation was that the surplus property in the Azores be turned over gratis to the Portuguese (811.34553B/9-546).

⁷⁵ Not printed; the Department argued that surplus property could be sold for substantial benefit and expressed belief that there was not sufficient justification for transferring surplus property gratis to Portuguese (811.34553B/9-546).

to the Mathias school of thought, it would have been much more costly to us to maintain line of communications to Europe because I doubt whether ATC could have operated through Azores. I had lunch again today with Mathias who is still grumbling about the arrangement which Kissner has made with the War Minister.

I repeat my conviction that it will pay dividends later to assist now those in this Portuguese Govt who appreciate the advantages of cooperation with us and who are willing to help us get what we need.

I request that restudy be given to the recommendations contained Emtel 787 with which Kissner and Davidson agree.

Kissner is furnishing Davidson return air lift to Orly Field. [Culbertson.]

[BARUCH]

811.34553B/10-1746

Memorandum of Conversation, by the Acting Director of the Office of European Affairs (Hickerson)

[WASHINGTON,] October 17, 1946.

Mr. Donald Maclean ⁷⁶ came in to see me yesterday afternoon at his request. He referred to the recent conversation which Mr. Culbertson and General Kuter conducted in Lisbon in regard to base rights in the Azores. Mr. Maclean said that we had kept the British Government fully informed in regard to these conversations but that there were two matters in connection with them which he would like to raise with me.

Mr. Maclean inquired whether it was our present intention to resume conversations with the Portuguese Government in the next few months. I replied that it was our present intention not to resume such conversations with the Portuguese Government in the next few months. I went on to say that our present thought is that if the May 1946 Agreement works as well as we now anticipate, we will probably approach the Portuguese Government about next May or June and ask for an extension of the 18 months period of transit rights which we obtained in that Agreement. I said that we would probably try to get the Portuguese Government to agree to extend this Agreement for the duration of the occupation period for Germany and Japan. I stressed the fact that this is our present thought and that our thinking may change in the next few months but that I consider this unlikely.

Mr. Maclean also inquired whether we intended to have an exchange of views with the British Government before we resume conversations

⁷⁶ First Secretary of the British Embassy.

with the Portuguese Government about long term base rights in the Azores. I replied that I could assure Mr. Maclean that we do intend to discuss this matter with the British Government before resuming conversations with the Portuguese Government. I recalled to Mr. Maclean that we had had an extended exchange of views with the British Government beginning with November 1945 before we made any approach to the Portuguese Government. I told Mr. Maclean that we are fully conscious of the terms of the ancient alliance between the United Kingdom and Portugal and that I was sure he understood that we had no desire to undercut in any way the British position in her relations with Portugal. I said that we wish to have British concurrence and active support for our base program in Portugal as we assured the British Government last November at the beginning of the conversations.

Mr. Maclean expressed appreciation. He said that he knew that the British Government would be glad to lend its full support to the United States in this matter. He added that we could, of course, understand that for security reasons the British Government would welcome United States bases in the Azores but that they would not like to see any arrangement which would exclude British forces and thus worsen the present U.K. security position. I replied that we fully understood this and that we would have not the slightest objection to the British Government concluding an arrangement with Portugal to have rights of use paralleling any rights which the United States Government obtained in the Azores.

J[OHN] D. H[ICKERSON]

AGREEMENT BETWEEN THE UNITED STATES AND PORTUGAL REGARDING PORTUGUESE COLONIAL SISAL, EFFECTED BY EXCHANGE OF NOTES SIGNED AT LISBON MAY 17, 1946

[For text of notes, see Department of State, Treaties and Other International Acts Series No. 1590.]

SPAIN

ATTITUDE OF THE UNITED STATES WITH RESPECT TO THE FRANCO REGIME IN SPAIN¹

501.BC/12-2745

*Memorandum by Mr. Harry N. Howard of the Division of International Organization Affairs*²

SECRET

[WASHINGTON,] December 27, 1945.

USGA/Gen/9

THE PROBLEM OF SPAIN

I. *The Nature of the Problem*

In the event that the question of Spain comes before the United Nations Organization, should the United States adhere to its policy of leaving action to the Spanish people themselves and oppose assumption of any responsibility by the United Nations? Should the United States take steps in advance with all or certain of the Latin American countries in the interest of avoiding the raising of this question? If so, on what basis should such a step be taken?

II. *Proposed Position of the United States*

It is altogether probable that the question of Spain will come either before the General Assembly or the Security Council of the United Nations, or possibly both. The problem may arise in one of two forms: 1) As a recommendation for action on the part of the United Nations Organization; or 2) as a recommendation for action on the part of individual members of the United Nations. In view of the interests involved, the United States should keep in touch with Great Britain and France concerning the development of a joint policy concerning the problem of Spain. It is improbable that concerted discussions with the various Latin American countries, beyond the exchange of information, would serve any useful purpose in this respect.

Should the question arise, the United States should not discourage discussion of the Spanish problem or the presentation of a formal

¹ Continued from *Foreign Relations*, 1945, vol. v, pp. 667-708.

² This document was one of 29 position papers which projected substantive issues that might arise at the impending first session of the United Nations at London and which established a United States position thereon. These papers are located in the files of the Reference and Documents Section of the Bureau of International Organization Affairs (hereafter cited as the "IO Files") in series USGA/Gen/1-29.

resolution concerning the question. The United States should support any resolution reiterating the position taken at the San Francisco³ or the Potsdam Conference.⁴ It is possible, however, that a resolution may be offered urging member governments to withdraw diplomatic recognition from the present Spanish Government, and at the same time to assure the Spanish people that the restoration of representative government is favored. In this event, or if other action by UNO with respect to Spain is favored, the Delegate of the United States should consult with the Department of State.

[Here follows background discussion of the Spanish position during the war and the evolution of the attitude of the United States during 1945.]

852.00/1-246

The Spanish Embassy to the Department of State

[Translation]

The Embassy of Spain presents its compliments to the Department of State and, pursuant to instructions received to that effect, respectfully encloses the complete text of the Unofficial Memorandum issued by the Spanish Government in connection with the last meeting of the Council of Ministers held recently in Madrid.

WASHINGTON, January 2, 1946.

[Enclosure-Translation]

Unofficial Memorandum Issued by the Spanish Government

Upon the conclusion (of the meeting of the) Council of Ministers the following Unofficial Memorandum was issued:

“The Council of Ministers has given careful attention to the new campaign of rumors and calumny which is again being waged against our nation by extremist sectors of the foreign press, and it regrets that the political sectarianism predominant in some countries makes certain official elements of the said States appear as participants in this campaign without regard for the most elementary rules of international courtesy, without prejudice to any complaints or protests which Spain may make through appropriate channels against this breach

³ For documentation on this Conference see *Foreign Relations, 1945*, vol. I, pp. 1 ff.; for information on action on the Spanish problem see also *Documents of the United Nations Conference on International Organization, San Francisco, 1945*, vol. 6, pp. 124-136.

⁴ See *Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945*, vol. II, p. 1637, entries in index under “Spain: Franco regime”, and “Spain: United Nations”.

of good international practice. The Spanish Government considers itself obliged to come out publicly against these machinations with which it is cunningly attempted once more to cast great discredit upon the fair name of our country. In informing the country on this subject, the Government desires likewise to give notice in order to prevent its natural sentiments and reactions from being turned against those countries in which such campaigns are taking place; a distinction should be made between sectarian and communistic minorities, which engage in or encourage these campaigns, and the great honorable mass of the said countries, especially the Catholic world, in the name of which the Government receives constant communications condemning such offenses and calumnies. Continual testimonials of friendship for Spain belie the supposition that there exists in the Nation any fundamental political problem to be solved, for, all attempts at agreement between antagonistic elements having failed in their day, it solved its own problem more than six years ago with the victory of national arms. In a manner similar to that in which, all peaceful means having failed, the world solved its (problems) by means of the recent war. This national victory represented for Spain a spiritual and material rebirth. It was used for the benefit of all Spaniards, its chief badge of glory being the highly important social transformation accomplished in this period, and which had awaited a solution for many years. At the end of our war of liberation all the countries of the globe hastened to recognize the new Spanish State and its regime with only two exceptions: Russia, which had not had any relations with Spain since its Revolution of 1918, and Mexico, of which country the Spanish Government requested as a prior step the return of the gold stolen by the Reds and which was carried to that country and protected by the Mexican Government. At the outbreak of the world war Spain maintained a neutral and peaceful position, making an effort to localize the war and, with its skillful foreign policy, preventing the Axis countries, totally victorious during the first years of the war, from going overflowing its frontiers to the detriment of the Allied Nations. Today it is disclosed by unofficial statements of Foreign Offices and published documents that, notwithstanding the peaceful and neutral status of Spain, on both sides there existed belligerent plans to violate Spanish neutrality, in fact by attacking Spain, which at the time calmly faced those situations which it foresaw and sought to destroy such machinations and to allay by its firm, courteous and loyal conduct, the dangers which threatened it, without concealing the fact that it was ready at any event to defend its independence during the long period in which Axis predominance lasted, at the same time maintaining perfect relations of friendship with its neighbor, showing

a chivalrous and peaceful spirit and strengthening the bonds of friendship with the Portuguese nation by means of treaties guaranteeing the integrity of the Iberian Peninsula.

Upon the entry of the United States and Japan into the conflict, it swayed Spanish sympathies to the side of the American effort in the Pacific; the savage outrages against Spaniards in the Philippines resulted in the severance of Spanish diplomatic relations with Japan. Beginning with the entry of the United States into the war, concessions which Spain has been making in behalf of better international harmony, even to the point of yielding its own rights on many occasions, are an example of the spirit of good will of the Spanish State and its Government toward other nations.

The Spanish domestic policy is a matter of exclusive concern to Spaniards and, furthermore, it is developed under the eyes of the world in a free and open manner. For four years there have been functioning intensively and publicly the Spanish Cortes, in which the preparation of laws takes place, the Council of State, and High Courts of Justice; which protect the rights of all Spaniards; National Syndicates, composed of persons engaged in production, periodically elect their own officers and representatives, and a new local Administration Law has opened the way to public representation to all Spaniards.

The Nation has honored its past signatures and commitments, liquidating large debts and deficits created by the Republic or during the Red period. The Spanish people, for their part, have for nine years shown themselves on all occasions and in an unequivocal manner to be on the side of the Caudillo⁵ (Chief) and his Government. Life in Spain has, in short, developed in a completely normal way since 1939, notwithstanding activities and intrigues that have been carried on from abroad with a view to stirring up trouble. In the face of these incontrovertible facts, Spain once again rejects with all its energy the insidious campaigns of discredit which its enemies are carrying on with impunity with the aid of funds from the Spanish treasury itself—the billion eight hundred million in gold and jewelry which the Reds stole in Spain—and who are being assisted in their propaganda by the political passions of communists and extremists of other countries.

Spain does not accept meddling from abroad in its internal affairs and accuses before the honorable conscience of the world the sectarian action of those who promote and assist it. Nor does Spain accept the role which is frequently attributed to it—that of a lightning-rod which deflects the domestic storms of other countries. Spain considers that campaigns of this nature are an attempt against the sov-

⁵ Generalissimo Francisco Franco y Bahamonde.

ereign rights of independent nations and establish unfortunate antecedents for relations between them that might eventually thwart the pacific aims which, in a general way, appear to be put forward for stability and world peace. Spain, in short, will unflinchingly maintain its rights and is ready to isolate itself from those who may have such an impaired conception of international relations among peoples.”

WASHINGTON, December 30, 1945.

711.52/1-546

The Spanish Ambassador (Cárdenas) to the Secretary of State

No. 8 Personal

WASHINGTON, January 5, 1946.

MY DEAR MR. SECRETARY: I am sincerely sorry not to have had the opportunity of seeing you after my return from Spain and before your departure for London.⁶ I think an exchange of views at that time would have been most helpful.

I must begin by saying that the recent statements and the position taken by some of the responsible officials of the Department of State have caused great surprise and concern to my Government since it does not appear to conform to the treatment customarily accorded to the recognized Government of an independent Nation. May I add that this policy has not only failed to advance the efforts I have constantly made during my long stay in the United States towards a better understanding between our two countries but it has served to hinder and nullify them.

It is indeed discouraging to discover that the more effort Spain is making to demonstrate her goodwill towards the United Nations and especially towards the United States, the more pressure is exerted upon her and the more warnings she receives. It seems that one of the grounds on which it is sought to justify this course is the allegation that the Spanish Government aided the Axis powers.

Generally, it can be established that any action favorable to the Axis powers by Spain was taken under pressure and in self-defense in order to prevent an Axis invasion which would have ruined Spain and caused incalculable injury to the Allied cause, on the other hand action taken favorable to the United Nations was prompted by a friendly feeling towards them.

The late President Roosevelt in his letter to Generalissimo Franco, in November, 1942⁷ fully assured Spain that she had “nothing to fear

⁶ Secretary of State James F. Byrnes left Washington on January 7, 1946, to attend the General Assembly of the United Nations at London.

⁷ The letter was released to the press November 8; for text, see *Foreign Relations*, 1942, vol. III, p. 306, or Department of State *Bulletin*, November 14, 1942, p. 906.

from the United Nations” and also said: “It is because your nation and mine are friends in the best sense of the word and because you and I are sincerely desirous of the continuation of that friendship for our mutual good that I want very simply to tell you of the compelling reasons that have forced me to send a powerful American military force to the assistance of the French possessions in North Africa.”

And Mr. Churchill, in his speech of May 24, 1944, in the House of Commons stated that “there is no doubt that if Spain had yielded to German blandishments and pressure, our burden would have been much heavier. The Straits of Gibraltar would have been closed and all access to the Mediterranean would have been cut off from the west, and the Spanish coasts would have become a nesting place for German U-boats. . . . I shall always consider it a service rendered by Spain, not only to the United Kingdom and the British Empire and Commonwealth, but to the cause of the United Nations. . . . I am here today to speak kindly words about Spain. Let me add this hope, that she will be a strong influence for the peace of the Mediterranean after the war. . . . The internal political arrangements in Spain are a matter for Spaniards themselves. It is not for us to meddle in these affairs as a government.”

Ex-Ambassador Hayes’ book *Wartime Mission in Spain* also clearly shows Spain’s goodwill towards the United States long before the end of the war. He says to this respect: . . . “The Spanish Government of General Franco has not been ‘thoroughly pro-Axis,’ but, rather, has long accorded a large number of important facilities to the Allied war-effort. Spain’s contributions to us in this respect compare favorably with those of any other neutral—Sweden, Switzerland, Turkey, or Portugal.”

Current comment seems to be that documents found by the American missions in Germany raise a presumption against Spain. We have not yet seen these documents published. However, when I crossed Portugal on my recent trip to Spain, I saw in the Portuguese newspaper *Diario de Las Noticias* part of a correspondence between Hitler and Mussolini, referring to the Spanish position during the war and rebutting any such presumption. I quote a few paragraphs translated from the Portuguese text:

“Hitler to Mussolini—December 31, 1940—Spain, extremely uneasy by the situation, which Franco considers greatly changed, refuses to collaborate with the Axis powers. I think that Franco is making the greatest mistake of his life. I consider it extraordinarily naive his decision of accepting raw materials and cereal foods from the Democracies as some sort of reward for his avoidance of the conflict. They will thus keep him inactive until the delivery of the last grain of wheat and the time will come when these Democracies will attack

him. I regret it (Franco's procedure) because for our part we had completed all the arrangements for a crossing of the Spanish border on January 10th, which would enable us to attack Gibraltar at the beginning of February. This, in my opinion, would permit us to achieve victory in a relatively short time. . . . I still entertain a very slight hope of a last-minute change of mind on his part, and that he, realizing at last the catastrophic effect of his conduct, will decide on another policy by attending to that front with whose victory his own fate is linked."

"Hitler to Mussolini—February 28, 1941— . . . I take for granted that his (Franco's) explanations mean that Spain does not want to enter the war either now or later. This is most annoying since we are thus deprived of easier ways to attack Great Britain in her Mediterranean possessions. On the other hand, the Spanish desertion is also deplorable because it eliminates the best opportunity of finishing once for all with the political unreliability of France."

"Hitler to Mussolini—February 16, 1943—Should the Spanish Government have been ready to solve definitely Gibraltar's problem—and we had at our disposal at the time an unlimited supply of troops and armaments for the purpose—the whole Mediterranean campaign would have taken a different course. There would not have been then either Englishmen or Americans in North Africa but only Italians and Spaniards."

"Mussolini to Hitler—March 9, 1943—Spain is yet a drawing card in our hands and, in spite of Franco's fluctuating policies, I think we could play this card to a greater advantage for us, should the day arrive which would permit us to cross Spain's territory to attack the Anglo-American defenses in North Africa on their rear. I know that our enemies are highly concerned over the eventuality of such a manoeuvre on our part."

In what it refers to as the so-called Republican Government of Spain formed in Mexico, my letter to you of August ⁸ clearly explains the true situation. May I add that the violent and persistent campaign against the Spanish Government is conducted by this group with the treasure stolen from Spain and brought to Mexico, and the help of all the Communist Organizations of the whole world.

In my letter before-mentioned I pointed out what the consequences would be should the policies announced by Dr. Negrin ⁹ be imposed on Spain. I also pointed out who Dr. Negrin is and what is his standing among the Spanish people.

I shall conclude by repeating what I said to you in my letter of last August and in my statement to the press on my arrival in this country.

⁸ Letter of August 30, 1945, not printed, but see the Secretary's letter of September 11, 1945, in reply, *Foreign Relations*, 1945, vol. v, p. 688.

