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United States Department of State

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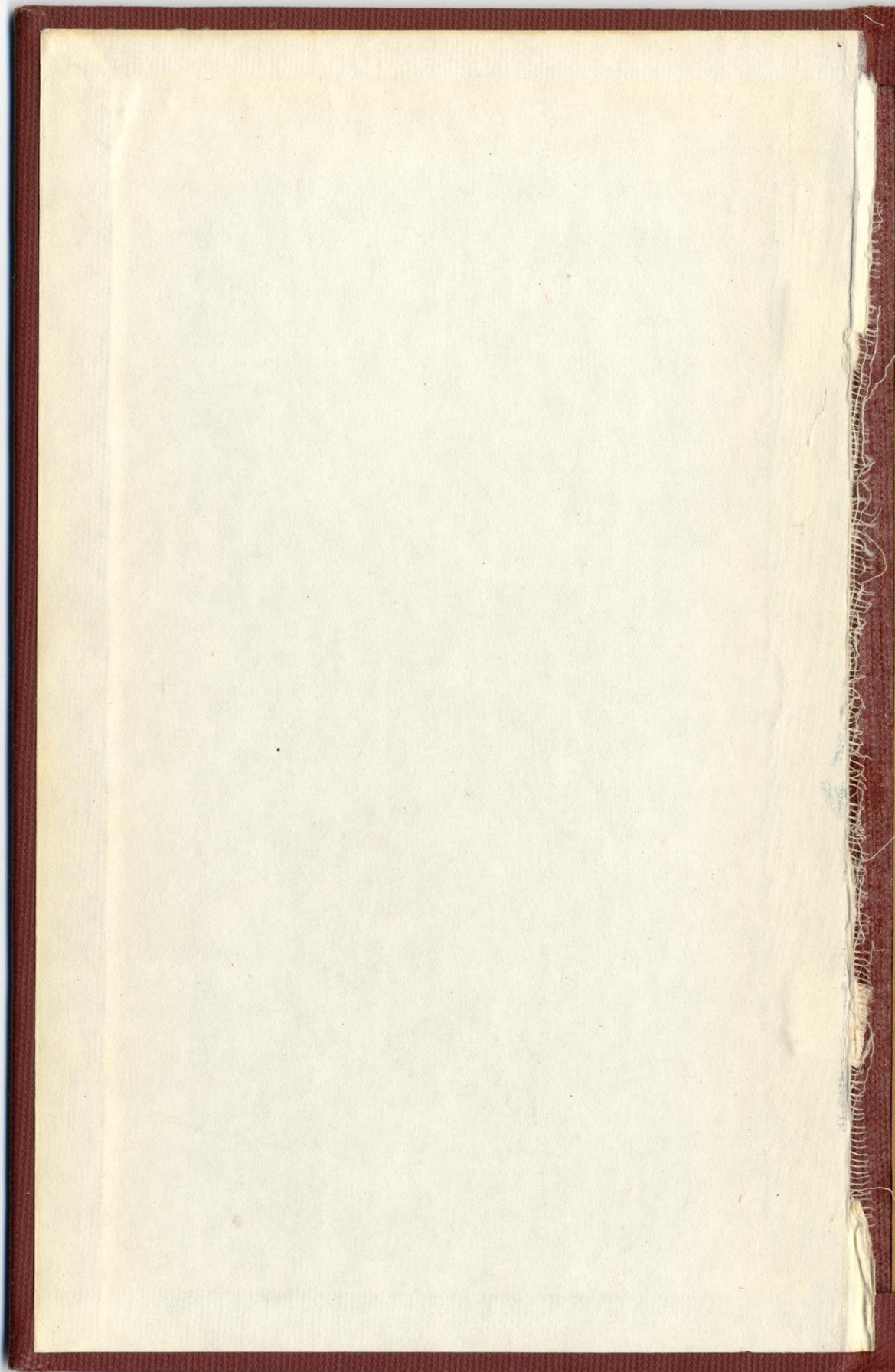
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# Foreign Relations of the United States 1949

Volume III

Council of  
Foreign Ministers;  
Germany and Austria



United States  
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## PREFACE

The former Chief of the Foreign Relations Division, S. Everett Gleason, supervised the planning and preparation of this volume and was responsible for its review. He was assisted by Fredrick Aandahl, the present Chief. All documentation in the volume was compiled by Charles S. Sampson.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including the Joint Chiefs of Staff. They are also grateful for the cooperation of the National Security Council, the Department of Defense, and the Central Intelligence Agency, all of which concurred in the declassification of various papers for release herein. Thanks are also due to those foreign governments that kindly granted permission for the publication of certain of their documents in this volume, and to Mr. George F. Kennan and the Princeton University Library for access to certain of Mr. Kennan's papers.

The technical editing of this volume was the responsibility of the Publishing and Reproduction Division, Willard M. McLaughlin, Chief. The index was prepared by Francis C. Prescott.

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

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### 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 2 FAM 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 regulation, as further amended, 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 documents 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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# INTRODUCTION

## COVERAGE AND ORGANIZATION OF THE VOLUME

This volume presents documentation on the continuing efforts of the United States to implement the policies and decisions taken at the London Conference on Germany in 1948. During 1948 tripartite negotiations among the Western Military Governors and at various official levels had achieved substantial results, but by the end of the year the negotiations had become bogged down over minutiae. Similarly the Bonn Parliamentary Council had progressed to the point of drafting a Basic Law for the Western Zones of Germany but had been unable to finish its task. Documentation on these proceedings is presented in *Foreign Relations*, 1948, Volume II. Faced with this seeming impasse, representatives of the United States, the United Kingdom, and France agreed to transfer the various talks to the governmental level, and they recommenced in London at the beginning of 1949, working from the reports or positions stated at the end of 1948. At the same time within the United States Government an increasing awareness arose that these negotiations were becoming too complex, that the documents being discussed were becoming more and more unworkable, and that a new simplified approach was needed to produce the basis for the relationship between the occupying powers and the West German Government which was taking shape at Bonn.

Chapter I of this volume presents papers dealing with this situation: on the one hand documenting the negotiations in London, and on the other indicating the lines of policy that culminated in the new approach by the Foreign Ministers in Washington, April 6-8. The editors have not attempted to document fully either series of negotiations but have presented only the essential outline of United States policy.

Concurrently the United States was closely involved with the deliberations of the Bonn Parliamentary Council and the establishment and delimitation of the rights and obligations of the Federal Republic of Germany. Chapter II presents materials on the role of the Western Military Governors in the drafting of the Basic Law and related documents which led to the West German elections in August and the formation of the first government of the Federal Republic in September. Individual parts of this chapter document the position of

the newly formed Adenauer Government with respect to problems affecting its status, including Berlin and participation in international organizations.

The formation of the Federal Republic of Germany did not pass unnoticed or unopposed by the Soviet Union which responded in two ways to the new situation. In Chapter III documentation is presented on formation of the "German Democratic Republic" and the United States attitude toward it, while Chapter V presents materials dealing with the continuing Berlin crisis and Soviet attempts to bargain for an end of the blockade in return for cessation of the negotiations leading to the establishment of the West German Government. The editors have not attempted to document in full all aspects of the Berlin blockade, but outlines of the United States position and policy are presented concerning the deliberations of the United Nations Technical Committee in Geneva and the Jessup-Malik conversations which resulted in the lifting of the blockade. Particular attention has been paid in Chapter V to the problem of access to Berlin.