⁹ Juan Negrin y Lopez was Premier of the Spanish Republic at the time of its defeat and was Premier of the Spanish Republican Government in Exile until August 1945.

Everybody in Spain, from Generalissimo Franco down to the humblest citizen of the smallest village, wish for the orderly and pacific evolution, to proceed without interruption to the consolidation of a permanent Governmental pattern, tending to have the Spanish people see their aspirations fulfilled and their needs satisfied. Spain is steadily and progressively restoring a political situation with a more representative system and a program is now being drawn for the present year in which the evolution already initiated with the announcement of Municipal elections for next March will be followed by the renovation of the "Cortes", a liberal regime for the press, etc. Spain is ready for evolution but she needs time and peace to achieve it.

With the assurances of my highest consideration, I remain

Sincerely yours,

JUAN F. DE CÁRDENAS

852.00/1-1846: Telegram

The Acting Secretary of State to the Secretary of State, at London

SECRET

WASHINGTON, January 18, 1946—7 p. m.

US URGENT

588. For Secretary Byrnes from Acheson. Balfour¹⁰ came in this afternoon to discuss the Spanish situation, particularly in relation to the recent French note suggesting tripartite discussions. The British preferred not to have a meeting but exchange views through diplomatic channels. They do not wish to break relations with Franco but feel that internal developments are progressing and should be allowed to develop. I told him that I did not feel that we could go on indefinitely with mere statements of our dislike for Franco but that we would be obliged to take some action. Merely by way of suggestion I put forward the thought that the three governments might agree to some statement which would be made public and which would be somewhat along the following lines: that the three Foreign Ministers had discussed this question in London; that we reiterated our dislike for Franco and the maintenance of a Fascist regime in Spain; that while the determination of the Government of Spain is a matter for the Spanish people the three governments are agreed that in order for a government in Spain to be an acceptable member of the community of nations certain measures would have to be taken by the Spanish people themselves. These measures would involve such things as the withdrawal of Franco, the possible establishment of a caretaker government which would enunciate certain fundamental principles such as political amnesty, return of refugees and free elections.

¹⁰ John Balfour, British Minister in the United States.

Balfour seemed to feel that some such move might be possible and said he would wire London with regard to it.

We shall try to make this more specific and submit it to you.

ACHESON

852.00/1-3046 : Telegram

The Chargé in Spain (Butterworth) to the Secretary of State

CONFIDENTIAL

MADRID, January 29, 1946—noon.

[Received January 30—9: 35 p. m.]

174. Morning press gives front page prominence to interview granted by Franco to Associated Press correspondent De Witt Mackenzie. Published version of interviews covers all of points submitted in writing but omits mention of question raised orally during interview as to whether Caudillo supported Nazi and Fascist policies and whether he subscribed to political views of Hitler and Mussolini. Mackenzie states Franco replied categorically in negative, stressing Spain developing along own lines and pointing out that after terrible civil war country must proceed carefully and cannot jump haphazardly to another regime. He alleged that Cortes has ultimate authority in passing laws and that government is developing slowly toward "absolute democracy" for which people not yet prepared. Other unpublished statement was that World War and [*had?*] three-fold meaning for Spain, as war among civilized countries of Europe which was matter of regret to Spain, as war against Russia by Germany which had Spain's sympathy as calculated to halt communism, and as war in Pacific in which Spain had greatest sympathy with America and was always for us.

Brief summary of published interview main points of which were emphasized by headlines of principal morning dailies follows: Free exchange of news is necessary to international understanding only on condition reporting be honest and accurate; Spain trying cultivate this idea for its press and radio in order to prevent prejudice of relations with other countries and hopes for reciprocity from those countries; Spain's internal political reform difficult to understand in countries not knowing past and present facts notably Spain's political development through 150 years including recent "eruption into politics of the laboring masses and their obedience to foreign commands in order to unleash social revolution" and present importance of Cortes, recently promulgated referendum law, Council of State, Supreme Court and Catholic ideals and uprightness; Spain geographically and

historically close to US and Great Britain and destined to understanding with them; Potsdam Declaration regarding Spain¹¹ has been rejected by Spain and is of little importance to it since Spain, well out of present difficult international political situation, can in own way and by own means contribute its share to peace among peoples; and government's evolution and improvement including question of possible restoration of monarchy proceeding step by step as circumstances warrant and by will and initiative of Spanish people alone and definitely not to be dictated by foreign pressure.

Full text by despatch. Repeated to Tangier as 6 and Lisbon as 12.

BUTTERWORTH

852.00/2-246 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

SECRET

LONDON, February 2, 1946—11 a. m.
[Received 11:23 a. m.]

1272. For the Secretary from Cohen.¹² You will recall you told Bidault¹³ you would discuss Spanish situation with him on his return to London. Do you wish any of us here to speak with him while he is here or would you prefer to have Bonnet discuss situation with you in Washington or to have Caffery talk with Bidault at Paris?¹⁴ If you desire discussions to take place here, please cable instructions as to the general lines you wish to be followed.

Bohlen¹⁵ and I had a talk with Negrin at his request. He strongly urged that a statement should emerge from the Assembly meeting either from the Assembly itself or from some agreement among the great powers. He thought such a statement necessary to prevent growing impression that statements made at San Francisco and at Pots-

¹¹ *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1510.

¹² Benjamin V. Cohen, Counselor of the Department of State; Senior Adviser, U.S. delegation, First Part of First Session of the General Assembly, United Nations, London.

¹³ Georges Bidault, French Minister for Foreign Affairs; Head of French delegation, First Session of the General Assembly, United Nations, London.

¹⁴ Secretary Byrnes in reply stated in his telegram 1256, February 6, 1946, that he preferred to talk with French Ambassador Henri Bonnet in Washington rather than have U.S. Ambassador Jefferson Caffery discuss the matter with Mr. Bidault in Paris (862.00/2-246).

¹⁵ Charles E. Bohlen, Assistant to the Secretary of State. Mr. Bohlen was present at the General Assembly during the period that Secretary Byrnes was in attendance, January 8-25, 1946.

dam are not to be taken seriously.¹⁶ He advocated the adoption by great powers of a common policy indicative of their desire to see restoration of democratic government in Spain. But he suggested that each government might determine for itself the particular measures which it would take to carry out this common policy. He thought, for example, that France might be prepared to break relations with Franco while the US and Great Britain might take other steps such as the appointment of a political agent to maintain contact with the government in exile. [Cohen.]

WINANT

752.61/2-346: Telegram

The Chargé in the Soviet Union (Kennan) to the Secretary of State

SECRET

Moscow, February 3, 1946—3 p. m.

[Received 4:50 p. m.]

328. In view of interest shown by foreign Communists in mobilizing international pressure for overthrow of Franco Govt and speculation about future Russian policy toward Spain (for example Madrid's 71, January 14 to Dept¹⁷), it might be useful to recapitulate briefly at this time basic elements in Soviet attitude toward Spain.

1. Spain is one of very few western countries in which Russian Communists have discerned social conditions similar in certain respects to those prevailing in Russia prior to revolution. They have learned from experience that social revolution is easiest where working class

¹⁶ This view was urged upon the United States delegation by Mr. Cohen at an executive session of the delegation on February 6 in which it was determined that the delegation would support a resolution on Spain introduced by the delegation from Panama (IO Files, document USGA/Ia/Del. Min./Exec/13 (Chr), "Minutes of Meeting of the United States Delegation . . . London, Claridge's Hotel, February 6, 1946, 9:30 a. m."). The Panamanian resolution, slightly modified by a Norwegian amendment, was adopted by the General Assembly on February 9 (Resolution 32 (I) as follows:

1. The General Assembly recalls that the San Francisco Conference adopted a resolution according to which paragraph 2 of Article 4 of chapter II of the United Nations Charter "cannot apply to States whose regimes have been installed with the help of armed forces of countries which have fought against the United Nations so long as these regimes are in power."

2. The General Assembly recalls that at the Potsdam Conference the Governments of the United Kingdom, the United States of America and the Soviet Union stated that they would not support a request for admission to the United Nations of the present Spanish Government "which having been founded with the support of the Axis powers, in view of its origins, its nature, its record and its close association with the aggressor States, does not possess the necessary qualifications to justify its admission."

3. The General Assembly, in endorsing these two statements, recommends that the Members of the United Nations should act in accordance with the letter and the spirit of these statements in the conduct of their future relations with Spain. (United Nations, *Official Records of the General Assembly, First Session, First Part, Resolutions adopted by the General Assembly during the First Part of the First Session*, p. 39.)

¹⁷ Not printed.

is most backward and owning classes most feudal and isolated. Thus Communist minds, frustrated by failure of Marxism to become effective drawing card in advanced western countries, have always turned with hope to more familiar social climate of Iberian Peninsula.

2. Russian Communist Party and Secret Police engaged themselves heavily in Spain during civil war more heavily in fact than they had done in any western country, and lost out. Not ordinarily given to nursing of grudges (smashing of German Communists was received in Moscow with bland indifference if not slight tinge of relief), Russian Communists have borne implacable resentment over their elimination from Spanish picture and have shown unwillingness to let by-gones be by-gones.

3. There is no doubt that participation of Spain in German attack on Russia and above all nefarious behavior of Spanish Blue Division aroused enormous resentment here and gave final hardening to Soviet hatred of Franco regime. Russians will not forget that Blue Division was largely responsible for wrecking and plundering of Catherine The Great's Palace at Tsarskoye Selo, perhaps the finest of Russian historical monuments, and that Spaniards quartered their horses in the ruins. This was so gratuitous and so grievous an act of vandalism that Spaniards should not hope to avoid some day being confronted with the bill.

4. But intensity of Russian efforts to displace Franco are not explained by sentiments of revenge alone. Politically as well as strategically Russians recognize in Spain a key territory in which it is highly important for them to gain influence.

5. Politically Spain presents itself to Soviet mind: (a) as an important flanking position to France and to Italy in both of which countries Soviets have strong hopes of eventually achieving dominant political interest; (b) as entry to backward peoples of Morocco; and (c) as potential direct channel of influence to Latin American world independent of US or of any other great American power.

6. Russians are keenly aware of strategic situation of Spain and particularly interested in it because it controls entrance to a sea of which they are close to being a littoral power. Manuilski, Ukraine Foreign Minister, stated publicly in 1926: "Tangier represents a military base competing with Gibraltar. Gibraltar is an outmoded cliff fortress. Tangier is its growing competitor. The installation of long range artillery at Tangier for example would assure to the state which holds Tangier the mastery over the entire Straits of Gibraltar".

7. Russians have recently found themselves helpless to accomplish anything effective by direct efforts toward the overthrow of Franco. Their previous preoccupation with German danger and their present

naval and air weakness have prevented them from contemplating direct military action. Nor have they been able as they once hoped to penetrate and mobilize for Soviet purposes anti-Franco opposition among Spaniards inside and outside of Spain. Apparently the narrow scholasticism, crushing discipline, systematic intolerance and slavish devotion to Soviet policy which have characterized Moscow-oriented Spanish Communists plus Spanish memories of Communist brutalities and excesses in civil war period have combined to render Communists impotent to seize lead among forces opposed to Franco. Moscow has therefore been reduced to relying principally on public opinion and govt action in western countries to bring pressure for downfall of Franco regime. Soviet policy has thus been (a) to do all in its power to render impossible achievement of any permanent *modus vivendi* between western powers and Franco or any other conservative element in Spain and (b) to utilize every possible channel for mobilizing western opinion against Franco in the hopes that western govts will have to yield to pressure and make strong action to bring about downfall of Franco regime. This last is an excellent example of purposes for which Moscow so assiduously pursues control of international mass organizations such as labor unions, women's groups, youth groups, etc., and it is not by chance that authoritative Moscow *New Times* cites messages sent to Moscow Conference of Foreign Ministers by World Federations of Trade Unions and by International Women's Federation allegedly representing 70 million and 83 million persons respectively as reason why democratic powers should take joint action to eradicate Franco power.

8. Potsdam decision on Spain was distinct success for Russians in as much as it provided guaranty in their interpretation against Franco Spain being admitted into United Nations. But at present moment Russians are highly alarmed lest means be found for peaceful transition to a moderate conservative or liberal govt in Spain which could introduce an era of relative stability and establish satisfactory relations with western powers. For this reason Moscow press resounds with cries of alarm and with efforts to discredit all efforts in this direction. Moscow publicists are suspicious of Prieto¹⁸ whom they term "unstable". Maura's resignation they portray as a maneuver, the establishment of a Christian Democrat Party as a Jesuit ruse. Recent movements of Juan¹⁹ are naturally followed with deepest misgivings. Giral's national coalition govt is dismissed as reactionary and unrealistic since it excludes Communist Party. La Pasionaria's²⁰

¹⁸ Indalecio Prieto, Spanish Socialist leader in exile.

¹⁹ Presumably Don Juan, Pretender to the Spanish throne.

²⁰ Dolores Ibarruri ("La Pasionaria"), Spanish Communist leader.

clarion call last month for the formation of another coalition to include all anti-Franco forces as well as Communists reflects this Soviet nervousness that a peaceful and moderate solution to Spanish impasse may be developing which would leave Communists out in the cold.

9. Russia's purposes in Spain are incompatible with retention of any influence or even cohesion by conservative or moderate conservative forces in that country. In this sense they are probably incompatible with all stability in Iberian Peninsula for coming years. As far as Spain is concerned Russians have learned nothing and forgotten nothing since civil war. Their only program is to return to that struggle unabashed by chaos which might ensue. In atmosphere of renewed civil unrest and disorder with [garble] German and Italian interference eliminated they feel that superior discipline and revolutionary methods of orthodox Communist faction should eventually prevail.

10. Whether this is a realistic approach is something that can be decided better in Madrid than in Moscow and we would appreciate Madrid's comments. It is my own conviction that there is still a vast psychological abyss between fierce personal pride of Iberian character and total personal sublimation of modern eastern Slav. Until something is done to bridge this void, I doubt that Russians can ever seize and hold the leadership they covet in Iberian affairs.

Sent Dept 328, repeated Lisbon for Madrid and Paris 29.

KENNAN

852.00/2-646

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Culbertson)

[WASHINGTON,] February 6, 1946.

Participants: The Under Secretary of State, Mr. Acheson,
 Dr. José Giral,²¹
 Mr. Juan Meana,
 Mr. Paul T. Culbertson, Chief, Division of Western
 European Affairs

Dr. Giral and Mr. Meana called on the Under Secretary yesterday at their own request. Mr. Meana acted as interpreter, since Dr. Giral does not speak English.

Dr. Giral led off by saying that he wished to express his appreciation of the courtesies which the United States had shown to himself and to the various representatives of his "government". He went on to say that he was shortly leaving for France where he would have confer-

²¹ Of the Spanish Republican Government in Exile.

ences with other members of his "government", at which time he would probably broaden the base of the existing government. While he did not state what was involved in the broadening of his government, it probably means the inclusion of the Communists. He indicated that he hoped that the meeting which the French had proposed last December might take place at an early date in order that some decision might be reached with regard to relations with Franco. Mr. Acheson replied by saying that he did not know that a meeting was necessarily involved, although we had told the French we were prepared to exchange views in the matter.

In response to Mr. Acheson's statement that he would like to hear Dr. Giral's plans for the future, Dr. Giral replied in a sort of general round the waterfront manner. There were, however, two outstanding points in his reply.

(1) In the absence of a peaceful solution of the Spanish problem the Republicans were prepared to fight it out with Franco. In this connection he said that there were considerable arms cashiered [*sic*] out through Spain and that the fighting force would come from the guerrillas presently in Spain, the labor unions which he alleged were entirely behind his government, and the Spanish refugees in France, particularly those who had fought with the Maquis during the war.

(2) Dr. Giral thought that as time went on and increased pressure came from outside as well as inside Spain, Franco would reach the conclusion that he had nothing to gain by staying on in power and would be prepared to hand over his government to another government. Giral felt that by that time the Mexico City group would have established themselves as a government near the Spanish border and that Franco's withdrawal would bring about a popular move within Spain which would result in the placing of the Republican government in power in Madrid.

Dr. Giral in a sense rather brushed aside the army and stated that there were about 11 generals now in exile who could move right in and take over the army in the various parts of Spain.

Throughout the conversation there were numerous nebulous references to pressure such as the breaking of diplomatic and economic relations with Franco which would of necessity come from the outside. Mr. Acheson made no reference at any time as to what possible action this Government might take.

711.52/2-746

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Culbertson)

[WASHINGTON,] February 7, 1946.

Ambassador Cárdenas called to make representations with regard to the fact that Mr. Acheson had recently received Dr. Giral, pointing

out that while he had not received instructions to do so by his Government, he thought that by taking this action he would avoid the receipt of instructions requiring him to make written representations.

He stated that his Embassy had received information to the effect that great pressure was exerted on us to get the Secretary to receive Dr. Giral, and that pressure had come from the American Federation of Labor and the Embassies of those governments which had recognized the Giral "government", but that as a matter of compromise Mr. Acheson had seen Dr. Giral. I told the Ambassador that I knew nothing about any desire or pressure in connection with Giral seeing the Secretary.

Ambassador Cárdenas further stated that he had heard that during the conversation Mr. Acheson had asked numerous questions with regard to the question of the monarchy. I indicated that while the question of the monarchy had arisen during the course of the discussion, it was not of necessity as a result of inquiries made.