At the end of 1948 negotiations on prohibited and restricted industries in Germany and on the status of plants examined by the Humphrey Committee had been suspended. Chapter IV presents materials relating to the completion of these talks in London and the signing of agreements on prohibited industries and the plants to be retained in Germany. The second part of the chapter presents further material on the problem of dismantling in the Western Zones of Germany, the attitude of the Federal Republic toward it, and the Petersberg Protocol of November which resolved the question.

One of the Soviet conditions for lifting the blockade of Berlin was the convocation of the Council of Foreign Ministers to discuss the problems of Germany and Austria. Documentation on the Sixth Session of the Council in Paris is presented in Chapter VI. The editors have attempted to present a concise detailed account of the aims and policies of the United States in preparing for the session and have printed at least a summary record of each meeting of the Foreign Ministers, while also documenting unofficial meetings and conferences among the ministers. A section devoted to the documents of the Council completes this chapter.

In 1948 the Deputies for Austria at the Council of Foreign Ministers had made some progress toward the drafting of an Austrian Treaty, but they had been balked by the intransigence of the Soviet Union in support of Yugoslav economic and territorial claims against Aus-

tria. Chapter VII presents documentation on the meetings of the Deputies for Austria in 1949, indicating the main lines of United States policy and the problems which prevented the signing of a treaty. Because of the voluminous records on this subject in the Department of State files, the editors have not been able to print the records of every meeting of the deputies and have presented only the briefest outline of their activities. In Chapter VIII is presented the outline of the United States policy as an occupying power in Austria. Particular attention has been focused on the problems of the Austrian national elections in October and on the creation of Austrian security forces. No comprehensive record has been attempted for the meetings of the various quadripartite control mechanisms; instead papers have been selected to indicate the important expressions of United States policy aimed at maintaining the political and economic stability and independence of Austria.

#### UNPUBLISHED SOURCES

The principal source of the documents presented in this volume is indexed Central Files of the Department of State. Such documents are indicated by means of a file number in the headnote. The provenance of papers obtained from other sources is shown in headnotes, as indicated on the following list:

##### A. INSIDE THE DEPARTMENT OF STATE

1. *CFM Files, Lot M-88*—Consolidated master collection of the records of conferences of the Council of Foreign Ministers and ancillary bodies, other meetings of the Secretary of State with the Foreign Ministers of European powers, and materials on the Austrian and German peace settlements, covering the years 1943-1955, prepared by the Department of State Records Service Center.

2. *Executive Secretariat Files*—Serial master file of National Security Council documents and correspondence and related Department of State memoranda maintained by the Executive Secretariat of the Department of State and subsequently preserved as Lot 63 D 351.

3. *London Embassy Files, Lot 58 F 47*—Central files of the Embassy in the United Kingdom for 1949, arranged by the Foreign Service file system, and including collections of messages and papers accumulated by the Embassy during the course of tripartite negotiations in London on various aspects of the German question.

4. *McCloy Documents*—Files of the U.S. High Commissioner for Germany as subsequently preserved as a segment of the central files of the Embassy at Bonn (Lot 58 M 47) ; includes McCloy's "Diary" indicating the High Commissioner's activities for each day and those papers which were discussed at various meetings in which he participated.

5. *Policy Planning Staff Files, Lot 64 D 563*—Master file of documents, drafts, records of meetings, memoranda and related correspondence for the years 1947–1953 of the Policy Planning Staff.

6. *Secretary's Daily Meetings, Lot 58 D 609*—Chronological collection of the records of the Secretary of State's Daily Meetings with top Department of State officials for the years 1949–1952 as maintained by the Executive Secretariat.

7. *Records of Secretary's Meetings (Secretary's Memoranda), Lot 53 D 444*—Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversations, and memoranda of conversations with the President for the years 1947–1953, as maintained by the Executive Secretariat.

#### B. OUTSIDE THE DEPARTMENT OF STATE

1. *Department of Defense Files*—Comprises in this volume the principal telegraphic and teletype exchanges between the United States Military Governor for Germany and the Department of the Army.

2. *George F. Kennan Papers*—Personal papers of George F. Kennan, deposited at the Princeton University Library.

#### PUBLISHED SOURCES

In addition to the *Foreign Relations of the United States* volumes and the Department of State *Bulletin*, the volumes listed below were found to be of particular value in the preparation of this volume. Other publications consulted by the editors are identified in editorial notes and footnotes.

Dean Acheson, *Present at the Creation* (New York: W. W. Norton Company, Inc., 1969).

Konrad Adenauer, *Memoirs 1945–53*. Translated by Beate Ruhm von Oppen (Chicago: Henry Regnery Company, 1966). Hereafter cited as "Adenauer, *Memoirs*".

Berlin (West), Senate, *Berlin: Quellen und Dokumente 1945–1951* (Berlin: Heinz Spitzing Verlag, 1964), 2 vols. Hereafter cited as "*Berlin: Quellen und Dokumente*".

- Margaret Carlyle (ed.), *Documents on International Affairs 1949-1950*, issued under the auspices of the Royal Institute of International Affairs (London: Oxford University Press, 1953). Hereafter cited as "*Documents on International Affairs*".
- Lucius D. Clay, *Decision in Germany* (Garden City, New York: Doubleday & Company, Inc., 1950). Hereafter cited as "Clay, *Decision in Germany*".
- Dokumente zur Aussenpolitik der Regierung der Deutschen Demokratischen Republik*, Band I (Berlin: 1954). Hereafter cited as "*Dokumente zur Aussenpolitik der DDR*".
- Otto Grotewohl, *Im Kampf um die Einigkeit Deutsche Demokratische Republik, Reden und Aufsätze*, Band I, 1945-1959 (Berlin: 1954). Hereafter cited as "Grotewohl, *Im Kampf um DDR*".
- Frank Howley, *Berlin Command* (New York: G. P. Putnam's Sons, 1950). Hereafter cited as "Howley, *Berlin Command*".
- George F. Kennan, *Memoirs 1925-1950* (Boston: Little, Brown and Company, 1967). Hereafter cited as "Kennan, *Memoirs*".
- Guy A. Lee, *The Establishment of the Office of the U.S. High Commissioner for Germany* (Frankfurt, HICOG: 1951). Hereafter cited as "*The U.S. High Commissioner for Germany*".
- Edward H. Litchfield and Associates, *Governing Postwar Germany* (Ithaca, New York: Cornell University Press, 1953). Hereafter cited as "Litchfield, *Governing Postwar Germany*".
- Peter H. Merkl, *The Origins of the West German Republic* (New York: Oxford University Press, 1963). Hereafter cited as "Merkl, *West German Republic*".
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- Elmer Plischke, *Berlin: Development of its Government and Administration* (Bonn, HICOG: 1952). Hereafter cited as "Plischke, *Berlin*".
- Elmer Plischke, *History of the Allied High Commission for Germany* (Frankfurt, HICOG: 1950). Hereafter cited as "Plischke, *High Commission*".
- Beate Ruhm von Oppen (ed.), *Documents on Germany Under Occupation 1945-1954*, issued under the auspices of the Royal Institute of International Affairs (London: Oxford University Press, 1955). Hereafter cited as "Ruhm von Oppen, *Documents on Germany*".
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Walter Ulbricht, *Zur Geschichte der Deutschen Arbeiterbewegung, aus Reden und Aufsätzen*, Band III, 1946-1950 (Berlin: 1953). Hereafter cited as "Ulbricht, *Geschichte Arbeiterbewegung*".

United States, Department of State, *Germany 1947-1949: The Story in Documents* (Washington: U.S. Government Printing Office, 1950). Hereafter cited as "*Germany 1947-1949*".



## LIST OF ABBREVIATIONS AND SYMBOLS

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.

- AC**, Allied Council for Austria  
**ACA**, Allied Control Authority for Germany  
**ACC**, Allied Control Council for Germany  
**Actel**, series indicator for messages from Secretary of State Acheson at the sixth session of the Council of Foreign Ministers  
**AG**, *Aktiengesellschaft* (Joint Stock Company)  
**AGSec**, Allied General Secretariat, Allied High Commission for Germany  
**Au(s)del**, series indicator for telegrams to the United States Delegation for Austria at the Council of Foreign Ministers  
**AusDeps**, Deputies for Austria at the Council of Foreign Ministers  
**AusLeg**, Austrian Legation  
**BDL**, *Bank Deutscher Laender*, West German financial institution  
**BICO**, Bipartite (United States-United Kingdom) Control Board  
**BrDel**, British Delegation (Delegate)  
**CAD**, Civil Administration Division, Office of the United States Military Governor for Germany  
**CC**, series indicator for messages from the Office of the United States Military Governor for Germany  
**CDU**, *Christlich-Demokratische Union* (Christian Democratic Union)  
**CE**, Division of Central European Affairs, Department of State  
**CFM**, Council of Foreign Ministers  
**CINCEUR**, Commander in Chief, Europe  
**CMEA (CEMA)**, Council for Mutual Economic Assistance  
**CP**, Communist Party  
**CRC**, Central Rhine Commission  
**CSCAD**, Civil Affairs Division, Special Staff, Office of the Chief of Staff, United States Army  
**CSGPO**, Plans and Operations Division, General Staff, Office of the Chief of Staff, United States Army  
**CSU**, *Christlich Soziale Union* (Christian Social Union)  
**CTB**, Combined Travel Board  
**DA**, Department of the Army  
**DDR**, *Deutsche Demokratische Republik* (German Democratic Republic)  
**DDSG**, *Donaudampfschiffahrtsgesellschaft* (Danube Shipping Company)  
**Delau(s)**, series indicator for telegrams from the United States Delegation for Austria at the Council of Foreign Ministers  
**Delsec**, series indicator for telegrams to the United States Delegation to the Council of Foreign Ministers and related conferences and meetings, at times headed by the Secretary of State  
**Deptel**, Department of State telegram  
**DM**, *Deutsche Mark*  
**DP**, displaced person  
**DVP**, *Demokratische Volkspartei* (Democratic People's Party)  
**DWK**, *Deutsche Wirtschaftskommission*, Economic Commission, Soviet Zone of Occupation in Germany  
**ECA**, Economic Cooperation Administration  
**ED**, Division of Investment and Economic Development (after October 3, 1949, Investment and Economic Development Staff), Department of State  
**Embdesp**, Embassy despatch

- Embtel**, Embassy telegram  
**EP**, Division of Economic-Property Policy, Department of State  
**ERP**, European Recovery Program  
**EUCOM**, European Command, United States Army  
**EUR**, Office (after October 3, 1949, Bureau) of European Affairs, Department of State  
**FDGB**, *Freier Deutscher Gewerkschaftsbund* (Free German Trade Union League)  
**FDP**, *Freie Demokratische Partei* (Free Democratic Party)  
**FEC**, Far Eastern Commission  
**FMPC**, series indicator for military messages from Frankfurt  
**FN**, Division of Financial Affairs, Department of State  
**FonMin**, Foreign Ministry (Minister)  
**FonOff**, Foreign Office  
**FrDel**, French Delegation (Delegate)  
**GA**, Office of German and Austrian Affairs, Department of State  
**GAA**, Division of Austrian Affairs, Department of State  
**GARIOA**, Government and Relief in Occupied Areas  
**GDR**, German Democratic Republic  
**GNSC**, series indicator for papers prepared by the subcommittee of the National Security Council on the German Question  
**GRT**, gross registered tons  
**HICOG**, United States High Commissioner for Germany  
**HICOM**, High Commission(er) for Germany  
**IAR**, International Authority for the Ruhr  
**IARA**, Inter-Allied Reparation Agency  
**IBD (IBDNY)**, Division of International Broadcasting, Department of State (New York)  
**ICJ**, International Court of Justice  
**ILO**, International Labor Organization  
**INS**, International News Service  
**IRO**, International Refugee Organization  
**ITC**, Inland Transport Committee, International Labor Organization  
**IWT**, International Water Transport  
**JCS**, Joint Chiefs of Staff  
**JEIA**, Joint Export-Import Agency  
**JFEA**, Joint Foreign Exchange Agency  
**KPD**, *Kommunistische Partei Deutschlands* (Communist Party of Germany)  
**L**, Office of the Legal Adviser, Department of State  
**LDP**, *Liberal-Demokratische Partei* (Liberal Democratic Party)  
**Legtel**, Legation telegram  
**MA (MilAtt)**, Military Attaché  
**MAP**, Military Assistance Program  
**MilGov(s)**, Military Government (Governors)  
**MSB**, Military Security Board  
**mytel**, my telegram  
**NAC**, National Advisory Council on International Monetary and Financial Problems  
**NAP**, North Atlantic Pact  
**NAT**, North Atlantic Treaty  
**NDP**, *National-Demokratische Partei* (National Democratic Party)  
**niact**, night action, communications indicator requiring action by the recipient at any hour of the day or night  
**NME**, National Military Establishment  
**NSC**, National Security Council  
**O**, Office of the Assistant Secretary of State for Occupied Areas  
**OAS**, Office of the Assistant Secretary, Department of the Army  
**OEEC**, Organization for European Economic Cooperation  
**OMGUS**, Office of Military Government in Germany (United States)  
**OSR**, Office of the United States Special Representative in Europe under the Foreign Assistance Act of 1948  
**P**, series indicator for telegrams from the Commander in Chief of the United States Forces in Austria  
**PC**, Parliamentary Council  
**PolAd**, Political Adviser  
**PRI**, prohibited and restricted industries  
**PZPR**, *Polska Zjednoczona Partia Robotnicza* (Polish United Workers Party)

- RBD**, *Reichsbahndirektion* (Central Railroad Administration)
- reDeptel**, regarding Department of State telegram
- reftel**, reference telegram
- remytel**, regarding my telegram
- Repto**, series indicator for messages to the Economic Cooperation Administration headquarters in Washington from the United States Special Representative in Europe under the Foreign Assistance Act of 1948
- reurad**, regarding your radio message
- reurtel**, regarding your telegram
- RIV**, *Regolamento Internazionale Veicoli* (International Regulation of Vehicles)
- SAOUS**, Secretary of the Army, Office of the Under Secretary
- SC**, Security Council of the United Nations
- Secdel**, series indicator for telegrams from the United States Delegation to the Council of Foreign Ministers and related conferences and meetings, at times headed by the Secretary of State
- SED**, *Sozialistische Einheitspartei Deutschlands* (Socialist Unity Party in Germany), the Communist Party in East Germany
- SMA**, *Sowjetische Militaeradministration* (Soviet Military Administration in Germany)
- SovDel**, Soviet Delegation (Delegate)
- SPD**, *Sozialdemokratische Partei Deutschlands* (German Social Democratic Party)
- SYG**, Secretary-General
- Telac**, series indicator for telegrams to Secretary of State Acheson at the sixth session of the Council of Foreign Ministers
- telecon**, telecommunication conference
- Torep**, series indicator for message from the Economic Cooperation Administration headquarters in Washington to the United States Special Representative in Europe under the Foreign Assistance Act of 1948
- TR**, *Taegliche Rundschau*, East Berlin daily paper published by the Russians
- TT**, series indicator for teletype transcripts of the Department of the Army
- UGO**, *Unabhaengige Gewerkschaftsopposition* (Independent Trade Union Opposition), Berlin
- UNGA**, United Nations General Assembly
- UNO**, United Nations Organization
- urdesp**, your despatch
- urinfo**, your information
- urtel**, your telegram
- USIA**, *Uprawnieniye Sovetskogo Imushchestva v Avstrii* (Administration for Soviet Property in Austria)
- USDel**, United States Delegation (Delegate)
- USFA**, United States Forces in Austria
- USPolAd**, United States Political Advisor for Germany
- USUN**, United States Mission at the United Nations
- VFW**, *Verwaltung für Wirtschaft* (German Bizonal Department for Economics)
- W, WAR, WARX, WX**, series indicators for telegrams sent overseas by the Department of the Army or Army Headquarters, Washington
- WesDels**, Western Delegations