The Ambassador then said that as a personal matter "between friends" could I tell him anything about the prospects in connection with breaking of relations. I told him that while I did not of necessity see any such action at this time, there was no way of foreshadowing what action we might take. I said that under no circumstances could conditions improve so long as Franco and his regime remained in power.

The Ambassador concluded by coming back to the question of Giral and indicated that he hoped he would not get instructions to present a written communication. I told him that I personally hoped that that would not be necessary on his part because there were various reasons underlying our action, and that I doubted whether we would give his Government the satisfaction of a reply to any such communication.

852.00/2-1546 : Telegram

The Chargé in Spain (Butterworth) to the Secretary of State

SECRET

MADRID, February 15, 1946—9 a. m.
[Received February 16—9:53 a. m.]

301. Moscow's 328, February 4 [3], 11 a. m. [3 p. m.]. The able and detailed analysis of Russian Communist desiderata in Spain, repeated to Madrid, has been informative and helpful to this Embassy. Not only does the explicit question posed in the last two paragraphs require answer but the telegram as a whole, touching as it does obliquely or directly the more essential questions of the Spanish problem, calls for comment at this important moment in Spain.

On the specific question of potential Communist strength in a Spain wrecked by another civil war, recent history cautions against too quick a presumption that it could not become predominant. Present Communist forces in Spain, distrusted and shunned by Republicans and hunted and persecuted by Franco regime, are certainly small numerically. They were also small in 1936-39, but nonetheless succeeded in winning a position within Loyalist ranks vastly out of proportion to their numbers. Communism as such conflicts harshly with the Spanish national character, with its marked anarchistic tendencies and rugged individualism. But it is that same intense individualism which cripples most open political parties, thereby leaving Communist discipline and organization a wide open political field in any time of violent crisis.

On the general question, the more important considerations at this time are the following:

1. To amend Marx's dictum slightly, a specter is haunting Spain. But it is the specter not so much of Communism as of civil war; in the Spanish mind the latter is definitely the more immediate issue and the more frightening reality. Although the average Spaniard who professes to little familiarity with Marxian dialectics or even the Russian brand of Communism, does have a profound aversion to "Communism" arising out of its role in the Spanish civil war, his fear thereof is more than anything else fear of violence and bloodshed. Hence the top question on Spain's political agenda is not whether Communism would triumph after another civil war, but whether another internal conflict must occur putting that question to the test. As the Embassy has repeatedly stressed in its despatches, it is the will of almost all categories of Spaniards to avoid more bloodshed; and [no?] single fact plays more directly into the hands of Gen. Franco than the argument that precipitate change means another 1936. Therefore, to the very extent that Extremist elements on the Left, especially among the exiles, suggest their willingness to engage in a trial of force and to win their political objectives by conquest, to that same extent do they fortify Franco's position and the *status quo*.

2. The fact that the Potsdam decision is considered, according to Moscow's telegram, as "a distinct success for Russia" is noteworthy. It is especially so because this is precisely the way in which not only the Falange and Franco but a wide section of Spanish opinion interpreted the declaration. The point to be emphasized, as was stressed in the Embassy's despatch 996 October 8, 1945²² is that, for Spain, a vast gulf lies between the effect of an indictment of the present regime for its character and practices and of an indictment of the Nationalists as

²² Not printed.

the victors in '39 of the civil war. While the first line of attack assists and impels to action moderate forces working for peaceful change, the second course drives them back into their '39 roles as mere allies of the victorious Franco. Obviously, it is the second approach which Communist policy hopes the western powers will take for two reasons: (a) because by pushing Moderates closer to Franco and to the extreme Right, this automatically means that the center of political gravity among Franco's opposition will move steadily leftwards, with the prospect of eventual Communist predominance; and (b), this same course multiplies the possibilities of violent strife, at which time the discipline and organization of Communist ranks can display themselves to best advantage, with the consequent claim to right of leadership of "democratic" forces.

3. It is also significant that the large political objectives of Russian Communism in Spain, as set forth in Moscow's telegram under reference, could scarcely be said to coincide with the interests of the western powers. One Russian objective, the use of Spain to flank France and Italy and to establish Russia as a potent Mediterranean force, runs head on into primary British interest in Spain, as well as against our own desire to save western Europe from becoming a turbulent area of conflict with bitter economic and political struggles for power. A second Russian objective—penetration of South America through a Communist dominated Spain—is certainly difficult to interpret as a companion-piece to our own Pan American policies. These divergences, if not conflicts, of long range national interest are not suggested here for their own sake but because they are pertinent to the immediate Spanish problem. If we recognize that the national interests in Spain of Britain and ourselves and Russia are distinct and unsimilar, it will follow that our respective views on appropriate solutions for the internal Spanish problems must logically possess differences. These differences should be marked:

4. The essential difference, I believe, lies in the fact that whereas civil strife in Spain may admirably serve Communist interests, it can serve neither our interests, or those of Great Britain or Spain. As for the Communists, it is entirely possible, in fact likely, that their only road to political success runs thru a Spain in violent and bloody upheaval. It is natural and reasonable that they should welcome such a course. It is equally natural and reasonable that we should not. Our rightful interests can be projected on two scales: (one) a stable, representative regime in Spain governing a country at peace with itself and the world; the other is the larger picture of a European continent where all our efforts are dedicated to reestablishing or assisting the reestablishment of the processes of orderly govt and economic progress.

Thus defined in either Iberian or European terms, upheaval on this peninsula, at a moment when equilibrium in neighboring countries seems little more than a perilous balance of contending forces, means jeopardizing both our immediate and long range interests.

5. Another vital difference distinguishing our interests from those of Russia in Spain is the fact that a Communist state is inexorably compelled by ideology to wage open war on Moderates or Conservatives (as defined by Communists). This is not an exigency binding on a Democratic power. With regard to Spain specifically, it is necessary to recall that throughout the elections during the 5 years of the Spanish Republic both Right and Left were so evenly matched as to alternate in power. Hence there is no more reason to suppose that a "Leftist" Spain would be more united than a "Rightist" Spain. It is, of course, true that the term "Moderate" or "Conservative" (particularly in Latin countries) may be exploited by intransigent reactionaries (at heart anti-Democratic) just as it is true that "Liberal" or "Leftist" (particularly in Latin countries) may be merely the political alias of ungovernable revolutionaries (at heart anti-Democratic).

6. So long as peaceful evolution toward a united and liberalized Spain continues to be our objective, we must be realistic enough to accept the fact that successive and partial steps are not only necessary but an integral part of a process of peaceful change; certainly not the first and perhaps not even the first half dozen steps will bring what we would consider ideally healthy political conditions and the victors of a bitter and hard fought civil war will certainly not in one fell swoop renounce political power, which in the given circumstances is their security, to those who were vanquished. Furthermore, there is no more likelihood of obtaining in Spain by sudden means "a representative and democratic govt" such as was indicated to Ambassador Cárdenas as one of our immediate desiderata (Dept's 259 December 20, repeated London 10981, Paris 5978 ²³) than there is of wiping out by fiat the bitterness engendered by 3 years of civil war. To pay the price of peaceful evolution in terms of time (during which no doubt there will be pressure group agitation in the US) is nevertheless the only means of fostering here an effective sense of political responsibility. If another republic should be precipitated into power in a set of conditions where order could not be maintained and good govt thrive, it would destroy the possibilities for democratic rule in this country for decades.

[7.] Furthermore, the strong forces at work making for change need not be underestimated. Franco not unlike other wartime heads of state is now being held responsible, without the benefit of wartime

²³ Not printed.

excuses, for conditions in this country. Not only is he under pressure of critical world opinion taking concrete form in Spain's exclusion from the UNO, Bretton Woods and other international organizations of the postwar world, but he is faced with the hostility of the majority of the Spanish people and with economic and financial problems of grave dimensions. These are powerful corrosive forces that are at work.

8. In these circumstances I believe that it would be shortsighted and imprudent to make any public statement now as to our ultimate political desiderata for Spain such as mentioned in London's 806, January 23.²⁴ Any such statement necessarily would deal with long range ideals or objectives. Having once made such statement, we would be compelled to use it as the inflexible yardstick on which we would have to measure the worth of any evolutionary or transitional regimes arising in Spain. Yet we know beforehand that, measured on such a yardstick, any such regimes are certain to fall short of our proclaimed standards. By indulging in a public statement today, we will only bind our own hands tomorrow and find ourselves unable freely or helpfully to deal on an *ad hoc* basis with the situations most likely to confront us.

Repeated Lisbon 19, Paris 94, London 96 and Tangier as 11. Paris please relay to Moscow.

BUTTERWORTH

852.00/2-2146

The Secretary of State to the British Ambassador (Halifax)

The Secretary of State presents his compliments to His Excellency the British Ambassador and has the honor to refer to the recent exchange of views on the subject of Spain, which took place between the Governments of Great Britain, France and the United States.

The Department of State is now completing the translation and classification of a large number of official German documents obtained in Germany and elsewhere, which illustrate the close relations between Spain, Germany and Italy. The Secretary of State proposes soon to release to the press about fifteen of these documents and believes strongly that a statement of policy with respect to Spain should be made at that time.²⁵ Thereafter the rest of the documents would be

²⁴ Not printed.

²⁵ For text of joint statement by the United States, the United Kingdom, and France on relations with the Spanish Government of Franco released to the press March 4, 1946, and partial texts of the 15 documents, see Department of State *Bulletin*, March 17, 1946, pp. 412 and 413-427. For complete texts of the documents, see Department of State publication No. 2483, European Series No. 8; *The Spanish Government and the Axis: Official German Documents*, sometimes referred to as the Spanish White Book. For additional documents on the relationship of Spain to the Axis, see *Documents on German Foreign Policy*, series D, particularly volume III.

made public as the translations into English are completed. The Secretary believes that it would be preferable for such a statement to be made jointly with the Governments of Great Britain and France. There is enclosed, therefore, the proposed text of a statement by the three Governments.

The Secretary of State is of the opinion that the release of these documents and the issuance of the proposed statement should encourage and stimulate action within Spain for an orderly change in the present regime.

A similar note has been addressed to the French Ambassador.²⁶

An early expression of the views of the British Government would be appreciated.

WASHINGTON, February 21, 1946.

751.52/2-2746 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, February 27, 1946—9 p. m.

US URGENT

[Received February 28—3:10 a. m.]

955. Following is a free translation of a note on Spain which Bidault has just handed me:

“On December 12 the Provisional Government draw the attention of the British and United States Governments to the danger which the maintenance in Spain of the Franco regime constitutes. On the same occasion it proposed to the other two Allied Governments to examine jointly with it the eventuality of a rupture of relations with the Spanish Government.

Since this date the situation has become aggravated. Despite numerous public declarations, General Franco has not, at any time, given to international public opinion the impression that he was preparing an evolution of the internal regime of Spain. Moreover, it appears that concentrations of Franquist troops have occurred on the French-Spanish frontier. Finally, executions of a political character and among them the recent execution of Christino Garcia, a participant in the fight for liberation, have given further proof of the slight regard of the actual Chief of Spain for the lives of his political adversaries and for justice.

The Provisional Government of the Republic esteems therefore that the policy actually followed by the Government of General Franco, constituting as it does a real challenge both to the principles of international right and democratic ideals, risks creating a situation jeopardizing peace and international security. In raising again this distressing problem, the French Government cannot forget the very terms of ‘the declaration of liberated Europe’ by which the high authorities of Great Britain, the United States and Soviet Russia

²⁶ Not printed.

affirmed, on the 13th of February, 1945 their common purpose 'to aid by common accord the peoples of the former Axis satellites to solve by democratic means their pressing political and economic problems'.²⁷

It also appears to the French Government that the moment has come to give practical application to the resolution which constitutes the last paragraph of the above-mentioned declaration: 'When in the opinion of the three governments conditions in any European liberated state or any former Axis satellite state in Europe make such action necessary, they will immediately consult together on the measures necessary to discharge the joint responsibilities set forth in the declaration'. Finally, it appears useful to recall the spirit in which the General Assembly of the United Nations, in its resolution of Feb 8, 1946²⁸ recommended to its members to examine their relations with Spain under these circumstances the French Government esteems that the above-mentioned situation should be submitted for examination to the Security Council of the United Nations. It would like to know as soon as possible the point of view of the United States Government on this matter, and notably if it would agree to associate itself with the French Government to take up this question with the Security Council.

The same *démarche* is being made to the Governments of Great Britain and Soviet Russia."

Sent Dept as 955, repeated Madrid as 50.

CAFFERY

751.52/3-146 : Telegram

The Chargé in the Soviet Union (Kennan) to the Secretary of State

SECRET

Moscow, March 1, 1946—10 p. m.

[Received March 2—6 a. m.]

609. Moscow leaders are undoubtedly watching with most intent interest repercussions on American and British policy of French move with respect to Spain. In this they will see more than question of future of Franco Govt. To them this represents test of efficacy of unofficial apparatus which they have created for influencing affairs in other countries and which was described in part 4 of my 511 February 22.²⁹

Russians are well aware that majority of people in England and America are not interested in having Spanish question activated at this time in a manner which would lend [*lead?*] to needless violence and disorder in Spain or would jeopardize Spain's ability to contribute to general rehabilitation and reconstruction in Europe. They are nevertheless using their various foreign pressure groups to induce our Govt

²⁷ For text of the Declaration on Liberated Europe, signed February 11, 1945, see *Foreign Relations*, The Conferences at Malta and Yalta, 1945, p. 977.

²⁸ Resolution introduced by the delegation of Panama and adopted by the General Assembly on February 9, 1946.

²⁹ Vol. VI, p. 696.

and British Govt to adopt a program of action toward Spain which takes no account of those reservations. Ways in which interests by which this program is dictated differ from interests of US and of Spain itself were set forth with force and clarity in Madrid's 301, February 15, 9 a. m., to Dept. Question of whether western nations can be brought to espouse this program is therefore one of wide importance from standpoint of Soviet methods of international dealing in general.

It is not my intention here to suggest any course of action with respect to the Spanish problem or discourage any sort of action which our Govt may find warranted by American interests. In view, however, of the admitted difference in aims between Russia and our country with respect to Iberian Peninsula as a whole I would be much surprised if an attitude based squarely on the American interests involved were to turn out to be identical with that put forward are [*and?*] recommended by Soviet pressure groups everywhere beginning with the French Communists. And I would like to urge that if we deviate to any extent from our own conception of American interests in order to silence the bold and insistent demands of these pressure elements this will be carefully noted in Moscow and will be chalked up here to precisely that extent as a victory for those indirect methods of diplomacy to which Moscow has recently given such great attention.

Sent Dept 609, repeated Lisbon for Madrid 1 and to Paris 42.

KENNAN

852.00/3-346

The Spanish Ambassador (Cárdenas) to the Secretary of State

[Translation]

WASHINGTON, March 3, 1946.

I have been instructed by my Government to communicate to Your Excellency the following:—

In view of the repeated announcement in the press and radio of this country, of the publication of a joint statement of the Governments of France, Great Britain and the United States in connection with the Spanish situation, and in the eventuality of its being true that it contains a threat to Spain to force her to change her regime, the Spanish Government wishes to inform the Government of the United States in advance that Spain repudiates any foreign pressure put upon her, since it considers that the question of its interior regime is a matter concerning exclusively its own sovereignty.³⁰

³⁰ The United States, British, and French Governments in the joint statement issued to the press March 4, 1946, urged "a peaceful withdrawal of Franco, the abolition of the Falange, and the establishment of an interim or caretaker government under which the Spanish people may have an opportunity freely to determine the type of government they wish to have and to choose their leaders." This was followed by a promise by the three Governments not to intervene.

Any further foreign intervention that might appear as a threat to their independence would only serve to heighten the national feelings of the Spanish people, always zealous of the integrity of their sovereignty, the Spanish Government being, therefore, sure that national opinion shares unanimously this repulsing attitude.

Furthermore, in following this procedure, Spain is convinced that she is lending a positive service to the International Community in defending the principle of mutual respect which is the foundation of its existence.

I avail myself [etc.]

JUAN F. DE CÁRDENAS

852.00/3-446

*Memorandum of Conversation, by the Chief of the Division of
Western European Affairs (Culbertson)*

[WASHINGTON,] March 4, 1946.

The Spanish Ambassador telephoned me at my home yesterday to say that he was under urgent instructions to deliver a note³¹ to the United States Government that day. He wanted to see the Secretary and I told him I doubted whether that would be possible. I arranged, therefore, to come in town to see the Ambassador. He first gave me the attached note in Spanish and what he called a free translation. I glanced through the translation but made no comment.

The Ambassador then went into some detail in discussing the situation in Spain, referring from time to time to some brief notes he had. Basically he is concerned about the possibility of Communist developments in Spain. He feels that if an interim group came into control they would have in Spain a situation almost identical with that existing in 1936, his point being that the Republican groups in control in 1936 were moderate, but as the Republic progressed the Communists obtained more and more control.

Cárdenas is convinced that if let alone Spain could and would work out her own destiny, but as a result of all this pressure that is being exerted, which he feels comes almost entirely from the Communists, there is strong probability that Spain will be thrown into revolution and eventually come into control of the Communists.

He also handed me other documents³² which I believe are merely the texts of statements issued in Madrid. Still another document was one issued by the Embassy entitled "Who was Cristino Garcia?"

³¹ *Supra.*

³² None printed.

852.00/3-746

The Soviet Chargé (Novikov) to the Secretary of State

[Translation]

WASHINGTON, March 7, 1946.