## LIST OF PERSONS

EDITOR'S NOTE:—The identification of the persons in this list is generally limited to circumstances and positions under reference in this volume. Historical personages alluded to in the volume, officials noted in documents but not actively participating in substantive discussions, and individuals only mentioned in passing are not identified here. All titles and positions are American unless there is an indication to the contrary. An asterisk (\*) indicates participation in the Sixth Session of the Council of Foreign Ministers, Paris, May 23–June 20. A dagger (†) indicates participation in the meetings of the Deputies for Austria of the Council of Foreign Ministers. A double dagger (§) indicates participation in the Washington talks on Germany, April 6–8.

\*†ACHESON, Dean, Secretary of State, from January 1949.

ADAMS, Ware, member of the Policy Planning Staff, Department of State.

ADENAUER, Dr. Konrad, Chairman of the Bonn Parliamentary Council; Chancellor of the Federal Republic of Germany, from September.

ALLEN, George V., Assistant Secretary of State for Public Affairs.

\*ALPHAND, Hervé, Director General of Economic and Financial Affairs, French Ministry for Foreign Affairs.

ALSOP, Joseph and Stewart, syndicated American news columnists.

ALTAFFER, Maurice W., United States Consul General at Bremen.

ALVAREZ, Alberto I., Cuban Permanent Representative to the United Nations.

ARNOLD, Dr. Karl, Minister President of North Rhine-Westphalia; from September 7, President of the Bundesrat.

ATTLEE, Clement, British Prime Minister.

BALMER, Brigadier General Jesmond D., United States Deputy High Commissioner for Austria.

BARBOUR, Walworth, Counselor of the Embassy in the Soviet Union, from May.

†BARCLAY, Roderick E., Private Secretary to the British Secretary of State for Foreign Affairs.

BATTLE, Lucius D., Special Assistant to the Secretary of State.

†BEAM, Jacob, Chief, Division of Central European Affairs; from March 17, Acting Special Assistant, Office of German and Austrian Affairs.

BEBLER, Aleš, Yugoslav Deputy Foreign Minister.

BECH, Joseph, Luxembourg Minister of Foreign Affairs and Viticulture.

†BÉRARD, Armand, Minister Counselor, French Embassy in the United States, until July; French Deputy High Commissioner for Germany, from August 1.

BERRY, Sir Vaughan, British Representative at the International Authority for the Ruhr.

\*†BERTHELOT, Marcel, French Representative at the Austrian treaty negotiations; Deputy for Austria at the Sixth Session of the Council of Foreign Ministers.

BÉTHOUART, Lieutenant General E. M., French High Commissioner in Austria.

\*†BEVIN, Ernest, British Secretary of State for Foreign Affairs.

BIDEAU, Lieutenant Colonel J. L. le, French Deputy Commandant in Berlin.

- BISSELL, Richard M. Jr., Assistant Deputy Administrator for Program, Economic Cooperation Administration.
- BLANKENHORN, Herbert, Assistant to Chancellor Adenauer.
- BLÜCHER, Franz, Vice Chancellor of the Federal Republic of Germany, from September.
- \*BOHLEN, Charles E., Counselor, Department of State; Minister at Paris, from June 17.
- BONESTEEL, Colonel Charles H. 3rd, Special Assistant to the United States Special Representative in Europe under the Foreign Assistance Act of 1948.
- ‡BONNET, Henri, French Ambassador in the United States.
- BOURNE, Major General Geoffrey K., British Commander, Berlin.
- BRADLEY, General Omar N., Chief of Staff, United States Army; Chairman of the Joint Chiefs of Staff, from August.
- BRUCE, David K. E., United States Ambassador in France, from May.
- BUTLER, George, member of the Policy Planning Staff, Department of State.
- BYRNES, James F., Secretary of State, 1945-1947.
- BYROADE, Colonel Henry A., Acting Deputy Director, Office of German and Austrian Affairs, from March 7; Director from October 8; Director of the Bureau of German Affairs, from November 1.
- CACHIN, Marcel, member of the Politburo of the Communist Party of France.
- CADOGAN, Sir Alexander, British Representative to the United Nations Security Council.
- CAFFERY, Jefferson, United States Ambassador in France, until May.
- CANNON, Cavendish W., United States Ambassador in Yugoslavia.
- CAROLET, Major General Pierre Louis, French High Commissioner in Austria.
- CHAUVEL, Jean, Secretary General of the French Ministry for Foreign Affairs and Permanent Representative at the United Nations Security Council.
- \*CHUIKOV, General of the Army Vasilii Ivanovich, Commander-in-Chief, Soviet Forces of Occupation in Germany; Chief of the Soviet Military Administration in Germany, from April; Head of the Soviet Control Commission, from November 11.
- CLAY, General Lucius Dubois, United States Military Governor for Germany and Commander in Chief, European Command, until May.
- \*‡COUVE DE MURVILLE, Maurice, Director General for Political Affairs, French Ministry for Foreign Affairs.
- CULLIS, Michael F., Head of the Austrian Section, British Foreign Office.
- DARIDAN, Jean, Minister Counselor at the French Embassy in the United States.
- DASPTT, Alexander B., United States Delegate to the Inter-Allied Reparation Agency.
- \*‡DEAN, Patrick H., Head of the German Political Department, British Foreign Office.
- DEJEAN, Maurice E. N., French Representative at the International Authority for the Ruhr, from June.
- DE LEUSSE. *See* LEUSSE.
- DE MARGERIE. *See* JAQUIN DE MARGERIE.
- DERTINGER, Georg, Secretary-General of the CDU in the Soviet Zone.

- DEUTSCH, General Julius, Military Representative of the Austrian Socialist Party on the Bipartite Committee for future Austrian Army.
- \*DORR, Goldthwaite, Special Assistant to the Assistant Secretary of the Army.
- DOUGLAS, Lewis W., United States Ambassador in the United Kingdom; Representative at the tripartite talks on prohibited and restricted industries in Germany, London, February-March.
- DOWLING, Walter C., Counselor of the United States Legation in Austria, from May 1.
- DRAPER, William H., Under Secretary of the Army, until February 1949.
- DRATVIN, Lieutenant General Mikhail Ivanovich, Deputy Commander-in-Chief, Soviet Military Administration for Germany.
- DULLES, Eleanor L., Adviser on German-Austrian Affairs, Division of Financial Affairs, Department of State.
- DULLES, John Foster, Consultant to the Secretary of State.
- DUNN, James C., United States Ambassador in Italy.
- EBERT, Friedrich, Lord Mayor of East Berlin.
- ERHARD, Dr. Ludwig, West German Minister of Economic Affairs.
- ERHARDT, John G., United States Minister in Austria.
- FIGL, Dr. Leopold, Austrian Chancellor.
- FORRESTAL, James V., Secretary of Defense, until March 1949.
- FOSTER, William C., Deputy U.S. Special Representative in Europe under the Foreign Assistance Act of 1948, until June.
- \*FRANÇOIS-PONCET, André, French Diplomatic Counselor for German Affairs and Chargé de Mission with the Commander-in-Chief in Germany; High Commissioner for Germany, from September.
- ‡FRANKS, Sir Oliver S., British Ambassador in the United States.
- GALLMAN, Waldemar J., United States Ambassador in Poland.
- GALLOWAY, Lieutenant General Sir Alexander, British High Commissioner in Austria.
- GANEVAL, Brigadier General Jean, French Commandant for Berlin.
- GERHARDT, Lieutenant Colonel Harrison, Special Assistant to the United States High Commissioner for Germany.
- GIFFORD, C. H. P., British Expert at the Technical Committee on Berlin Currency and Trade.
- GROMYKO, Andrey Andreyevich, Deputy Minister of Foreign Affairs of the Soviet Union, from March 6.
- GROTEWOHL, Otto, Co-Chairman of the Socialist Unity Party (SED); Minister-President of the German Democratic Republic, from October 12.
- GRUBER, Dr. Karl, Austrian Minister of Foreign Affairs.
- GRUENTHER, Major General Alfred M., Director of the Joint Staff of the Joint Chiefs of Staff.
- HARRIMAN, W. Averell, United States Special Representative in Europe under the Foreign Assistance Act of 1948, with the rank of Ambassador.
- HAYS, Major General George P., United States Deputy Military Governor for Germany until May; Acting Military Governor, until September; United States Deputy High Commissioner for Germany, from September.
- HELMER, Oskar, Austrian Minister of the Interior.
- HENDERSON, Lord, Parliamentary Under-Secretary, British Foreign Office.

- HEUSS, Theodor, President of the Federal Republic of Germany.
- HICKERSON, John D., Director, Office of European Affairs, until July.
- HOEPKER-ASCHOFF, Dr. Hermann, Representative of the Free Democratic Party at the Bonn Parliamentary Council.
- HOFFMAN, Paul, Administrator for Economic Cooperation.
- HOLMES, Julius C., Counselor of United States Embassy in the United Kingdom; Representative at tripartite talks on the occupation statute for Germany, London, January-April.
- HOWLEY, Brigadier General Frank L., United States Commandant for Berlin and Director of the Office of Military Government for Berlin Sector, until September.
- HOYER MILLAR, Sir Frederick Robert, British Minister in the United States.
- HUEBNER, Lieutenant General C. R., Commander-in-Chief, European Command, from May.
- HUMPHREY, George M., President, M. A. Hanna Company; Chairman, Industrial Advisory Committee to the ECA.
- JAQUIN DE MARGERIE, Christian, Counselor of the French Embassy in the United States.
- \*‡JESSUP, Dr. Philip C., United States Ambassador at Large, from March.
- JOHNSON, Louis, Secretary of Defense, from March.
- ‡JOYCE, Robert P., Member of the Policy Planning Staff, Department of State.
- KAISER, Jakob, Berlin CDU Representative at the Bonn Parliamentary Council; West German Minister for Matters Concerning Germany as a Whole.
- KALDOR, N., Member of the U.N. Secretariat on the Technical Committee on Berlin Currency and Trade.
- KASTNER, Dr. Hermann, Deputy Chairman of the Soviet Zone Economic Commission (DWK).
- KATZ, Rudolf, SPD member at the Bonn Parliamentary Council.
- \*‡KENNAN, George F., Director of the Policy Planning Staff; Counselor of the Department of State, from August; Chairman of the Steering Group of the National Security Council Sub-Committee on the German question.
- KEYES, Lieutenant General Geoffrey, United States High Commissioner in Austria.
- KIMMEL, Roy I., United States Attaché at Berlin.
- KING, Nat B., United States Delegate at the Inter-Allied Reparation Agency (IARA).
- KIRK, Alan G., United States Ambassador in Belgium; Ambassador in the Soviet Union, from May 21.
- \*KIRKPATRICK, Sir Ivone A., British Permanent Under-Secretary of State for the German Section; Representative at tripartite talks on the occupation statute for Germany, London, January-April.
- KLEINWAECHTER, Dr. Ludwig, Austrian Minister in the United States.
- KNAPP, Joseph B., United States Expert at the Technical Committee on Berlin Currency and Trade.
- KÖHLER, Dr. Erich, President of the Bundestag, from September.
- KOENIG, General of the Army Pierre, French Military Governor, until September, and Commander-in-Chief for Germany.
- KOHLER, Foy D., Counselor of United States Embassy in the Soviet Union, until April.
- KOLB, Dr. Ernest, Austrian Minister of Commerce and Reconstruction.



- KOPTELOV, Mikhail Efremovich, Deputy Political Adviser to the Soviet High Commissioner for Austria.
- KOTIKOV, Major General Aleksandr G., Soviet Commandant for Berlin.
- KURASOV, Army General Vladimir Vasilyevich, Soviet High Commissioner in Austria, May 1946–April 1949.
- KVASHNIN, Major General P.A., Chief of the Transportation Division, Soviet Military Administration.
- ‡LALOY, Jean, French Commissariat for German and Austrian Affairs.
- LAUKHUFF, Perry, Acting Chief of the Division of German Political Affairs; from November, Chief.
- LEFORT, G., French Expert at the Technical Committee on Berlin Currency and Trade.
- LEHR, Dr. Robert, *Oberpraesident* of Dusseldorf and member of the Bonn Parliamentary Council.
- LEMBERGER, Dr. Ernst, First Secretary of the Austrian Legation in the United States.
- LEOPOLD, Rudolf, Head of the Austrian Aid Office.
- LEROY-BEAULIEU, Paul, Economic and Financial Adviser, French High Command in Germany.
- LEUSSE, Pierre de, Chief, German-Austrian Section, French Ministry for Foreign Affairs.
- LOVETT, Robert A., Acting Secretary of State, until January 20, 1949.
- LUC, Robert, First Secretary, French Embassy in the United Kingdom.
- MACARTHUR, Douglas 2nd, Deputy Director of the Office of European Regional Affairs, from October.
- \*MAGRUDER, Major General Carter B., Deputy to the Assistant Secretary of the Army.
- MAKINS, Sir Roger M., British Deputy Under-Secretary of State for Foreign Affairs.
- MALIETIN, P., Soviet Expert at the Technical Committee on Berlin Currency and Trade.
- MALIK, Yakov Aleksandrovich, Soviet Representative to the United Nations.
- ‡MALLET, William I., British Assistant Under-Secretary of State; Representative at the Austrian Treaty Negotiations, from July 1.
- \*‡MARJORIBANKS, James A. M., British Representative at the Austrian treaty negotiations, February 9–May 10; Deputy for Austria at the Sixth Session of the Council of Foreign Ministers.
- MARSHALL, George C., Secretary of State, January 1947–January 1949.
- MASSIGLI, René, French Ambassador in the United Kingdom; Representative at tripartite talks on the occupation statute for Germany, London, January–April.
- MAXIMOV, L. M., Assistant Political Adviser to the Soviet Commander-in-Chief for Germany.
- MCCLOY, John J., United States High Commissioner for Germany.
- MCLEAN, Lieutenant General Kenneth G., British Deputy Military Governor for Germany.
- MCNEIL, Hector, British Minister of State.
- MENZEL, Dr. Walter, Minister of the Interior in North Rhine-Westphalia, leader in the German Social Democratic Party; Representative at the Bonn Parliamentary Council.
- MILLAR. *See* HOYER MILLAR.