SIR: In compliance with the instructions of the Soviet Government, I have the honor to communicate to you that in reply to the note about which the Government of the United States of America is informed, from the Ministry of Foreign Affairs of France, of February 27 of this year,³³ with respect to the situation in Spain, the Soviet Government, through its Ambassador in Paris, has addressed the following note to the Government of France:

"The Soviet Government has taken due note of the French Government's note which states that at present the policy practiced by the Government of General Franco appears as a challenge both to the principles of international law and the democratic ideal, and may cause a situation endangering international peace and security, and likewise the proposal of the French Government that this question be considered by the Security Council.

"The Soviet Government shares this opinion of the Government of the French Republic and subscribes to the proposal that the question of the Franco Government be judged by the Security Council, believing it imperative that this be done at the next meeting of the Council."

A similar communication has been transmitted by the Soviet Government to the Government of Great Britain.

Accept [etc.]

N. NOVIKOV

852.00/3-846 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

SECRET

MADRID, March 8, 1946—1 p. m.

[Received March 9—1:10 a. m.]

464. Supplementing Embtel 461, March 7³⁴ following is free translation of memo sent me by Undersecretary for FonAff:³⁵

For some time there have been in Paris a Soviet Military Mission directed by Colonel Lapkin. It appears to depend from the Russian Embassy there. According to well informed persons the USSR fears that the US and Great Britain wish to orient toward themselves to the foreign and economic policy of Spain. It is the wish of Soviet Union to anticipate the plans of the western democracies and it has therefore placed in movement powerful means for purpose of penetrating into Spain. Among those means is included employment of

³³ See telegram 955, February 27, from Paris, p. 1043.

³⁴ Not printed.

³⁵ Tomás Suñer y Ferrer.

well disciplined French Communist Party and also of Spanish exiles residing in France many of whom are veterans of Spanish Civil War.

The influence of Moscow over French Communists and Spanish refugees in France has become very evident in recent months. Captain Novikof and Lt. Xilitzin members of Soviet Military Mission in Paris have constant contact with the Spanish exiles. The first named is active in the Dept of Ariège and is endeavoring to send clandestine shipments of arms and ammunition to Spain. The other man is operating near Nancy and is trying to forward the same type of material to Spain by sea. La Pasionaria Campa, Spanish Communist, who has lived in Russia for several years, is a constant visitor of Soviet Embassy and transmits to other Spanish groups orders which she receives. Among French extremists there is a division of opinion since a good part of the CGT agrees with Anglo-Saxon point of view but there are numerous Soviet agents endeavoring to neutralize this element. Next Sunday ³⁶ there will be held at Toulouse a meeting between representatives of CGT, of the Giral Govt and members of Spanish workers syndicates.

End translation.

I would be interested in comment of American Embassy Paris re above.

Repeated Paris 139.

BONSAL

751.52/2-2746 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 8, 1946—6 p. m.

US URGENT

1097. Immediately preceding telegram ³⁷ contains text of note which you should deliver to Bidault with oral comment on following lines.

With reference to specific complaints mentioned second paragraph French note (Embtel 955 Feb 27) we do not understand how failure of Franco to give impression abroad that he was preparing evolution of internal regime brings matter within terms of Charter.³⁸ As to alleged troop concentrations our information is that no important movements have taken place recently in northern Spain, and we have no evidence that there are any aggressive intentions toward France. As to executions of a political character in Spain, deplorable as these may be, we do not understand how they can be considered as being likely to endanger the maintenance of international peace and security.

³⁶ March 10.

³⁷ *Infra.*

³⁸ For text of United Nations Charter, signed at San Francisco, June 26, 1945, see Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031.

You should repeat assurance contained in last paragraph of our reply³⁹ to French note to effect that if France intends to proceed with its proposal we would very much appreciate having any additional information which they may care to communicate to us. You should add that experience in the first session of the Security Council indicated the importance of matters being very fully prepared before presentation.

Sent Paris as 1097, rptd Madrid as 351 Moscow as 429 and London as 2128.

BYRNES

751.52/2-2746 : Telegram

*The Secretary of State to the Ambassador in France (Caffery)*⁴⁰

SECRET

WASHINGTON, March 8, 1946—6 p. m.

US URGENT

1096. "The Government of the United States has given careful consideration to the French Government's Note of February 27, drawing attention to certain recent developments in Spain, stating that the French Government was of the opinion that the situation in Spain should be submitted for examination to the Security Council and enquiring whether the United States Government would agree to associate itself with the French Government in doing so.

"The United States Government holds firmly to the opinion that any Member of the United Nations should bring any dispute or any situation, which might lead to international friction or give rise to a dispute, to the attention of the Security Council whenever that Member feels that such a course is warranted under the provisions of the Charter.

"It is the view of the United States Government that, in considering whether it would bring a situation to the attention of the Security Council or would associate itself with another government in such action, it should have in its possession facts which, when examined in the light of the pertinent provisions of the Charter, afford reason to believe that a situation exists, the continuance of which is likely to endanger the maintenance of international peace and security.

"The Government of the United States has repeatedly made clear its attitude in regard to the present regime in Spain. It supported the

³⁹ *Infra.*

⁴⁰ A note based on this telegram and dated March 9, 1946, was delivered by Ambassador Caffery on that date to Georges Bidault, French Minister for Foreign Affairs.

resolution in San Francisco introduced by the Mexican Delegation⁴¹ to the effect that a country should not be eligible to membership in the United Nations if its government had been assisted to power by the armed forces of countries which fought against the United Nations. The United States was a party to the Potsdam Declaration, applying this principle in specific terms to Spain. The United States moreover supported the Panamanian Resolution adopted in January [*February*] 1946 at the first meeting of the General Assembly to the effect that the members of the United Nations Organization should act in accordance with the letter and the spirit of these declarations in the conduct of their relations with Spain.

“The Government of the United States has on numerous occasions stated its view that there cannot be satisfactory relations between the United States and Spain so long as the present regime continues in power in Spain. It frankly feels that a change of regime in Spain is not only highly desirable from the standpoint of the Spanish people themselves, but essential if Spain is to take that place in the family of nations which rightfully belongs to her. At the same time, the Government of the United States is compelled to say that it regards the change of the existing regime in Spain as a task for the Spanish people themselves. It is the privilege and the responsibility of the people of Spain to determine the form of government under which Spain wishes to live and to choose the leaders of their government.

“While the Government of the United States feels strongly that a change of regime in Spain is long overdue, it is compelled to reiterate that it is for the Spanish people themselves in their own way to bring about such a change. It is the earnest hope of the Government of the United States that the Spanish people will bring about such a change at the earliest possible moment and by peaceful means.

“On the basis of its present analysis of all the facts in its possession concerning the Spanish situation, including those mentioned in the Note from the French Government of February 27, 1946, the Government of the United States does not believe that a situation exists, the continuance of which is likely to endanger the maintenance of international peace and security. It is possible that such a situation may develop, but it was the hope of the United States Government that the recent action it took in concert with the French Government and the British Government would serve to retard such development. Therefore the United States Government as at present advised does not feel that it can associate itself with the French Government in now bringing the question to the attention of the Security Council.

⁴¹ For text of resolution and prefatory remarks by the Mexican representatives, see *Documents of the United Nations Conference on International Organization, San Francisco, 1945*, vol. 6, pp. 124-136.

"The United States Government is of course prepared to give careful study to any additional information which the French Government may care to furnish in connection with its proposal. In considering such information, the United States Government would appreciate particularly being informed more precisely as to how the French Government believes that the matter comes within the jurisdiction of the Security Council, the type of action which in the opinion of the French Government the Security Council would be in a position to take, and any specific recommendations for action which the French Government may envisage making to the Security Council for the solution of the problem as submitted."

Await receipt of immediately following telegram ⁴² with additional instructions before presenting Note.

Sent Paris as 1096 rptd. Madrid as 350, Moscow as 428 and London as 2127.

BYRNES

852.00/3-746

The Secretary of State to the Soviet Chargé (Novikov)

WASHINGTON, March 12, 1946.

SIR: Acknowledgment is made of the receipt of your Note dated March 7, 1946, informing me that the Soviet Government shared the opinion of the French Government, that the question of the situation in Spain should be submitted to the Security Council.

There is enclosed a statement of the views of the Government of the United States on this question, as they were communicated to the French Government in Paris.⁴³

Accept [etc.]

JAMES F. BYRNES

852.00/3-1046: Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 12, 1946—6 p. m.

US URGENT

1144. Urtel 1160 March 10.⁴⁴ I understand and sympathize with Bidault's position as stated orally to you. However difficult his position may have been as a result of Communist pressure exerted through the CGT, frankness compels me to state that if anyone has been put "on the spot" it has been the U.S., U.K. and French Govts through the action of the latter in advancing a proposal, the ramifications of

⁴² Telegram 1097, p. 1048.

⁴³ See telegram 1096, March 8, *supra*.

⁴⁴ Not printed.

which do not appear to have been thought through and which we regard as fundamentally contrary to the best interests of the three Govts mentioned and particularly the French themselves. After the closing of the Franco-Spanish border⁴⁵ it seems to us that this Govt's proposal for a tripartite statement should have enabled Bidault to resist further pressure at this moment. Instead of stopping at this point, however, the French Govt chose to proceed, without further consultation, to propose the injection of the question into the Security Council and to seek outside support for this action. As our note implied, we are not prepared to support Bidault in following the line of least resistance by endorsing a proposal which, so far as the French have explained it, cannot lead in our view to a solution of the Spanish problem. In fact recent actions of the French Govt, according to information from Spain, have served to make more difficult peaceful evolution which is in the interest of all concerned including the Spanish people.

My inclination would be to have you make this very clear to Bidault, but I have concluded to leave the decision in this regard to your discretion in view of the internal political situation in France, particularly Bidault's personal position and that of the MRP in the coalition government. In discussing Security Council proposal with members of the French Emb here in Washington we have been entirely frank in letting them know why we do not see eye to eye with their Govt.

BYRNES

852.00/3-1246 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

RESTRICTED

PARIS, March 12, 1946—6 p. m.

[Received March 13—12:45 a. m.]

1199. Dept's 1096, March 8. Following is translation of note Bidault has just handed me regarding Spain.

Begin translation.

By a note dated the 9th of this month,⁴⁶ Your Excellency was good enough to inform me of the American Govt's comments on the French note of February 27 last, relative to bringing before the Council of UNO the present situation in Spain.

The French Govt notes with satisfaction the identity of views of the Govt of the US with respect to the present Spanish regime. It

⁴⁵ On February 28, 1946, the French Government proclaimed suspension of communications with Spain and ordered the closing of the frontier between the two countries, effective March 1, 1946.

⁴⁶ See footnote 40, p. 1049.

takes cognizance of the renewed assurance contained in Your Excellency's note, that satisfactory relations cannot exist between the US and Spain as long as the present regime continues to exist, that a change of regime is eminently desirable for the Spanish people, and that it constitutes the primary condition for the entry of Spain to the place which is due it in the concert of peaceful nations.

It appears from Your Excellency's communication that the American Government has doubts, not about the legal possibility of informing the Security Council of the situation existing in Spain, but about the advisability (*opportunité*) of such action.

From the legal point of view, there is, in fact, no doubt that the provisions of paragraph 7 of article 2 of the Charter, prohibiting the United Nations from intervening in the internal affairs of a state, do not apply in this instance. The case of Spain is, in fact, a very special one. If it is true that it (Spain) was not explicitly mentioned in the "Declaration of Liberated Europe" issued at Yalta on February 13, 1945, it cannot be questioned, after the recent publication of documents, that General Franco's Government acted, during the war, as an "Axis satellite".

Moreover, this stood out in the Potsdam Declaration of August 2, 1945, in which the Allied Governments adopted their position with regard to "the present Spanish Government which, established with the help of the Axis powers, does not possess, because of its origin, its nature and its close association with the aggressor countries, the necessary qualifications for belonging to the United Nations organization".⁴⁷ In making this public declaration of the question of the present political regime in Spain, the Allied Governments themselves recognized that they did not consider this question as "a matter coming essentially within the national jurisdiction of the state", and that as long as this regime should continue, Spain could not form "a peaceful state" in the sense of article 4 of the Charter.

It is in this sense that the maintenance of Spain of a dictatorship, which from its inception until the recent past established and maintained close relations of complicity with Hitlerism and Fascism as today has been publicly established constitutes a threat to security which should properly receive the attention of the Council.

As to the time, it appears to the French Government as to the American Government, that it is incumbent upon the Spanish themselves to put an end to General Franco's regime and to replace it by a government of their choice; however, the Government of the (French) Republic considers that it is the duty of the United Nations not to prolong a situation which is of a nature to discourage those elements, both in Spain as well as outside Spain, which desire a change of regime. The French Government fears, after the prolonged experience in this direction, that neither emphatic moral pressure nor collective public condemnation are sufficient to convince General Franco of the necessity of giving up power.

It is in this spirit that the French Government recently took the initiative in economic measures against the present Spanish Government, measures similar to these which it took of its own accord, if taken

⁴⁷ Reference is to the Potsdam Communiqué. For text, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1499, 1510.

by the highest competent international authority (instance) would, in the opinion of the French Government, be likely to hasten considerably the evolution of events.

In case, however, the Security Council should wish to have a careful study made of the measures which might be taken in carrying out any "*Résolution de principe*" which it might adopt, it could delegate this study either to the Council of Foreign Ministers or to the four Governments, American, British, French and Soviet.

From the point of view of procedure, I desire to make it clear that, in the opinion of the French Government:

(1) It is a question of a situation and not a dispute. This statement, which should be made from the outset to the Council, would avoid useless discussion and would avert the possibility of the appearance of Spanish representatives (*comparution espagnole*);

(2) It is a question of a situation which, if prolonged, could threaten the maintenance of peace and international security (article 34).

I would be obliged if, in communicating the above to your Government, Your Excellency would be good enough to indicate how greatly the French Government would appreciate being informed as soon as possible of the opinions of the Government of the U.S. on the various aspects of this matter, and would likewise appreciate pursuing with it the study of the political solutions best calculated to meet the legitimate desires of the Spanish people.

Please accept, Mr. Ambassador, the assurances of my very high consideration. (Signed) Bidault.

CAFFERY

852.00/3-1846 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

SECRET

MADRID, March 18, 1946—[?] p. m.
[Received March 19—8:29 p. m.]

551. Foreign Minister ⁴⁸ today handed me copy of pamphlet entitled "Reply to the Publication Made by the Department of State of the United States of America of Documents Relative to Spain". One copy being sent by air pouch tomorrow and summary by separate telegram.

Foreign Minister stated he was not handing me this pamphlet officially since State Department publication had been in nature of press release but that as matter of courtesy he wished me to have copy before it was made available to press later today.

He emphasized that in making this publication Spanish Government did not intend to take aggressive or offensive action "which would provoke differences between western nations which must defend our

⁴⁸ Alberto Marten Artajo.

Christian civilization" but that it felt it important to place matters in their true light.

After ascertaining from Minister that pamphlet was to be published inside Spain, I pointed out to him that Department's release did not receive such publicity. He replied that it had not yet been decided whether our release would be published here but that he did not consider matter very important since both content and intent of our publication were well known in Spain. He added that although he appreciated freedom and independence of our press, fact is that official statements of Spanish Government receive very slight attention therein.

I told Minister that I would look forward to later opportunity after I had read pamphlet of discussing matter further with him. Incidentally, this Embassy has not yet received copies of Department's recent release of 15 documents.

BONSAL

852.00/3-1846

The British Embassy to the Department of State

AIDE-MÉMOIRE

1. His Majesty's Government have sent a reply, through His Majesty's Ambassador in Paris, to Mr. Bidault's recent note concerning the suggestion that the Spanish question should be referred to the Security Council of the United Nations.

2. His Majesty's Government have informed Mr. Bidault that they remain firmly opposed to the suggestion that the Spanish question should be referred to the Security Council, and that they are not convinced by the arguments which Mr. Bidault had advanced in support of his theory that the Spanish situation constitutes a threat to international peace and security.

3. His Majesty's Government repeat that in their view it is not possible to maintain that the existence of the present regime in Spain does in fact constitute a threat to any foreign country at the present time.

4. His Majesty's Government point out that the dispute turns on the form and nature of the Spanish Government. This is essentially an internal, domestic Spanish question and one which in their view cannot properly be brought before the Security Council. His Majesty's Government emphasize that, apart from procedural objections to bringing an internal Spanish question before the Security Council, a dangerous precedent would be set. If it were once admitted that a foreign country could be arraigned before the Security Council solely

because the form of its regime was distasteful to one or more foreign governments, it is not possible to surmise what might happen in the future.

5. His Majesty's Government are convinced that many other governments would be opposed to bringing such a purely domestic matter before the Security Council and this might bring about the gravest difficulties for the United Nations Organization. If the Spanish problem were turned into a major international issue before the Security Council, His Majesty's Government believe that such action would not be calculated to facilitate an early and peaceful solution of the Spanish problem and might well strengthen the present Spanish Government's internal position. There are, in fact, many indications that the Spanish Government has already been strengthened by recent French actions.

6. His Majesty's Government point out that the question of economic sanctions, which Mr. Bidault mentioned, has been considered and that there are serious objections to such a policy. His Majesty's Government emphasize that the imposition of sanctions would be futile unless they were imposed not only by France and Great Britain, but by other European countries, the United States, and the Argentine, from which Spain at present draws much of her wheat. His Majesty's Government feel sure that the State Department will agree with the view expressed in paragraph (2) above that the French proposal would not in fact facilitate an early solution of the Spanish problem.