- MOLOTOV, Vyacheslav Mikhailovich, Soviet Foreign Minister, until March 1949.
- \*†MURPHY, Robert D., United States Political Adviser for Germany with rank of Ambassador, until March; Acting Director, Office of German and Austrian Affairs, until October.
- MYRDAL, Gunnar, Representative of the Secretary-General of the United Nations on the Technical Committee on Berlin Currency and Trade.
- NADOLNY, Rudolf, member, Society for Reunification of Germany.
- \*NITZE, Paul H., Deputy to Assistant Secretary of State for Economic Affairs; from August 8, Deputy Director of the Policy Planning Staff, Department of State.
- NOACK, Dr. Ulrich, Leader of *Nauheimer Kreis*.
- NUSCHKE, Otto, Chairman of the CDU in the Soviet Zone of Germany; Co-President of third *Volkskongress*.
- PARKMAN, Henry, United States Representative to the International Authority for the Ruhr, from August 1.
- PARODI, Alexandre, French Representative at the United Nations Security Council, until February; Secretary-General of the Ministry for Foreign Affairs, from February 23.
- PENSON, J. Hubert, Adviser on German Affairs, British Embassy in the United States.
- PERKINS, George W., Assistant Secretary of State for European Affairs.
- PETSCHÉ, Maurice, French Minister of Finance and Economic Affairs.
- PIECK, Wilhelm, Co-Chairman of the Socialist Unity Party (SED); Co-President of third *Volkskongress*; President of the German Democratic Republic, from October 11.
- PONCET. See FRANÇOIS-PONCET.
- QUEUILLE, Henri, French Prime Minister, until October 5.
- RAAB, Julius, People's Party Whip in the Austrian Parliament.
- \*†REBER, Samuel, United States Representative at the Austrian treaty negotiations; Deputy for Austria at the Sixth Session of the Council of Foreign Ministers.
- REIMANN, Max, Chairman of the German Communist Party (KPD) in the Western Zones of Germany; Representative at the Bonn Parliamentary Council.
- REINSTEIN, Jacques J., Acting Chief of the Division of German Economic Affairs, from March; Chief, from November.
- RENNER, Dr. Karl, President of the Republic of Austria.
- RESTON, James B., Washington correspondent and columnist for the *New York Times*.
- REUTER, Dr. Ernst, leader of the German Social Democratic Party and Lord Mayor of West Berlin.
- RIDDLEBERGER, James W., United States Counselor of Mission at Berlin, until March; Acting Political Adviser, from March; Political Adviser to United States High Commissioner, from September 27; Director of Political Affairs, Office of Political Affairs at Frankfurt, from October 16.
- \*ROBERTSON, General Sir Brian, British Military Governor for Germany, until September; appointed High Commissioner for Germany; Commander-in-Chief for Germany.
- ROBERTSON, Norman A., Canadian member and Chairman of the Technical Committee on Berlin Currency and Trade.

- ROSS, John C., Alternate United States Representative at the United Nations.
- ROYALL, Kenneth C., Secretary of the Army.
- RUEFF, Jacques L., President of the Inter-Allied Reparation Agency (IARA).
- RUSK, Dean, Assistant Secretary of State for United Nations Affairs, from February; Deputy Under Secretary of State, from May.
- SAGMEISTER, Otto, Austrian Minister of Food.
- SAINT-HARDOUIN. *See* TARBE DE SAINT-HARDOUIN.
- SALTZMAN, Charles E., Assistant Secretary of State for Occupied Areas.
- SATTERTHWAITE, Livingston L., Chief of the Division of British Commonwealth Affairs; Deputy Director of the Office of British Commonwealth and Northern European Affairs, Department of State, from October.
- SAUVAGNARGUES, Jean, Acting Chief Central European Division, French Ministry for Foreign Affairs.
- SCHAERF, Dr. Adolph, Austrian Vice Chancellor.
- SCHMID, Carlo, Chairman of the Social Democratic Party (SPD) in Wuerttemberg-Hohenzollern; Representative at the Bonn Parliamentary Council and Chairman of its Main Committee.
- SCHUMACHER, Dr. Kurt, Chairman of the Executive Committee of the German Social Democratic Party (SPD).
- \*†SCHUMAN, Robert, French Minister for Foreign Affairs.
- SEAL, Eric A., Deputy Under-Secretary of State (German Section), British Foreign Office.
- \*SEMYENOV, Vladimir Semyenovitch, Political Adviser to the Chief of the Soviet Military Administration in Germany.
- SHONE, Sir Terence, member of the British Delegation to the United Nations.
- SHUCKBURGH, Charles A. E., Head of the Western Department of the British Foreign Office.
- SLATER, Joseph E., United States Secretary on the Secretariat of the Allied High Commission for Germany.
- \*SMIRNOV, Andrey Andreyevich, Deputy Minister of Foreign Affairs of the Soviet Union.
- SMITH, Kingsbury, European General Manager of the International News Service.
- SMITH, Walter Bedell, United States Ambassador in the Soviet Union, 1948.
- SNYDER, John W., Secretary of the Treasury.
- SOKOLOVSKIY, Marshal of the Soviet Union Vasilii Danilovich, Chief of the Soviet Military Administration for Germany, until April.
- SOVERS, Sidney W., Executive Secretary of the National Security Council.
- STALIN, Generalissimo Iosif Vissarionovich, Chairman of the Council of Ministers of the Soviet Union; Secretary General of the Communist Party of the Soviet Union.
- \*†STEEL, Christopher E., former Head of the British Political Division of the Allied Control Commission for Germany.
- STRANG, Sir William, British Permanent Under-Secretary of State for Foreign Affairs, from February 1.
- SUHR, Dr. Otto, Berlin Representative at the Bonn Parliamentary Council.
- SVIRIDOV, Lieutenant General Vladimir Petrovich, Soviet High Commissioner for Austria, from May 1949.
- \*TARBE DE SAINT-HARDOUIN, Jacques, Political Adviser to the French Commander-in-Chief for Germany.

- TAYLOR, Fred G., United States radio specialist, Office of Public Affairs, at Berlin.
- TAYLOR, Major General Maxwell D., United States Commander, Berlin and United States Commandant for Berlin, from October.
- THOMPSON, Llewellyn E., Jr., Deputy Director of the Office of European Affairs; Deputy Assistant Secretary of State for European Affairs, from July 6.
- THORP, Willard L., Assistant Secretary of State for Economic Affairs.
- TOGLIATTI, Palmiro, Secretary General of the Communist Party of Italy.
- TSINYEV, Major General G. K., Acting Soviet Deputy High Commissioner for Austria.
- TULPANOV, Major General Sergey I., Chief, Information Division, Soviet Military Administration for Germany.
- ULBRICHT, Walter, Deputy Chairman and member of the Politburo and Central Committee of the Socialist Unity Party (SED).
- VAN ZEELAND, Paul, Belgian Minister of Foreign Affairs and Foreign Trade, from August.
- VOORHEES, Tracy S., Assistant Secretary of the Army, until February 1949; Under Secretary of the Army, from February 1949.
- \*VYSHINSKY, Andrey Yanuaryevich, Deputy Minister for Foreign Affairs of the Soviet Union, until March; Minister of Foreign Affairs, from March.
- WAPLER, Arnauld, Counselor of the French Embassy in the United States.
- WARNER, Adolphe J., member of Finance Division of OMGUS.
- WEBB, James E., Under Secretary of State, from January 28.
- WEIR, Sir Cecil, President of the Economic Subcommission of the British Military Government for Germany.
- WILDS, Walter, Deputy to Assistant Secretary of State for Occupied Areas.
- WILKINSON, Lawrence, Economic Adviser, Office of United States Military Government for Germany.
- WILLIAMSON, Francis T., Assistant Chief, Division of Central European Affairs; Acting Chief, Division of Austrian Affairs, from March 17; Chief, from October 12; Officer in Charge of Italian-Austrian Affairs, from November 1.
- WINTERTON, Major General T. J. W., British Deputy High Commissioner for Austria.
- YELESAROV, Colonel Aleksey I., Soviet Deputy Commandant for Berlin.
- \*YOST, Charles W., Counselor of United States Legation in Austria to March 30; Special Assistant to the Ambassador at Large (Jessup), from May 10.
- \*†ZARUBIN, Georgiy Nikolayevich, Soviet Representative at the Austrian treaty negotiations; Deputy for Austria at the Sixth Session of the Council of Foreign Ministers; Soviet Ambassador in the United Kingdom.
- ZHUKOV, Yuri, *Pravda* correspondent in France.