7. His Majesty's Government very much hope, therefore, that the State Department will feel able to instruct the United States Ambassador in Paris to reply to the recent French note along lines similar to the instructions sent by His Majesty's Government to Mr. Duff-Cooper.⁴⁹

WASHINGTON, 18 March, 1946.

852.00/3-1246: Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 19, 1946—11 a. m.

US URGENT

1260. Embtel 1199, Mar 12. Please give following written reply to Bidault:

"The Government of the United States has given careful study to the further considerations on the subject of Spain contained in the French Government's note of March 12, 1946.

⁴⁹ Alfred Duff Cooper, British Ambassador in France.

With regard to the original proposal of the French Government to submit the Spanish question to the Security Council, the United States Government stated, in its note of March 9, its opinion that any member of the United Nations is free to bring any dispute or any situation which might lead to international friction or give rise to a dispute to the attention of the Security Council whenever that Member feels that such a course is warranted under the provisions of the Charter.

For its part, the United States Government continues to adhere to the position expressed in its note of March 9, 1946.

Accordingly, the United States Government does not feel that it can associate itself with the French Government in its proposed action with respect to Spain.

Immediately following telegram contains additional instructions. Sent Paris as 1260 rptd London as 2401 and Madrid as 404.

BYRNES

852.00/3-1246 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, March 19, 1946—11 a. m.

US URGENT

1261. Deptel 1144 March 12 and Embtel 1219 March 13.⁵⁰ In handing to Bidault reply to his most recent note on Spain you should, in addition to any comment you may make along lines previously suggested bring out orally following points:

Second paragraph of our present note is included because of reference in French Govt note of Mar. 12 to our apparent approval of the "legality" of their proposed action. We had thought that our note of Mar. 9 made it quite clear that we did not believe that the internal Spanish situation now was proper business for the Security Council. On the other hand, we do not wish to say how another member of UN shall interpret the Charter. We simply gave our interpretation in light of our present views on Spanish situation.

Bonnet said to Under Secretary⁵¹ on Mar. 15 that he hoped we would support proposed French action in Security Council. While we do not know whether he was acting under instructions from his Govt, you should make it quite clear that French should not count on support from us if question is raised either by them or by another country in the Council.

As to Yalta reference in his note you should say that declaration of 11 Feb. 1945 did not refer to Spain and we do not interpret it as applying to the present situation there. Reference to Spain in Potsdam

⁵⁰ Latter not printed.

⁵¹ Dean Acheson.

communiqué concerned only application by present Spanish Govt for membership in UN, and cannot therefore be interpreted as a determination that Spain constitutes threat to international peace and security.

As to general application of economic sanctions, which appears to be the only new proposal in French note, we are not now prepared to support measures of this nature. We believe that such measures offer too little prospect of contributing to early and peaceful development inside Spain toward stable and moderate regime. Such measures would bring great distress to the people of Spain and if continued indefinitely would probably result in economic and political chaos.

In any event there can in our opinion be no question now of a decision by the Security Council under Article 41⁵² that economic sanctions should be employed as such decision must be preceded by a determination under Article 39 of the existence of a threat to the peace, breach of the peace or act of aggression.

As indicated in last paragraph of our reply to Bidault's original note of Dec. 12, 1945,⁵³ we have always been ready to discuss with the French and British Govts. any suggestions looking toward a mutually satisfactory solution of Spanish problem. This holds true whether or not the question is brought before the Security Council. We still believe that method of exchanging views proposed by us, namely oral frank and realistic discussion of all aspects of Spanish situation is preferable to continuation of present exchange of notes.

Sent Paris as 1261 rptd London as 2402 and Madrid as 405.

BYRNES

852.00/3-2046: Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, March 20, 1946—6 p. m.

US URGENT

[Received March 20—5:51 p. m.]

1349. Department 1260, March 19. I handed our reply to Bidault on the Spanish situation and brought out orally the points set out in Dept's 1261, March 20 [19]. He is very much perturbed because he does not know what to do. He says he will do the best he can to avoid the issue [being?] placed before the Security Council but Bogomolov⁵⁴ has been trying to see him for some days and he will be

⁵² Article 41 of United Nations Charter states: "The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions . . ."

⁵³ For Bidault's note, see telegram 7133, December 12, 1945, from Paris, *Foreign Relations*, 1945, vol. v. p. 698; for Department's reply, see telegram 5992, December 22, 1945, to Paris, *ibid.*, p. 706.

⁵⁴ Alexander Efremovich Bogomolov, Soviet Ambassador in France.

compelled to receive him within the next few days and he is sure Bogomolov will press him for early Security Council action. He pathetically asks for suggestions. Bidault is well aware that he has gotten himself into a jam and is most anxious to get out of it.

CAFFERY

852.00/3-2146 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

CONFIDENTIAL

MADRID, March 21, 1946—3 p. m.
[Received March 21—6:08 a. m.]

574. Foreign Ministry has just addressed *note verbale* to this Embassy and to British Embassy re “extremist anti-Spanish campaign” being carried out in France. Occasion of note is fact that Security Council of United Nations is about to meet.

Note states that as long as General de Gaulle was at head of French Govt, French military and police forces controlled aggression against Spanish territory across Pyrenees frontier by Spanish exiles and extremists “many of them common criminals”. However, with de Gaulle’s departure⁵⁵ and increasing participation of Communists in French Govt situation has changed for worse. Reference is made to communiqué published by Spanish Govt on March 2 (Emtel 422 of March 2⁵⁶). It is stated that terrorist groups are constantly being forced [*formed?*] on French territory with the indifference not to say complicity of responsible French authorities and that such groups are crossing into Spain.

Note goes on to say that from testimony of captured members of these groups there appears to exist in Toulouse important center which directs this agitation and that there are schools of terrorism where groups are prepared to cross into Spain with purpose of committing murder and banditry. In province of Leon alone five priests in isolated villages are said to have been murdered as well as mayors of small hamlets and owners of farms. Acts of sabotage against trains and bank holdups are attributed to same source.

French Communist Party and international communism are alleged to promote agitation and support intense campaign against Spanish regime and are preparing Communist attack against peninsula as part of general plan to bolshevize Europe. Note mentions La Pasionaria unfavorably in this connection.

⁵⁵ Gen. Charles de Gaulle resigned as President of the Provisional Government on January 20, 1946.

⁵⁶ Not printed.

According to Spanish Govt information services there is plan to attack frontier posts in Pyrenees for purpose of provoking serious incident for which Spanish authorities might be blamed. According to this information certain extremists wearing Spanish uniforms and carrying Spanish arms would fake attack against some French frontier point.

Arbitrary closing of frontier by French Govt, reception of "republican" leaders from Mexico, proven activities of Soviet military mission in south of France, French Communist [anti?] Spanish campaign in meetings, press and radio and efforts made to cross Pyrenees secretly as well as state of personal insecurity and lack of defense of Spanish Consuls in southern France and above all insistence of French Communist Party that French Govt accuse Spanish regime before United Nations, an accusation which would have to be based on alleged aggressive attitude on part of Spain, all tend according to the note to prove truth of intention to provoke violence at frontier.

Note concludes that for above reasons Spanish FonOff in name of Spanish Govt is obliged to denounce for information of US conduct of French authorities who (?) at least passively contributes to maintaining state of hostility against Spain. It is stated that Spanish regime is not danger to peace in spite of French provocations and that it is determined to maintain peace and to collaborate so far as possible in "noble task of universal pacification". Approaching meeting of Security Council again mentioned.

This is under communication foreshadowed by FonMin (Embtel 549 of March 18⁵⁷) in his conversation with me March 18.

Repeated Paris as 167; London as 164 by courier to Lisbon and Tangier.

BONSAL

852.00/3-2546 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET
URGENT

PARIS, March 25, 1946—9 p. m.
[Received March 26—8:52 a. m.]

1443. After again saying how perturbed he is and how difficult it has been to secure Council action, and again asking for help, Bidault handed me a note this afternoon regarding Spain. (See my immediately following telegram for text.)

Sent Dept 1443, repeated London 223.

CAFFERY

⁵⁷ Not printed.

751.52/3-2546 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*⁵⁸

RESTRICTED

PARIS, March 25, 1946—10 p. m.

URGENT

[Received March 26—8 a. m.]

1444. "The French Government acknowledges the note in which the American Embassy, in reply to the former's communication of March 12 regarding the Spanish situation informed it that the American Government, maintaining the position which it had previously taken, could not associate itself with the French Government, in the action which the latter would like to undertake regarding the Spanish question.

The French Government, anxious to avoid differences between the Allies before the Security Council has accepted, following the remarks of the British Government, to consider other methods of procedure if it could be shown that they would lead as surely to the result desired both by the American and British Governments and by itself, that is to say, to the replacement in as short as possible a time and without civil war of the Government of General Franco by a Spanish Government corresponding to the wish of the nation and of a nature to inspire the confidence of the Allied Governments.

It has, however, noted that the conversations between the Allies on the Spanish question have continued for months without any indication of approaching that result. The Government of the US which in the Embassy's note of March 9 again confirmed the value which it attaches to a change in the Spanish regime, will no doubt agree that if the conversations are to continue further they should be accompanied by acts which will demonstrate clearly to the Spanish people the determination of the Allies not to restrict themselves to declarations of intention and the sincerity of their desire to end the present situation.

In its opinion these acts might be:

1. A decision of the three powers signatory to the joint declaration of March 5 [4], 1946, stopping the supply to Spain of a key commodity which would be chosen so as not to injure the vital needs of the populace but at the same time emphasize to the Spanish Government the determination of the Allies. This commodity might be for example gasoline. The Allies would agree among themselves not to take the place of the supplier who had cut off deliveries.

2. An agreement between the signatory powers which would assure the coordination of their diplomatic representation at Madrid in the spirit of the above declaration.

The points on which an agreement would be reached between the governments signatory of the declaration of March 5 might be placed on the agenda of one of the next Councils of Ministers of Foreign Affairs or a similar body in order to receive at this stage the approval of the Soviet Government.

⁵⁸ Concerning the note quoted in this telegram, see telegram 1443, March 25, from Paris, *supra*.

The French Government will be happy to learn of the views of the American Government regarding a program of action of a type which has just been indicated in order accordingly to determine its decision regarding the placing of the question on the agenda of the Security Council."

Sent Department 1444, repeated London 224.

CAFFERY

852.00/4-146

The British Embassy to the Department of State

AIDE-MÉMOIRE

The new French note reveals the anxiety of the French Government in the face of pressure from their public opinion to "do something" about Spain. They have an erroneous belief in the possibilities of effective outside action to hasten the fall of General Franco and do not yet appreciate the unfortunate effects which their action to date in closing the Franco-Spanish frontier and stopping all trade with Spain have had in Spain itself. All the reports which have been received from His Majesty's Embassy in Madrid go to show that this hasty action has caused considerable indignation among Spaniards. It is generally regarded as Communist-inspired and as an unwarranted attempt to interfere by means of outside pressure in Spanish internal affairs. It has in consequence only served to strengthen General Franco's position.

2. The French Government, moreover, under-estimate the danger that more drastic pressure from outside, such as economic sanctions, may ultimately have a disruptive effect on the Spanish internal situation and result in chaos.

3. In any event, the steps suggested by the French Government in their note are unacceptable to H.M.G. H.M.G. are not prepared to enter into discussions with a view to deciding the kind of government which should succeed Franco. Not only would any attempt to choose a regime for Spain amount to direct interference in Spanish internal affairs, but any regime thus chosen from outside would for that very reason be unacceptable to the Spanish people.

4. As regards the three courses suggested by the French Government:—

(A) His Majesty's Government would only be prepared to recall their Ambassador from Madrid if they were satisfied that such a step would contribute to a solution of the Spanish problem and would not merely result in the loss to His Majesty's Government both of the most effective means of exerting their influence on the Spanish Government and of their most reliable source of information in Spain;

(B) His Majesty's Government are opposed to the imposition of sanctions on Spain. The imposition of an oil sanction alone would be open to the same objections. We do not believe that it would bring about the immediate departure of General Franco. Its effect could only be gradual and cumulative, and, contrary to the views expressed in the French note, it would have a serious effect on the people's food supply by disrupting the internal communications of the country. For the same reason it would increase the dangers of an eventual outbreak of civil disorder and revolution in Spain;

(C) His Majesty's Government see no advantage in a discussion of the Spanish question by the Council of Foreign Ministers nor do they consider it a suitable subject for discussion by the Council. Furthermore, this step would have the effect of bringing the Soviet Government directly into the picture, which His Majesty's Government do not consider to be desirable at the moment. It is not likely that the Soviet Government would approve the policies of His Majesty's Government and the United States Government towards Spain, and it might well be that the Soviet Government, if given an opportunity, would press for a course of action designed to bring into power an extreme left-wing government in Spain which would not necessarily correspond to the wishes of the Spanish people themselves.

5. In view of these considerations His Majesty's Government are now considering the desirability of replying to the French Government along the following lines:—

“His Majesty's Government have given careful consideration to the proposals set out by the French Government in their note. These proposals raise important considerations, the full implications of which call for careful examination. There are clearly considerable divergences between the British and French views as to the policy to be pursued towards Spain, and His Majesty's Government believe that, with a view to reaching closer understanding on the matter, the best course would be to resume discussions between the British, United States and French Governments. His Majesty's Government must, however, make clear that in making this proposal they are not committed to any of the courses of action suggested in the French note. Such discussions might usefully take place in London between the Foreign Office and the United States and French Embassies. His Majesty's Government consider, however, that no publicity should be given to them in view of the adverse effect which any such publicity is bound to have in Spain (as recent publicity has shown).”

6. It would be the intention at these conversations to explain in detail to the French representatives the reasons for His Majesty's Government's objections to the policy of increasing pressure on Spain. His Majesty's Government would emphasise the unfortunate effect which French action so far has had on opinion in Spain, and would explain the dangers, as they see them, of any recourse to drastic steps such as economic sanctions and the importance of avoiding anything calculated to provoke civil disturbance and revolution in Spain.

Finally, His Majesty's Government would seek to impress upon the French representatives their point of view that the change in Spain must necessarily be gradual and that it can only be retarded by excessive outside pressure; and that in their view the most effective way of influencing Spanish opinion towards a change of regime is to continue to show their dislike for the present regime and to seek to bring home to the Spanish people the extent to which Spain is becoming isolated from the rest of the world by reason of the continuance of the present state of affairs.

7. The British Embassy is instructed to request an expression of the views of the State Department on this matter.

WASHINGTON, 1 April, 1946.

852.00/4-146

The Department of State to the British Embassy

AIDE-MÉMOIRE

The Department of State is in substantial agreement with the views of the British Government expressed in the British Embassy's *Aide-Mémoire* of April 1, 1946, on the subject of proposals with respect to Spain made recently to both Governments by the French Government.

The Department of State proposes to reply to the French Government along the following lines:

"The Government of the United States acknowledges the receipt of the French Government's note of March 25, 1946,⁵⁹ with regard to Spain.

The proposals made in the French Government's communication have received the most careful consideration of the United States Government. These suggestions raise important issues and should, in the opinion of the United States Government, be discussed in detail by the French, British and American Governments so that there may be the fullest measure of understanding as to the likelihood of these or other proposed measures leading to the desired result. To this end the United States Government believes that oral conversations between the French, British and American Governments, as the governments most directly concerned, would be the most satisfactory method for further discussion of this matter. The Government of the United States is prepared to begin such talks at a time and place agreeable to the French and British Governments."

If the French Government agree to the proposal for oral conversations, being made jointly by the Governments of the United States and Great Britain, the United States Government would be agreeable to their being held in London.

WASHINGTON, April 6, 1946.

⁵⁹ See telegram 1444, March 25, from Paris, p. 1060.

852.00/4-646 : Telegram

The Secretary of State to the Ambassador in France (Caffery)

SECRET

WASHINGTON, April 6, 1946—4 p. m.

1568. Please deliver note in following terms to Foreign Minister:
[Here follows text of note as quoted in *Aide-Mémoire* of April 6, 1946, *supra*.]

If Bidault should revert to his proposal that Spanish matter be considered by Council of Foreign Ministers you should say that we do not believe that comes within terms of reference of Council.

Sent to Paris as 1568, repeated to London as 3013 and Madrid as 497.

BYRNES

501.BC/4-1246 : Telegram

The Secretary of State to the United States Representative at the United Nations (Stettinius)

SECRET

WASHINGTON, April 12, 1946—7 p. m.

16. From Hiss.⁶⁰

BACKGROUND INFORMATION AND GUIDANCE FOR THE
UNITED STATES DELEGATE

Our position with respect to Spain is clear.⁶¹ Our dislike for the Franco regime has frequently been made plain in public statements by high officials of the Government. Moreover, we have joined with other governments, at San Francisco, at Potsdam and at the General Assembly in February 1946 in saying that Spain under its present regime was not eligible to join the United Nations. At the same time we are equally desirous of sparing the Spanish people from the horrors of further civil war which would almost certainly have serious international repercussions.

We feel that the interests of the Spanish people and of the international community would be served by the prompt elimination of the Franco Government which was initiated with the support of the Axis.

We have been conducting diplomatic conversations for months past in an endeavor to accomplish these two objectives. We are glad to

⁶⁰ Alger Hiss, Director of the Office of Special Political Affairs.

⁶¹ The Security Council phase in the consideration of the Spanish question began when the Polish delegate on the Security Council addressed letters on April 8 and 9 to the Secretary-General of the United Nations alleging that activities of the Franco Government were causing international friction and endangering international peace, and requesting that the matter be placed on the agenda of the Security Council (United Nations, *Official Records of the Security Council 1st year, 1st series, Supplement No. 2*, pp. 54 and 55, annexes 3a and 3b); hereafter cited as SC, *1st yr., 1st ser., Suppl. No. 2*.

have a discussion of the Spanish situation by the Council, feeling confident that the other members of the Council share our two objectives. We will be glad to consider action within the Charter or independent national action which may facilitate the attainment of these two objectives.

In France hostility towards the Franco regime in Spain is widespread and the parties of the Left, notably the French Communist Party, have taken advantage of this feeling to press the Government for vigorous action against Spain. Foreign Minister Bidault (Chief representative of the right-center Party, MRP, in the Cabinet), has long resisted this pressure, insisting that the Spanish question should be handled by common action with the United States and Great Britain, and not by unilateral French action. This pressure on him for action has assumed domestic political significance which threatens the position of the MRP in the forthcoming election, through their obvious vulnerability in appearing to protect or support Franco by inaction. Therefore, after discussion in the French Cabinet, Bidault agreed to unilateral action by France and, without prior consultation with the United States or the United Kingdom, the French-Spanish border was closed on March 1 and economic relations were suspended entirely. At the same time, to rid himself of an embarrassing problem which he had precipitated and could no longer control, Bidault proposed to the United States, Great Britain and the USSR that the Spanish question be passed on to the Security Council. In so doing, he brought the USSR officially into the question for the first time and received their immediate support.

The country which will derive most satisfaction from a discussion of Spain in the Security Council, and from any action which results, will probably be the USSR. This will provide a distraction from other questions more embarrassing to the Soviets; and it will meet their keen desire to press for international interference in the Spanish situation in the hope that during the resulting confusion a new regime will emerge which will be more satisfactory to Soviet ambitions.

A number of notes have been exchanged with the French Government on the subject of possible Security Council action and a summary of these notes is attached to this memorandum.⁶²

We have refrained from encouraging the French, but now that the question has been raised by the Polish Delegate, we will welcome a thorough discussion of the Spanish situation in the Security Council, as we would welcome such a discussion in any authoritative body.

Quite apart from the question of what, if any, action the Council may under the Charter be in a position to take when all the facts have

⁶² Summary not printed.

been developed, we feel that the Council furnishes a useful forum for the discussion of the whole Spanish situation and we hope that the discussion will be free and untrammelled and not limited by technical considerations as to the possible action that the Council may feel warranted in taking.

The United Kingdom Government believes firmly that a solution to the Spanish question will not be aided by any active attempts from outside to force the pace of evolution which must, in their view, be allowed to develop inside Spain. They feel that attempts at intervention will only serve to strengthen General Franco's position. Moreover, the British are emphatic in believing that the continuance of General Franco in power offers no threat to peace and security.

The British feel that the Spanish question as it now exists is clearly an internal Spanish matter, to which Article 2, paragraph 7, applies and they will probably oppose placing the matter on the agenda on the grounds that it is not Security Council business. We do not share their view that Council consideration is precluded by Article 2, paragraph 7 of the Charter and believe that such a determination of the merits of a question *before* it is on the agenda would be a bad precedent and, in fact, would be contrary to views previously expressed on the Security Council by the American and British delegates, that any member should be given a hearing. If the British persist in this position we are prepared to express a contrary view and vote against them on the agenda question.

On the basis of our present information, we are not convinced that international peace is threatened by the continuance of the present situation in Spain—provided other states exercise restraint in their relations with Spain and refrain from efforts to precipitate matters by outside pressure. We regard it as unrealistic to consider the war-making power of Spain as, in itself, a threat to international peace.

Accordingly the United States is of the opinion that, on the basis of the information now available, there does not now exist a threat to the peace (Article 39) requiring action under Chapter VII.

At the present time, the United States believes that it would be wiser to avoid a vote on a determination in the Council, as to whether there exists a situation whose continuance is likely to endanger the maintenance of international peace and security (Article 34). If the Council voted *against* such a determination, there would be obvious propaganda advantages for the Spanish Government. If the Council voted *for* such a determination there would be continuing pressure for further action by the Security Council and by individual member states and we believe that such drastic action would in the long run lead to political and economic chaos in Spain and endanger our own interests as well as those of the Spanish people.

Under these circumstances and in the absence of new and compelling reasons, we believe it preferable to effect a disposition of the Spanish matter which would avoid a vote on whether or not such a threat to the peace or such a "situation" exists, and yet would receive the approval of a sufficient number of Security Council members, whose governments are under more or less pressure to do something about Spain.

We would consider action along either or both of the following lines at an appropriate stage of the proceedings:

1. The U.S. would recognize that the situation is one which should have the continuing attention of the Security Council. The Council might, therefore, keep the matter on its continuing agenda and to that end it could appoint a subcommittee of the Council which would be charged with the responsibility of receiving any information relating to the Spanish situation which the members of the United Nations might supply. The subcommittee would have the responsibility of examining such information and reporting to the Council at periodic intervals and whenever information which, in its opinion, warrants the attention of the Council.

2. The United States would support a recommendation by the Council to the General Assembly that it exercise its jurisdiction of considering and recommending measures of peaceful adjustment under Article 14 of the Charter. Under that Article, the General Assembly is empowered to "recommend measures for a peaceful adjustment of any situation, regardless of origin, which it deems likely to impair the general welfare of [*or*] friendly relations among nations." This resolution would recognize the interest taken in the Spanish situation by the General Assembly at its first meeting and would recommend that if, when the Assembly reconvenes, the situation in Spain still continues to be of concern to the international community the Assembly which is the most representative of all the United Nations bodies consider the possibility of making recommendations.

In the event that no new information or other reasons develop making desirable a different course, and it is decided that a vote shall be taken on the question of whether or not the Spanish matter is a threat to the peace, within the meaning of Chapter VII of the Charter, a statement of the United States position should be made in the Council and the United States delegate should vote against such a determination. Under similar circumstances, the United States should not vote in favor of any resolution recommending to member states that they change their diplomatic relations with Spain or individually apply partial or total economic sanctions such as France has done. Apart

from any jurisdictional question the United States is not convinced that such sanctions would be helpful to meet whatever potential dangers there may be in the Spanish situation. [Hiss.]

BYRNES

[On April 15 the Security Council included the Polish request on its agenda, and discussion of the Spanish question began on April 17 with the introduction by the Polish delegate of a draft resolution calling on all members of the United Nations who maintained diplomatic relations with the Franco Government to sever such relations immediately (United Nations, *Official Records of the Security Council, 1st yr., 1st ser., No. 2*, p. 167; hereafter cited as SC, *1st yr., 1st ser., No. 2*). In meetings from April 17 to April 29 the Security Council discussion centered on the question of whether the activities of the Franco regime did in fact endanger international peace and security. During this period the United States Representative made two major statements of the United States policy regarding the Franco Government, and in both he was guided by this background paper or by instructions based thereupon (particularly telegram 17, to New York, April 12, 7 p. m.; telegram 26, to New York, April 16, 7 p. m.; and telegram 32 to New York, April 20, 5 p. m., in File 501.BC/4-1246, 4-1646, and 4-1746, none printed.)

In a statement on April 17, one of several which Security Council delegates made in response to the Polish resolution, Mr. Stettinius stated that "My Government has two broad objectives with regard to the situation in Spain. The first is that the Franco regime . . . be removed from power by the Spanish people. . . . Our second objective is . . . that this change in Spain be accomplished by peaceful means and that the Spanish people be spared the horrors of a resumption of civil conflict, which would almost certainly have serious international repercussions. . . . We will give sympathetic consideration to action in conformity with the Charter or to any independent national action which will afford a reasonable prospect of achieving these two objectives. . . ." (SC, *1st yr., 1st ser., No. 2*, pp. 178 and 179, or Department of State *Bulletin*, April 28, 1946, pp. 709 ff.)

In a second statement on April 25, in support of an Australian proposal to establish a subcommittee of the Security Council to ascertain the facts, Mr. Stettinius declared:

"My Government . . . have been closely following the entire Spanish problem and have accumulated information based upon first-hand observations of our representatives in Spain. Our information on many of the specific points brought forward by the Polish representative is quite different from his and does not support many of his conclusions.

"On the basis of our own information and the information so far developed here in the Security Council, we cannot agree with those of his conclusions which seem to suggest that there is a situation in Spain requiring action under Articles 39 and 41 of the Charter. . . .

"We believe that there should be a committee of the Council charged with the responsibility of obtaining facts relating to the situation in Spain, so that the Council may, on a sound basis, meet its obligation to determine whether or not continuance of the situation is truly likely to endanger the maintenance of international peace and security." (SC, *1st yr., 1st ser., No. 2*, pp. 217 and 218.)

The above remarks of Mr. Stettinius were based specifically upon Department's telegraphic instruction 32, April 20, not printed.

On April 29 the Security Council adopted a resolution which led to the establishment of a subcommittee to determine whether the situation in Spain had led to international friction and did endanger international peace and security (SC, *1st yr., 1st ser., No. 2*, pp. 244 and 245). The United States excluded itself from the subcommittee on the grounds that other powers had "a more direct interest than ourselves" (telegram 32, April 20). The United States cooperated closely with the subcommittee during the period the subcommittee was in operation from April 29 to June 1, furnishing it with the great bulk of the documentary evidence with which it worked (IO Files, document SD/S/926, "Summary of the Spanish Case before the Security Council April-June 1946").]

852.00/4-2346

*The Spanish Ministry for Foreign Affairs to the American Embassy in Spain*⁶³

[Translation]

No. 274

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and, as an addition to its *Note Verbale* dated the 20th of March past,⁶⁴ has the honor to report the following facts and circumstances:

1. The reports frequently received by the Spanish Government which indicate that for some time now there have been in southern France armed groups of Spanish revolutionists, currently indicate that at this time there are strong concentrations of militarily trained

⁶³ Copy transmitted to the Department in despatch 1992, April 23, from Madrid; received May 1, 1946.

⁶⁴ For substance of note, see telegram 574, March 21, from Madrid, p. 1059.

groups which perhaps may add up in total to several thousand men.

2. The objective of these armed groups, composed of Spanish extremists of miscellaneous tendencies, united to French communists, seems to be the execution of a "coup" on some point of the French border which may render them masters of an area within Spanish territory which, insignificant as it might be, would furnish them with a pretext for installing thereon a republican "Government".

3. All the information and data available to this Department lead to the belief that the active revolutionists are trying to plan and execute this attempt in a manner such as to make it appear that the provocation or aggression was not started by them, but by the Spanish Government or its agents.

4. The presence in these guerrillas or [of?] groups of Soviet officers and the coincidence of other circumstances such as the arrival at Marseille, a few days ago, of the Russian ship *Klim Vorochilov*, loaded with war implements taken at Nicolaiev and Constanza, bear evidence that there are taking part in these subversive activities Russian agents directed or supported by the Moscow Government.

5. Both the organization and the equipment of these armed groups and the subversive propaganda developed by the Spanish and French "reds" in southern France are spread unhindered as a result of the passivity not to say complicity of the French authorities who, not only do not prevent the revolutionary work, but support, encourage and assist it.

6. On several occasions, the complacent passiveness of the French official elements has become clear and open cooperation.

In the case of the arrival of the *Klim Vorochilov* at Marseille, for instance, the unloading of arms and ammunition and subsequent transportation of the same inside the country could be effected freely, under the protection of the port authorities and under the supervision of the Soviet Ambassador himself who, it appears, was in person at the pier.

7. According to other information of recent date, there sailed from Casablanca for Bordeaux a French ship with 300 Spanish refugees, whose fares were paid by some person unknown, and who were going, it seems, to increase the guerrillas who, in southern France, are being organized and operate with full freedom of action.

8. The information services available to the Ministry of Foreign Affairs likewise point out the presence and activities in certain zones of southern France, i.e., in the Department of Basses Pyrenees, of agents of Russian nationality who are attempting to draw maps and get photographs of the passes and highways leading to the Spanish border.

At this time, when it is attempted to give to universal opinion the impression that the Spanish regime represents a danger to peace, the

Ministry of Foreign Affairs is of the belief that it is necessary to denounce the facts and circumstances above mentioned, and to emphasize that not only is the Spanish Government completely blameless for the serious situation created in southern France, but that there is inherent in this very situation and in the subversive activities carried out by Spanish revolutionary elements who are the instruments of Soviet propaganda effectively supported by France, the serious and clearcut danger threatening peace at the present time.

MADRID, April 17, 1946.

852.00/4-2346

*The Spanish Ministry for Foreign Affairs to the American Embassy in Spain*⁶⁵

[Translation]

No. 275

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and, in addition to the *Note Verbale* dated today,⁶⁶ regarding the presence and activities of revolutionary groups in southern France, has the honor to inform that the Spanish Government, in its desire to make available to the Governments of England and the United States all the means of information necessary for the confirmation of those facts, would be ready to permit military observers from each of the two countries, appointed by their respective Governments, to visit the Spanish-French frontier zone, provided they would find it advisable and useful for the clarification of the facts to request from the Government of the French Republic a similar authorization with regard to the territories beyond the Pyrenees.

MADRID, April 17, 1946.

501.BC Spain/6-146 : Telegram

The Acting United States Representative at the United Nations (Johnson) to the Secretary of State

US URGENT

NEW YORK, June 1, 1946—5:20 p. m.

[Received June 1—4:28 p. m.]

266. The report of the Subcommittee on Spain,⁶⁷ totalling with annexes approximately 100 pages, has just been issued. The body of

⁶⁵ Copy transmitted to the Department in despatch 1992, April 23, from Madrid; received May 1, 1946.

⁶⁶ *Supra*.

⁶⁷ See United Nations, *Official Records of the Security Council, 1st year, 2nd series, Special Supplement, Report of the Sub-Committee on the Spanish Question.*

the report, 17 pages, is being sent by courier tonight. A summary will be teletyped later.

The conclusions and recommendations to the Security Council of the Subcommittee follow:

VI. CONCLUSIONS AND RECOMMENDATIONS TO THE SECURITY COUNCIL

30. The conclusions to which the Subcommittee has come are as follows:

(a) Although the activities of the Franco regime do not at present constitute an existing threat to the peace within the meaning of article 39⁶⁸ of the Charter and therefore the Security Council has no jurisdiction to direct or to authorize enforcement measures under article 40 or 42, nevertheless such activities do constitute a situation which is a potential menace to international peace and security and which therefore is a situation "likely to endanger the maintenance of international peace and security" within the meaning of article 34 of the Charter.

(b) The Security Council is therefore empowered by article 36 (1) to recommend appropriate procedures or methods of adjustment in order to improve the situation mentioned in (a) above.

31. The final question is what action should be recommended by the Subcommittee to the Security Council. After considering carefully what would be effective and appropriate measures to meet the particular case, and having regard to the important powers of the General Assembly under article 10 of the Charter, the Subcommittee recommends as follows:

(a) The endorsement by the Security Council of the principles contained in the declaration by the Governments of the United Kingdom, the United States and France, dated March 4, 1946.

(b) The transmitting by the Security Council to the General Assembly of the evidence and reports of this Subcommittee, together with the recommendation that unless the Franco regime is withdrawn and the other conditions of political freedom set out in the declaration are, in the opinion of the General Assembly, fully satisfied, a resolution be passed by the General Assembly recommending that diplomatic relations with the Franco regime be terminated forthwith by each member of the United Nations.

(c) The taking of appropriate steps by the Secretary General to communicate these recommendations to all members of the United Nations and all others concerned.

⁶⁸ Article 39 stipulates that the Security Council "shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with articles 41 and 42, to maintain or restore international peace and security." Under article 40 the Security Council is authorized to call upon parties concerned to comply with such provisional measures as it may propose to prevent an aggravation of a situation, and under article 42, should it decide that measures not involving armed force are inadequate to effect the Council's decision, it can take whatever military action by air, sea, or land it deems necessary to maintain or restore peace and security.

32. In the event of the General Assembly being satisfied that all the conditions set out in the declaration of March 4, 1946, have been complied with including the withdrawal of the Franco regime, political amnesty, return of exiled Spaniards, freedom of political assembly and association and free public elections, the Subcommittee suggests that it would be appropriate for the organization to consider favorably an application by a freely-elected Spanish Govt for membership in the United Nations.

JOHNSON

[The Sub-Committee's report was placed on the agenda of the Security Council June 6. It received the consideration of the Council at a series of meetings extending through June 18. Mr. Herschel Johnson, the Acting United States Representative, initiated a move for modification of paragraph 31 (b) (*see supra*) relating to submission by the Security Council to the General Assembly of a recommendation regarding action against the Franco regime. Agreement was reached on revision to be presented to Council, and on June 13, Dr. Evatt, Australian Chairman of the Sub-Committee, submitted Sub-Committee's recommendations to Security Council for consideration (SC, *1st yr., 1st ser. No. 2*, p. 326).

In discussions on June 13, Mr. Johnson stated that his Government was prepared to accept the revised proposal, as it went a long way toward overcoming his objection to danger of the Council's prejudging the precise course of action which the General Assembly should take. He, however, reserved the position of the United States in the General Assembly, pointing out that in supporting the Sub-Committee's recommendation, "my Government is not, at this time, undertaking any commitment as to position it will take in General Assembly." (*ibid.*, p. 328.) Extensive documentation regarding consideration of the Sub-Committee's report by the Security Council is found in Department of State File 501.BC Spain.