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## I. NEGOTIATIONS LEADING TO THE WASHINGTON AGREEMENTS ON GERMANY, APRIL 1949

### A. THE LONDON INTERGOVERNMENTAL (TRIPARTITE) DISCUSSIONS, JANUARY-APRIL 1949, WITH REGARD TO THE OCCUPATION STATUTE, PRINCIPLES OF TRIZONAL FUSION, AND THE STATUS OF KEHL

London Embassy files: Lot 58F47: Box 1394: 350 Germany: Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, January 13, 1949—noon.

145. Section I. Following are your instructions re Intergovernmental meeting on Occupation Statute.

For your information, subsequent instructions may be sent you on related subjects, namely Fusion Agreement and Military Government Organization, which your govt may desire you discuss in Occupation Statute Meeting.

Instructions on the Occupation Statute.

Annex I of the Six Power London Report of June 2 [1], 1948,<sup>1</sup> outlined the new relationship to be established between the Allied Military authorities and the Provisional German Govt to be organized in accordance with Annex F. Pursuant to paragraph 5 of Annex I, the Military Governors transmitted to the 11 Ministers President of the three Western Zones, on July 2 [1], 1948, a statement of the broad principles for an Occupation Statute embodied in Annex I.<sup>2</sup> On July 10, the German Ministers President sent to the three Military Governors their comments on these basic principles.<sup>3</sup>

Since August the three Military Governments have been engaged in negotiations on the Draft Occupation Statute.<sup>4</sup> Since the three Military Governors were not able to reach agreement on the draft Statute, it has not been possible to communicate it to the Constituent Assembly as guide to that body and in order to receive comments from the Constituent Assembly, as was provided for in Para. 5 of Annex I. The

<sup>1</sup> The text of the London Six Power Report on Germany is printed in *Foreign Relations*, 1948, vol. II, chapter I.

<sup>2</sup> Not printed; for the text of this document, see *Germany 1947-1949*, pp. 275-277 or *Ruhm von Oppen, Documents on Germany*, pp. 315-318.

<sup>3</sup> The text of the comments by the German Ministers President on the basic principles is printed in *Foreign Relations*, 1948, vol. II, p. 385.

<sup>4</sup> For documentation relating to the Military Governors' negotiations for an Occupation Statute for the three Western zones of Germany, see *ibid.*, p. 597.

work of the Constituent Assembly has advanced to a stage where a further delay in communication of the draft Statute will impede the Constituent Assembly in its work of preparing a Constitution.<sup>5</sup> Accordingly it is urgent that agreement between the three governments on the draft Statute be reached as soon as possible.

The report of the three Military Governors of December 17<sup>6</sup> presents several points upon which the Military Governors were not able to reach agreement and attaches the draft Occupation Statute as otherwise agreed between them.

The British Government's invitation to the Intergovernmental Meeting sets forth as purpose of the meeting "to settle the text of the Occupation Statute on a final basis." It is not clear from the invitation whether it is the intention to propose that the Intergovernmental Meeting confine itself to an endeavor to settle merely the disagreed points or whether agreed provisions of the draft Occupation Statute submitted by the three Military Governors are to be reconsidered.

We have set forth first separate instructions to deal with all the disagreed points cited in the Military Governors Report, and have thereafter set down suggestions and alternative proposals with respect to previously agreed provisions of the draft Statute.

It is suggested that the Intergovernmental Meeting might well first consider the disagreed points, and thereafter turn to issues in connection with agreed provisions. You are authorized, however, to determine in your discretion your position with respect to the procedure of the Intergovernmental Meeting after ascertaining the views of the other delegations, but you should not agree to restrict the scope of the Intergovernmental Meeting merely to the disagreed points. It is anticipated that the other delegations will have points to raise regarding the agreed provisions and it is accordingly suggested that they be permitted to take the initiative in enlarging the scope of the conference beyond merely disagreed provisions.

The agreed paragraphs are the result of protracted negotiations. It is feared that a general detailed reconsideration of agreed provisions might have the effect of opening "Pandora's Box" with the result that prolonged negotiations in London would be required. In the interest of a prompt conclusion of a draft text which can be shown to the Parliamentary Council at Bonn, your government is not instructing you to insist upon a general detailed re-examination of the Statute. Nevertheless, your government believes that the proposed revision of Art. IX, Paragraph 25 which provides for a review by the Occupying

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<sup>5</sup> For documentation relating to the deliberations of the Bonn Constituent Assembly, see pp. 187 ff.

<sup>6</sup> *Foreign Relations*, 1948, vol. II, p. 650.



Powers of the terms of the Statute is so essential that you are instructed to introduce this proposal, even if the other delegations were to desire to restrict the scope of the conference merely to the disagreed points. Your government likewise attaches importance to the redraft of the preamble as well as several other points set down in the subsequent detailed instructions.

You should indicate at an appropriate juncture that the US Government will not regard the draft Occupation Statute which may be agreed at the London Meeting as an immutable text, but proposes that the Military Governors be instructed to adopt a sympathetic and flexible attitude to German views on the draft Statute which are to be obtained from the Parliamentary Council, in accordance with Part V of Annex I of the London Decisions. You should not hesitate to indicate that, as a result of the adverse German reaction to the agreement on the Ruhr Authority,<sup>7</sup> this government attaches importance to an honest consideration of German views with respect to the Occupation Statute. You may point out that the provisional German Government is to function under a provisional Constitution within the framework of the Occupation Statute and that the people of the Western German *Laender* will be asked to accept the Provisional Constitution within the framework of this Occupation Statute. The success of the London Program presupposes popular German acceptance of the governmental regime to be established and a popular will to cooperate.

You should also state at a suitable occasion that the purpose of the Intergovernmental Meeting in the view of your government, is to resolve disagreed points in the draft prepared by the Military Governors and to prepare a draft text which may be transmitted to the Parliamentary Council at Bonn for guidance and comment, and that governmental approval is limited to the form of the draft to be transmitted at this stage to the Germans. The Occupation Statute is merely one element in the implementation of the program for Western Germany contained in the London Report of June 1, 1948.

Other elements in this program such as the Military Government organization, a Tripartite Fusion Agreement, the International Ruhr Authority, and the Provisional German Constitution are so inextricably interrelated that the US Govt must reserve its position with respect to the final approval of draft Occupation Statute until such time as it may review the Statute in its connection with other agreements and arrangements envisaged in the London Program.

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<sup>7</sup> For documentation relating to the London Conference on the Ruhr, November 11–December 24, 1948, including the draft text of the agreement for the establishment of the International Authority for the Ruhr, see *Foreign Relations*, 1948, vol. II, pp. 448 ff.