The modified recommendation of the Sub-Committee was put to a vote in the Council on June 18. Nine members voted for adoption. The Netherlands abstained and the Soviet Union voted in opposition. The negative vote of the Soviet Union was ruled a veto, thus preventing adoption (*ibid.*, pp. 378 and 379). The matter was not dropped, however, and on June 24 the original Polish resolution calling for a break of diplomatic relations with Spain was re-introduced, but it was defeated by vote of 7 to 4 (*ibid.*, p. 388). The Polish representative in the face of the defeat, however, insisted that the Council remain seized of the Spanish question, and after a long period of discussion a Soviet-sponsored resolution to this effect was adopted on June 26 (*ibid.*, pp. 441 and 442).

Unpublished papers on the entire Security Council phase of the Spanish question, April–June, 1946, may be found in the central indexed files of the Department of State in series 501.BC (the Security Council file).]

501.BC–Spain/6–646 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

US URGENT

MADRID, June 6, 1946.

[Received June 6—12:20 p. m.]

1019. Following is summary of note delivered late last night by Spanish FonOff to representatives here of members of Security Council with whom Spain maintains "cordial relations" (US, UK, Brazil, Egypt, Netherlands) and published in full in this morning's press.

Spanish Government protests against procedure Subcommittee and against offensive report that body. Subcommittee has no competence or jurisdiction over Spanish affairs because Spain is not member United Nations and because matter dealt with is Spain's internal regime. Thus very basis international community in respect for sovereign states is violated. Spain is defending cause medium sized and small countries and of neutrals all of whom may tomorrow be threatened.

Brazil is only member of Subcommittee having normal relations with Spain. Australia is British dominion not represented in Spain and China has had no relations since war. Poland and France are both judges and accusers and have shown manifest hostility. Poland is merely agent of foreign government which was expelled from League of Nations for aggression against Finland. Both France and Russia are currently accused before United Nations of aggression (Siam and Iran).

Spanish Government was not heard but so-called Giral Government furnished major part evidence. Giral Government described as at service Soviet Communism the only true threat to peace of Spain.

Of Poland's four original charges three have fallen to ground especially due last minute British report. These include atomic bomb production, alleged offensive military power and preparation for attack against France.

Spanish Government reiterates its complete neutrality during war, its condemnation of excesses committed by Nazi–Fascist regimes, its complete respect for political system other countries and finally states that its conduct regarding German individuals and properties in Spain is not different from that observed by other neutral countries but it does not hope to convince persons representatives or governments

which because they proceed in bad faith are predisposed not to be convinced.

UN is not competent to demand responsibilities for past acts but rather to avoid future conflicts but Spain would not object to examination of past if impartial and if conduct other nations including Russo-German dealings in 1939 also examined. American White Book⁶⁹ was answered by Spanish FonOff. Subcommittee is silent on help which Spain's neutral attitude represented for Allies and especially for France as long as she was in war, for Great Britain and for US at time of African landings. Spain's action regarding Tangier is justified by wartime circumstances.

Spain's regime as was clearly proved by Caudillo in his recent speech in no way resembles either German or Russian totalitarianism.

Spanish Government is aware that Governments of American Republics unanimously replied to Subcommittee's questionnaire in sense that they had no complaint against Spanish Government for alleged pro-Fascist activities in America.

Majority countries Subcommittee states do not wish relations with Spain are Soviet satellites or are occupied by Soviets. Spain receives frequent evidences friendship from persons who have escaped from those countries.

Spanish Government as set forth in recent declaration has taken all measures to facilitate actions British and American Embassies as agents ACC in repatriation Germans charged with political activities and control properties belonging to former German Reich.

No [Note] deals ironically with alleged legalistic subterfuge of Subcommittee to maintain accusation against Spain while admitting Spain is not actually threat to peace. This is described as surprising and serious juridical novelty.

Recommendation Subcommittee for break relations said to have been same as that unsuccessfully advocated by Soviets at Potsdam and defeated at London Assembly of UN by majority votes and also rejected in tripartite note of March 4.

Note concludes as follows:

"The Spanish Government wishes to believe that the Anglo-Saxon nations who have the most heavy responsibility in the progress of the world during the coming years as well as the other powers members of the Security Council and especially Brazil, the Netherlands and Egypt after having studied the affairs of Spain objectively and judged them with serenity and without passion, will do justice to Spain in declaring completely unacceptable the proposal contained in the report

⁶⁹ Issued by the Department of State March 4, 1946, under the title "The Spanish Government and the Axis: Official German Documents." Texts of the documents are also printed, some in part and some in full, in the Department of State *Bulletin*, March 17, 1946, pp. 413-427.

of the Security Council because Spain far from constituting any danger to peace has a clear record as a pacific country, a record such as few countries can present, since it has remained neutral in the last two European wars and because of the profound Christian sentiment of her people who desire as much as any that at last true peace may rule, which must be the work of justice.

In any case the Spanish Government once more places on record that the dignity of the nation will never tolerate that foreign nations endeavor to intervene in the private affairs of Spain and it is very certain of being supported in its desire for liberty and independence by the whole nation which would prefer to live in a difficult isolation rather than in a state of incomplete sovereignty and it is convinced that by so doing it is rendering a service of the first importance to the cause of free nations and to the international community itself."

Full text and translation being airpouched.⁷⁰

BONSAL

852.00/7-1146

The Chargé in Spain (Bonsal) to the Secretary of State

CONFIDENTIAL
No. 2500

MADRID, July 11, 1946.
[Received July 19.]

SIR: I have the honor to refer to my telegram 1154 of July 9, repeated to Paris as 312 and to London as 325,⁷¹ reporting my conversation with the Foreign Minister on that date regarding possible political changes in Spain in the near future, and to enclose herewith for the information of the Department a copy of my memorandum⁷¹ of that conversation.

My own view is that while temporarily the closing of the French frontier and the agitation of the Spanish question in the Security Council by countries having very definite political objectives in Spain and an unscrupulous attitude regarding the use of misinformation about conditions in Spain for the purpose of attaining those objectives have strengthened the Franco regime by arousing nationalistic sentiments, the long-run situation confronting France is due to become increasingly unfavorable. This point will be elaborated in later despatches and telegrams. Economic difficulties coupled with rising internal political opposition and disorder—a disorder which is still well within the Government's ability to control but which may within a few months reach unmanageable proportions—form part of a situation which undoubtedly though probably not immediately will be most difficult to handle.

⁷⁰ *Note Verbale*, dated June 5, transmitted in despatch 2283, June 7, from Madrid; neither printed.

⁷¹ Not printed.

I would like to draw the Department's attention to my continued emphasis in my conversations with the Foreign Minister on the necessity, if any sort of sincere political evolution is contemplated by the present authorities, for at least a degree of freedom of discussion since otherwise such evolution would be considered both inside and outside of Spain as distinctly a sham and not founded on an enlightened public opinion.

Respectfully yours,

PHILIP W. BONSAI

501.BC Spain/10-3046 : Telegram

*The Acting United States Representative at the United Nations
(Johnson) to the Secretary of State*

URGENT

NEW YORK, October 30, 1946—7:15 p. m.

[Received 7:29 p. m.]

733. Lange (Poland) told the Security Council October 30 that he would ask it to remove the Spanish question from the list of items on which the Council is "exercising its function" so that he could present recommendations on the subject to the General Assembly.⁷² Supported by Molotov (USSR), Lange favored placing the subject on the agenda for the current meeting. When Pasha (Egypt)⁷³ and Velloso (Brazil) objected, suggesting the usual 3 days' notice for agenda items, chairman Cadogan (UK) ruled that the Polish proposal would be considered at a special SC meeting at 3 p. m. November 4.

JOHNSON

501.BB/11-1246 : Telegram

*The United States Representative at the United Nations (Austin)
to the Secretary of State*

CONFIDENTIAL

NEW YORK, November 12, 1946—12:01 a. m.

[Received 5 a. m.]

790. Following statement on the Spanish question drafted by Vandenberg⁷⁴ was approved at the delegation meeting on November 11

⁷² On October 24 the Secretary General of the United Nations, in a speech supplementing orally his formal Report to the General Assembly on June 30, 1946, had invited the General Assembly to give "comprehensive guidance" to the different organs of the United Nations and its Member States "regarding their relationship with the Franco regime." (United Nations, *Official Records of the General Assembly, First Session, Second Part, Plenary Meetings*, p. 700; hereafter cited as GA (1/2), *Plenary*).

⁷³ Dr. Mohamed Hussein Haekel Pasha, Egyptian Representative at the General Assembly.

⁷⁴ Arthur H. Vandenberg, United States Senator from Michigan; United States Representative at the General Assembly, United Nations.

as position of United States delegation, the substance of which was to be communicated to Latin American delegates by Dawson ⁷⁵ on that date:

"1. We reaffirm our support of the action of the General Assembly at London in condemning the Fascist regime in Spain and in welcoming any democratic change which protects basic human rights and fundamental freedoms.

"2. We shall join in continuing to oppose the admission of the Franco regime to membership in the United Nations or any of its agencies.

"3. We shall support the Security Council in any action it takes against the Franco regime, under the United Nations Charter, if and when the Security Council finds that this regime is a threat to international peace and security.

"4. Pending such a finding, we are opposed to any inconclusive action by the United Nations because it would be best calculated either to aid Franco by uniting the Spanish people against outside interference, or to precipitate the Spanish people themselves into the disaster of civil war with unknown but inevitably costly consequences."

AUSTIN

852.00/11-1946: Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

SECRET

MADRID, November 19, 1946—4 p. m.
[Received November 20—7: 15 a. m.]

1650. In course lengthy conversation yesterday Foreign Minister confirmed previous statements that as long as Spanish Government subject to outside pressure it is unable to take steps along path of political evolution which government believes desirable. He repeated that events past year and particularly Communist-inspired maneuvers in UN have delayed progress here. He made plea for greater understanding on part of western countries and expressed thought some of US at last beginning to realize extent Communist menace. Attitude in general was confident as to ability regime to defend itself from internal enemies and defiant re outside pressures. In many ways he echoed Franco's AP interview. (Embtel 1632, November 14, repeated London 410, Paris 411).⁷⁶

⁷⁵ William Dawson, Advisor to United States delegation at the General Assembly, United Nations.

⁷⁶ Not printed. In Associated Press interview on November 14, Franco stated that Spain did not wish to consider possibility of United Nations membership at that time, denied authority of the United Nations Assembly to consider the Spanish problem, and reiterated the position of his regime that the United Nations maneuvers relating to Spain were Soviet-inspired (852.00/11-1446).

I set forth to Minister as clearly as possible our policy, concluding that present Spanish regime could not anticipate either normal relations with US or participation in international activities.

Minister indicated that attitude that present is not appropriate time for political evolution here based upon following factors in addition general international situation :

(a) Recent bombings and shootings in Madrid indicative of need for close control of subversive elements in order to avoid return to civil war conditions (Minister spoke feelingly of his own civil war experiences and of assassination several of his relations).

(b) Since French elections Spanish intelligence services have received information indicating unfriendly activities originating in France, such as contraband trade in arms, munitions and infiltration agents, will be shortly much intensified. Specific data on this subject to be furnished me shortly. Situation said to make impossible any reduction Spanish armed forces on frontier.

(c) Spanish Government worried at evidences Communist influence even in US and Great Britain. Division in British Labor Party, activities of labor unions in US and particularly TWA strike cited by Minister as evidence this penetration.

Minister also referred critical food situation and scandalous profiteering, expressing hope of improvement due government measures re distribution, excellent olive oil prospects and Argentine trade agreement "which gives us breathing spell". (Bilbao strike mentioned Embtel 1632, November 14⁷⁷ apparently settled for present.)

Repeated London 412, Paris 415.

BONSAL

501.BB/12-346

The United States Representative at the United Nations (Austin) to the Secretary of State

NEW YORK, December 3, 1946—2:05 p. m.

[Received 2:37 p. m.]

907. Following is the text of the Spanish resolution submitted by the US delegation at the meeting of Committee I December 2:⁷⁸

"The people of the United Nations, at San Francisco, Potsdam and London condemned the Franco regime in Spain and decided that as

⁷⁷ Not printed.

⁷⁸ This Resolution having been submitted by Senator Tom Connally of the United States delegation and representative on the First Committee is often referred to later as the "Connally Resolution". At a meeting of the First Committee on December 3, Senator Connally made a careful statement of the United States position stressing that the basis of this Government's foreign policy was the principle of non-intervention in the internal affairs of other countries. For a summary of the meeting, see GA (1/2), *First Committee*, pp. 239-240; for a complete text of Senator Connally's statement, see Department of State *Bulletin*, December 15, 1946. p. 1086.

long as that regime remains, Spain may not be admitted to the United Nations.

"The people of the United Nations assure the Spanish people of their enduring sympathy and of the cordial welcome awaiting them when circumstances enable them to be admitted to the United Nations.

"Therefore: The General Assembly of the United Nations convinced that the Franco Fascist Government of Spain, which was imposed by force upon the Spanish people with the aid of the Axis powers and which gave material assistance to the Axis powers in the war, does not represent the Spanish people, and by its continued control of Spain is making impossible the participation of the Spanish people with the peoples of the United Nations in international affairs: recommends that the Franco Government of Spain be debarred from membership in international agencies set up at the initiative of the United Nations, and from participation in conference or other activities which may be arranged by the United Nations or by these agencies, until a new and acceptable government is formed in Spain.

"The General Assembly further, desiring to secure the participation of all peace-loving peoples, including the people of Spain, in the community of nations, recognizing that it is for the Spanish people to settle the form of their government; places on record its profound conviction that in the interest of Spain and of world cooperation the people of Spain should give proof to the world that they have a government which derives its authority from the consent of the governed; and that to achieve that end General Franco should surrender the powers of Government to a provisional government broadly representative of the Spanish people, committed to respect freedom of speech, religion, and assembly and to the prompt holding of an election in which the Spanish people, free from force and intimidation and regardless of party, may express their will.

"And invites the Spanish people to establish the eligibility of Spain for admission to the United Nations."

AUSTIN

[A complicated parliamentary situation developed in the First Committee and after 3 days of intensive debate the Committee found itself confronted with two contrasting resolutions (United States and Polish) and eight proposed amendments to one or the other of these. It decided to refer the matter to a subcommittee, which on December 8 adopted a draft resolution of its own (see telegram 953, December 10, printed on page 1083) containing an admixture of these proposals, and amendments already advanced, but only after a flurry caused in the subcommittee itself and in the press by the strong opposition registered by Senator Connally to all proposals calling for a diplomatic break or for economic sanctions. The draft finally adopted on December 9 was an amalgam of the subcommittee's draft and an amendment presented by the Belgian delegate in turn amended by the United Kingdom. Vote on resolution for adoption was 23 for, 4 against, with 20 abstentions (including the United States).

For published record of this phase, see GA (1/2), *First Committee*, pp. 225-235, *passim*, and annexes 11 through 11 L and United States delegation press releases No. 99 and No. 100 of December 7, and No. 102 of December 8. The subcommittee's report is found in GA (1/2), *First Committee*, p. 358, annex 11 K, and the report of the First Committee in GA (1/2), *Plenary*, pp. 1536-1538, annex 70. The telegraphic record in the Department of State is found in File 501.BB. The Department subsequently prepared a detailed analysis in a United States delegation working paper entitled "The Legislative History of the Spanish Question in the General Assembly, Second Part of the First Session, October 23 to December 15, 1946", dated January 31, 1947 (IO Files, document SD/A/106).]

501.BB/12-346 : Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

RESTRICTED

December 3, 1946—9 p. m.

[Received December 4—12: 05 a. m.]

1699. Following is text of *note verbale* handed to me by Spanish Under Secretary for Foreign Affairs today re Connally Resolution in United Nations General Assembly:

Minister for Foreign Affairs presents compliments to American Embassy and has honor set forth following:

(1) Spanish Government expresses regrets to United States Government re terms motion presented American delegation before Political Security Committee United Nations Assembly in which are expressed completely inexact ideas re Spanish people and Government which offend Spanish nation.

(2) (a) Spanish people rejects adjective Fascist applied it in aforesaid resolution since regime has no relations totalitarian systems as it is regime respecting fundamental liberties human personality and in which exercise of authority adjusted rules of law.

(b) Spanish people know regime set up July 18, 1936, not imposed through force. People achieved regime through own effort and at price its blood in struggle against Communist tyranny which had seized country and was dominating it through crime. Proof legitimacy is fact that all world nations except Mexico and Russia and including United States recognized national regime as soon as civil war ended and have maintained normal diplomatic relations 7 years.

(c) Spanish people denies regime owes existence alleged Axis countries. Foreign volunteers in Nationalist ranks did not reach 2 per cent total strength as is demonstrated pay and ration rolls in archives campaign. On other hand these volunteers only admitted National Army after proof arrival Communist international brigades in ranks Red Army.

(d) Spanish people do not admit statement its regime unrepresentative since during 10 years Spanish nation has given full en-

thusiastic proofs not only of consent but of support its Government and is demonstrating loyalty in spite incitements to rebellion received from abroad and notwithstanding machinations against its peace and security concocted other side Pyrenees.

(e) Spanish people denies regime obstructs participation Spain in United Nations if latter respects as it should principle sovereignty and independence of peoples. No nation has so many rights to contribute to work of peace as Spanish nation which in addition age old international tradition has been able in spite of difficulties to remain neutral in two world-wide conflagrations this century and during last of these specifically thanks present Government.

(f) Spanish people rejects accusation its Government does not respect individual liberties. In Spain basic liberties, human personality are defined, respected and protected: personal security; true religion; liberty education and teaching; liberty of labor and as for political liberties, those which regime recognizes are much more sincere and far above pretended democratic protestations of some of countries bearing initiative in accusation.

(g) Spanish people repels energetically intervention internal affairs: accusations from abroad against institutions, excitement to subversion and rebellion and dictation from abroad of road which it must follow.

(3) Consequently Spanish Government strongly regrets that without doubt because of lack of information or perhaps as concession to circumstances American delegation in Assembly of United Nations, Spain being absent has expressed itself in terms which, although they will not produce any positive effect, offend Spanish nation because they are unjust.

BONSAL

501.BB/12-1046 : Telegram

The United States Representative at the United Nations (Austin) to the Secretary of State

NEW YORK, December 10, 1946—3:02 p. m.

[Received 3:51 p. m.]

953. There follows text of resolution concerning Spain, adopted Dec 9 by Committee I:

“The peoples of the United Nations, at San Francisco, Potsdam and London condemned the Franco regime in Spain and decided that, as long as that regime remains, Spain may not be admitted to the United Nations.

The General Assembly in its resolution of 9 February 1946 recommended that the members of the UN should act in accordance with the letter and the spirit of the declarations of San Francisco and Potsdam.

The peoples of the UN assure the Spanish people of their enduring sympathy and of the cordial welcome awaiting them when circumstances enable them to be admitted to the United Nations.

The General Assembly recalls that in May and June, 1946, the Security Council conducted an investigation of the possible further action to be taken by the United Nations. The Subcommittee of the Security Council charged with the investigation found unanimously:

(a) In origin, nature, structure and general conduct, the Franco regime is a Fascist regime patterned on, and established largely as a result of aid received from Hitler's Nazi Germany and Mussolini's Fascist Italy.

(b) During the long struggle of the United Nations against Hitler and Mussolini, Franco, despite continued Allied protests, gave very substantial aid to the enemy powers. First, for example, from 1941 to 1945 the Blue Infantry Division, the Spanish Legion of Volunteers and the Salvador Air Squadron fought against Soviet Russia on the Eastern front. Second, in the summer of 1940, Spain seized Tangier in breach of international statute, and as a result of Spain maintaining a large army in Spanish Morocco large numbers of Allied troops were immobilized in North Africa.

(c) Incontrovertible documentary evidence establishes that Franco was a guilty party, with Hitler and Mussolini, in the conspiracy to wage war against those countries which eventually in the course of the World War became banded together as the United Nations. It was part of the conspiracy that Franco's full belligerency should be postponed until a time to be mutually agreed upon.

The General Assembly, convinced that the Franco Fascist government of Spain, which was imposed by force upon the Spanish people with aid of the Axis powers and which gave material assistance to the Axis powers in the war, does not represent the Spanish people, and by its continued control of Spain is making impossible the participation of the Spanish people with the peoples of the United Nations in international affairs;

Recommends that the Franco government of Spain be debarred from membership in international agencies established by or brought into relationship with the United Nations, and from participation in conference or other activities which may be arranged by the United Nations or by these agencies, until a new and acceptable government is formed in Spain;

The General Assembly further desiring to secure the participation of all peace-loving peoples including the people of Spain in the community of nations;

Recommends⁷⁹ that if within a reasonable time there is not established a government which derives its authority from the consent of the governed committed to respect freedom of speech, religion and assembly and to the prompt holding of an election in which the

⁷⁹ This and the following paragraph constituted the two parts of the Belgian amendment referred to in the bracketed note, p. 1081. The Belgian proposal had been submitted initially, before the Sub-Committee stage, as an amendment to the United States draft resolution (GA (1/2), *First Committee*, p. 357, annex 11h). Following the Sub-Committee phase, the Belgian delegate re-submitted his amendment as an addition to the Sub-Committee draft (GA (1/2), *ibid.*, p. 301).

Spanish people, free from the force and intimidation and regardless of party, may express their will, the Security Council consider the adequate measures to be taken in order to remedy the situation and;

Recommends that all members of the United Nations immediately recall from Madrid their Ambassadors and Ministers Plenipotentiary accredited there.”⁸⁰

AUSTIN

501.BB/12-1046

Memorandum of Telephone Conversations, by the Director of the Office of Special Political Affairs (Hiss)

[WASHINGTON,] December 10, 1946.

Participants: John C. Ross—U.S. Delegation to the General Assembly
 Durward V. Sandifer—U.S. Delegation to the General Assembly
 Alger Hiss—SPA

Mr. Ross called me this morning and said that he wished to talk about the proposed resolution on Spain.⁸¹ He mentioned that Mrs. Douglas^{81a} was particularly anxious that our Delegation not oppose the proposed resolution.

We were in agreement that the sole issue revolves about the provision that “if within a reasonable time” a new government has not been established in Spain the Security Council should then “consider the adequate measures to be taken in order to remedy the situation”. This provision was proposed by Belgium and was adopted against our opposition (see memorandum of conversation of December 3⁸² setting forth the Department’s position with respect to this provision in the form in which the Belgian Delegation had introduced it⁸³): Mr. Ross said that in addition to those of our Delegation who favored simply supporting the resolution there were those who wanted to propose an

⁸⁰ The final paragraph of the Resolution as adopted by the General Assembly on Dec. 12 is missing in the Resolution as quoted in this telegram. The missing paragraph reads as follows: “The General Assembly further recommends that the States Members of the Organization report to the Secretary-General and to the next session of the Assembly what action they have taken in accordance with this recommendation.” Complete text printed in Department of State *Bulletin*, December 22, 1946, p. 1143.

⁸¹ Resolution adopted by Committee I on December 9, quoted in telegram 953, *supra*.

^{81a} Representative Helen Gahagan Douglas, of California, an alternate member of the United States Delegation.

⁸² Not printed.

⁸³ The Department’s position was that to submit the proposal as outlined by the Belgian delegation to the Council would imply that there was some threat to peace in the Spanish situation, an implication which the Department had consistently denied (501.BC Spain/12-346).

amendment to the foregoing provision. Such an amendment would be designed to remove any implication that the Assembly considered the Spanish question warranted the attention of the Security Council and hence involved a threat to the peace. Mr. Ross thought that the British would go along with the resolution as it stands at present. He thought they had decided it was unwise to take any other action under the circumstances. He also thought the general sentiment of other delegations was along the same lines. He said that he would attempt to get further information about the attitude of the British and other delegations.

After talking to Mr. Hickerson⁸⁴ and Mr. Dunham,⁸⁵ I cleared with Mr. Acheson the following as the Department's views:

1. It would be unwise for the Delegation to propose an amendment to the resolution. The whole subject has become confused and unrealistic. For us to propose an amendment would merely attract additional unwarranted importance to the resolution and would be likely further to confuse the situation. In addition, an amendment would probably be regarded as being motivated by pro-Franco intentions.

2. With the foregoing considerations in mind our Delegation should simply vote for the resolution as a whole if it were presented to the Assembly in that form. We felt that our opposition to the Belgian amendment had already been made clear in committee and we also felt that it clearly would not prevent the Security Council from considering on its own the question of whether the Spanish situation represents a threat to the peace. We did not feel that any statements explaining our vote would be necessary although informal explanations to other delegations or to the press would be along the foregoing lines.

3. We should use our best efforts to have the resolution come before the Assembly for consideration in its entirety rather than paragraph by paragraph. If, however, the resolution is considered paragraph by paragraph, a procedure which is authorized by the rules, we should oppose the paragraph containing the Belgian amendment. Any statement we might make should briefly summarize the position we have taken in committee and should not be made a matter of importance.

As Mr. Ross was not available, I telephoned the foregoing information to Mr. Sandifer who said that he would relay it to Mr. Ross and to Mr. Raynor. He said he understood that Mr. Raynor felt it would be unwise for us to oppose the Belgian amendment even if the resolution were to be considered paragraph by paragraph. He pointed out that any single delegation might ask for paragraph by paragraph consideration so that such a procedure is quite a real possibility. I pointed out that Mr. Horsey had initially rather inclined to recommend that we support an amendment and that it seemed to me the

⁸⁴ John D. Hickerson, Deputy Director, Office of European Affairs.

⁸⁵ William Barrett Dunham of the Division of Western European Affairs.

Delegation was certainly not unanimous in favor of the view which Mr. Sandifer ascribed to Mr. Raynor. I said that if the Delegation felt that a re-statement of our position was undesirable in connection with our vote on the Belgian amendment I thought the Department would go along with our not attempting to explain our vote. I thought also the Department would be prepared, if the Delegation felt it desirable, to authorize abstention on the Belgian amendment rather than an actual negative vote. If the Delegation wished to recommend actual support of the paragraph, I said that I felt I would have to take the matter up further with Mr. Acheson. It was left that if Mr. Raynor and Mr. Ross wished to talk further to me about this matter they would call me; otherwise it would be understood that the Delegation did not wish to raise any questions with respect to the Department's views as stated above.

501.BB/12-1146

Memorandum of Telephone Conversations, by the Director of the Office of Special Political Affairs (Hiss)

[WASHINGTON,] December 11, 1946.

Participants: Hayden Raynor—U.S. Delegation to the General Assembly
David Popper—U.S. Delegation to the General Assembly
Alger Hiss—SPA

Reference is made to memorandum of conversation of December 10 on the same subject with Mr. Ross and Mr. Sandifer in New York. Yesterday, December 10, Mr. Raynor called me after I had spoken to Mr. Sandifer and said that he had received from Mr. Sandifer the Department's views as I had communicated them to Mr. Sandifer.

Mr. Raynor said that Mr. Matthews⁸⁶ had informed him that the Secretary had accepted both parts of the Belgian amendment (i.e., the referral to the Security Council at a later date and the recommendation for recall of ambassadors and ministers). Mr. Raynor said that he understood the Secretary to mean that the resolution as a whole would be acceptable in spite of the fact that it contained the Belgian amendment. He did not think the Secretary had considered the question of our attitude toward that part of the Belgian amendment relating to the Security Council if the resolution were to be voted on in the Assembly paragraph by paragraph.

Mr. Raynor said that he thought the question of our attitude if the resolution were to be voted on paragraph by paragraph might well be

⁸⁶ H. Freeman Matthews, Director of the Office of European Affairs.

academic. He thought that if he indicated that the reference to the Security Council might give us some trouble if it were to be separately considered, Mr. Spaak would see to it that the resolution was presented simply as a whole.

Mr. Raynor said he thought that if the resolution were to be voted on as a whole it might be desirable for our Delegation not only to vote in the affirmative, as is now agreed all around, but to make a brief statement that we were going along with the majority in order to arrive at as near unanimity as possible. He thought such a statement would make a good impression. I said that I thought the Department would not object to such a statement if the Delegation thought it would be desirable under the circumstances.

Mr. Raynor then said that if the resolution were voted on by the Assembly paragraph by paragraph he was inclined to feel that we should actually support the provision relating to the Security Council but saying plainly that we do not like it for reasons previously expressed in the committee and that clearly it did not mean the Security Council would not make up its own mind as to whether any action at all was warranted. We would go on to say that despite our objections we were supporting the paragraph in the interests of unanimity.

Mr. Raynor suggested that I discuss his views in the Department and he would have further discussions in the Delegation.

After discussing the situation with Mr. Hickerson and Mr. Acheson this morning and not having heard from Mr. Raynor in the meantime, I called Mr. Popper in New York (Mr. Raynor being unavailable) and said that Mr. Acheson thought that if Senator Connally felt that the proposals suggested by Mr. Raynor were desirable under the circumstances the Department would have no objection. I emphasized that we thought Mr. Raynor should be guided by the Senator's views in these respects.

501.BB/12-1246: Telegram

The Chargé in Spain (Bonsal) to the Secretary of State

NIACT

MADRID, December 12, 1946.

[Received December 12—11:23 a. m.]

1730. Following is translation FonOff *note verbale* delivered my home late last night:

“Ministry Foreign Affairs presents compliments American Embassy and has honor to communicate that, according reports news agencies confirmed by reports reaching this Ministry, in session of Political Security Committee of UNO held last Monday 9th Belgian representa-

tive Spaak who presided, taking advantage prevailing confusion and notwithstanding protests presented by some delegates considered as included in preamble of resolution on Spain without submitting it to vote and as though it had been voted by all a phrase according to which it is affirmed that it has been established 'in incontrovertible manner and with documentary proof that Franco was guilty together with Hitler and Mussolini of conspiring to unchain war against those countries which in course of struggle were accidentally grouped under name of United Nations'.

"It is known to majority of nations if not to all and it is especially known to the Govt which the Embassy represents that report is absolutely slanderous that Chief of Spanish State ever had knowledge of preparation of international war nor least connection with declaration thereof which was done much against Spain's will against her own interests and seriously injured Spanish recovery which had just begun following end our war of liberation.

"Therefore Spanish Govt rejects with greatest energy such statements accepted without previous analysis and without least trace of proof because of the manifest partiality with which discussion was directed.

"As result and since from afore-mentioned reports it is deducted that American delegation in UNO doubtless because of prevailing confusion made no reservations re said paragraph when aforesaid preamble was approved as a whole nor any reservations re inaccuracies contained in other paragraph thereof, Spanish Govt hopes that warned in time American representative in UNO when time comes tomorrow to vote in Assembly aforementioned proposal will stand up for the rights of trusts [*truth?*] and will pronounce himself against false and insidious accusations."

Please instruct regarding reply.⁸⁷

BONSAL

501.BB/12-1246 : Telegram

The Acting Secretary of State to the Chargé in Spain (Bonsal)

WASHINGTON, December 13, 1946.

1442. Deptels 1433 Dec 11, 1438 Dec 12.⁸⁸ Resolution on Spain approved at plenary session General Assembly Dec. 12: 34 affirmative 6 negative 13 abstentions.⁸⁹

US Delegate Stevenson made in substance following explanatory statement US vote: vote by paragraph having been requested US Del expresses, with respect to clause recommending possible Security Council consideration, grave doubts whether Charter authorizes SC

⁸⁷ The Department in its telegram 1495, December 30, 1946, to Mr. Bonsal stated: "Since it is not believed that anything would be gained by making reply, Dept proposes none be made. If you are asked you can say that both notes were at once telegraphed your Govt but that you have received no instructions as to reply." (501.BB/12-1246)

⁸⁸ Neither printed.

⁸⁹ The General Assembly dealt with the draft resolution on Spain presented by the First Committee in three plenary sessions on December 12, 1946.

take measures in circumstances recommended in resolution. Because of constitutional doubts US obliged abstain from voting ref paragraph. (Only this paragraph was voted on separately.)⁹⁰

Del thinks original US resolution preferable to resolution as amended. Believes it would have been more effective in accomplishing peaceful removal Franco regime by all elements of Spanish people.

In interest harmony and closest possible unanimity in GA on Spanish problem US will vote for resolution as whole with earnest hope peaceful change contemplated will soon bring freedom to Spanish people.

ACHESON

501.BB/12-2046: Telegram

The Secretary of State to the United States Representative at the United Nations (Austin)

CONFIDENTIAL

WASHINGTON, December 30, 1946—6 p. m.

326. Re your telegram 989 of December 20⁹¹ quoting telegram received from SYG wherein latter requests he be informed of what action this Government has taken relative to recall of Ambassador from Madrid as recommended in GA Resolution at Fifty-ninth Plenary meeting. Dept requests that you reply to SYG as follows:

“I have the honor to inform you that I transmitted to my Government your communication of December 20 wherein you request that you be informed of the action taken by my Government on the General Assembly resolution adopted at Fifty-ninth Plenary Meeting relating to the recall of Ambassadors and Ministers Plenipotentiary from Madrid. My Government has instructed me to inform you that since the departure of Honorable Norman Armour from Madrid on December 1, 1945, the US has not had an Ambassador or a Minister Plenipotentiary in Spain.”

BYRNES

AGREEMENTS BETWEEN THE UNITED STATES AND SPAIN RESPECTING AIR TRANSPORT SERVICES, AMENDING THE AGREEMENT OF DECEMBER 2, 1944

[Effected by exchange of *notes verbales* dated at Madrid December 21, 1945, and January 15, 1946 (Department of State, Treaties and Other International Acts Series No. 2131, or 62 Stat. (pt. 3) 4078), and exchange of *notes verbales* dated at Madrid February 21 and March 12, 1946 (Treaties and Other International Acts Series No. 2132, or 62 Stat. (pt. 3) 4081).]

⁹⁰ The paragraph in question was adopted by a vote of 29 to 8, with 11 abstentions (including the United States). For Mr. Adlai Stevenson's statement, see GA (1/2), *Plenary*, p. 1217. The United States voted for the resolution as a whole.

⁹¹ Not printed.

SWEDEN

ACCORD BETWEEN THE UNITED STATES, FRANCE, THE UNITED KINGDOM, AND SWEDEN RELATING TO THE LIQUIDATION OF GERMAN PROPERTY IN SWEDEN

[Effected by exchange of notes signed at Washington, July 18, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 1657, or 61 Stat. (pt. 3) 3191. For further information, see bracketed note, *ante*, page 220.]

AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RELATING TO AIR SERVICE FACILITIES IN SWEDEN

[For text of agreement signed in Stockholm September 30, 1946, see Department of State, Treaties and Other International Acts Series No. 1742.]

SWITZERLAND

ACCORD BETWEEN THE UNITED STATES, FRANCE, THE UNITED KINGDOM, AND SWITZERLAND RELATING TO THE LIQUIDATION OF GERMAN PROPERTY IN SWITZERLAND

[Effected by exchange of notes signed at Washington, May 25, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 5058; *United States Treaties and Other International Agreements*, volume 13, page 1118. For documentation, see *ante*, pages 202 ff.]

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