Detailed instructions on the disagreed paragraphs of the draft Occupation Statute.<sup>8</sup>

Article II, 2(b).

You are authorized to accept the British draft provided the words "the minimum" are inserted in the third line of the British proposal after the word "consider", so that this clause will read "as they may consider the minimum necessary to ensure." It is also suggested that the words "food and other supplies" be added after the word "funds" in (ii).

Annex I of the London report employed the term "minimum control," and the same language was used in the statement of the Occupation Statute made by the Military Governors on July 1, 1948 to the 11 German Ministers President. The omission of the word "minimum" would be noted. The use of the phrase "minimum control" is not suggested (as in the US version in the present text) because there is nothing to indicate what is the minimum control necessary. Thus a question or fact would be involved in each case which might result in numerous actions being contested and having to be decided by the High Court. By the above proposal which you are instructed to put forward the decision as to what is the minimum necessary is left entirely to the Occupation Authorities.

The insertion of the words "food and other supplies" is designed to make the language more specific and should be self-explanatory.

It is recommended that in the initial discussion you reserve your position with respect to 2(b), pointing out that the present US version follows precisely the agreed language of Annex I of the London report and that you indicate a willingness to acquiesce in the British version as amended above at juncture in the discussions where the British may in return be ready to adapt their position to US views. In this connection you might bear in mind that the major difference between the US and the UK is with respect to Article II A.1 [2(i)] concerning displaced persons with respect to which your instructions give you no latitude whatsoever for negotiation.

If the US proposal on Article II, 2(c) [(b)?] which inserts the phrase "claims against Germany" is accepted, you should propose the deletion of (iii) since the word "claims" would include claims for expenditures referred to in (iii).

Article II, 2(c).

You are instructed to propose the following alternative to the bracketed versions:

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<sup>8</sup> For the text of the draft Occupation Statute, transmitted as an annex to the Report of the Military Governors, December 17, 1948, see *Foreign Relations*, 1948, vol. II, p. 653. Subsequent articles and paragraph references are also to this draft.

"To exercise such controls as have been or may be agreed upon by the Occupying Powers or Occupation Authorities in regard to the Ruhr, reparations, foreign interests in and claims against Germany and such further controls as have been or may be agreed in the following fields to insure international security:

- I. Prohibition and limitation of the level of industry.
- II. Decartelization.
- III. Deconcentration.
- IV. Disarmament.
- V. Demilitarization.
- VI. Certain aspects of scientific research and
- VII. Movement of persons entering or leaving Germany.[""]

You should point out that the proposed language is but slight adaptation of the language in the French proposal. The language as suggested by the French is unacceptable since it would permit the Occupation Authorities to exercise any controls whatsoever by simply agreeing to do so. This is contrary to the basic concept of the Occupation Statute according to which the powers of the Occupation Authorities were to be limited so that provisional German Government could function.

It is believed that the US/UK version in the draft joint text is too indefinite by itself. The words "and cooperation" which appear in the US/UK version have been omitted in the above proposal as unnecessary and likely to appear to the Germans as *mal à propos* in this context. If the theory of international security contained in the US/UK version is incorporated in the French language as you authorized to propose, it would serve as a limitation on future agreements and would limit controls to those specifically agreed upon.

If other delegations prefer not to limit the controls to the particular fields enumerated you are authorized to propose the following adaption:

"To exercise such controls as have been or may be agreed upon by the occupying powers or occupation authorities in regard to the Ruhr, reparations, foreign interests in and claims against Germany, and to insure international security including those in regard to prohibition and limitation on the level of industries, decartelization, disarmament, demilitarization, certain aspects of scientific research and control of frontiers in regard to persons entering or leaving Germany."

You are requested to propose that the words "industrial ownership" be omitted from Section 2(c) of Article II. The French have made it clear that what they have in mind is a reserve power relating to patents, trade-marks and associated rights and in particular the operation of the German Patent Office.

The French Government has stated in several recent notes to the Department that the reestablishment of the German Patent Office with

the authority to conduct search of patent applications for novelty of invention would constitute a form of technological research which would be a security threat. This argument is considered largely artificial.

Your request for omission of this phrase can be justified by stating that, once the patent and trade-mark systems of Germany are restored to normal operation, there is no need for further interference in the conduct of them by the Occupying Powers, that such interference would in fact be resented by the Germans, and that any aspects of research which are involved in the operation of the patent office would be covered by the reserve power on research contained in Para. 2(c).

You are, however, authorized to agree to inclusion of this reserve power if the French prove adamant on the subject, and its inclusion becomes necessary in order to get agreement on the whole statute. If this becomes necessary, the English wording should be changed to "industrial property rights," which is the equivalent of the French "propriété industrielle."

[Here follow detailed instructions on other disagreed paragraphs of the draft occupation statute.]

LOVETT

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London Embassy files : Lot 58F47 : Box 1394 : 350 Germany

*The Assistant Secretary of the Army (Voorhees) to the Assistant Secretary of State for Occupied Areas (Saltzman)*

SECRET

[WASHINGTON,] January 14, 1949.

DEAR MR. SALTZMAN: The purpose of this letter is to set forth the considered position of the Army concerning the necessity for the settlement of certain principles of the Trizonal agreement for Western Germany concurrently with proposed negotiations concerning the Occupation Statute.

In a letter to you of 8 November 1948,<sup>1</sup> we requested that steps be taken to negotiate the Trizonal agreement. Now, however, the program seems to be to settle the Occupation Statute in the coming meeting in London without simultaneously reaching an accord on any part of the Trizonal agreement. We believe that such a course would jeopardize the interests of the United States in its occupation objectives in Germany.

Laying aside for the moment all other reasons for this course, it is imperative in order to enable us to justify and secure the United States appropriations for imports of food and other supplies upon which our entire program in Germany depends. If agreement is

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<sup>1</sup> Not printed.

reached on the Occupation Statute and it is communicated to the Germans, we are—subject of course to the Germans agreeing upon a satisfactory constitution—morally obligated to go ahead with the provisional German Government. Our course would then be practically an irreversible one since we could hardly block formation of a German government because of our inability at that time to reach agreement with the British and French concerning the division among the occupation authorities of the reserved powers. This condition would be an invitation to the French not to agree with us on a workable basis, as such failure would leave France with a veto on the exercise of the reserved powers by the occupying authorities on a Trizone-wide basis. This would be so because unanimity of each action would be requisite. Failing such unanimous action, each of the three powers would at most merely have the reserved authority in its own zone.

On either of the above bases, there would be no assurance whatever that the United States, although making the major contribution to Germany, could: (1) exercise necessary control of foreign trade and exchange; or (2) set up an adequate inspectorial and supervisory Tripartite organization operating throughout the Trizone to determine the true German food needs, see that steps are taken for the maximum production and the equitable distribution of German food, as well as the proper utilization of imported food paid for largely by the United States; or (3) that the occupying powers could proceed by a two-thirds vote in matters other than foreign trade and exchange.

We now have in the Bizonal area a Bipartite organization in food and agriculture with an American at the head, which does give needed supervision of the kind mentioned in (2) above. Without it, we could not justify continuing enormous American appropriations to send in food and other supplies, much more than one-half of which would be going into the British and French zones to be utilized without any assurance of effective supervision or even knowledge on our part. We would almost certainly be unable to secure the requisite appropriations under such conditions.

While most of the details of the Trizonal agreement can perhaps be negotiated separately by the Military Governors concurrently with consideration of the German constitution, the following minimum essentials would, we are convinced, have to be settled before agreement is reached on the Occupation Statute and before the virtually irrevocable step of communicating it to the Germans is taken:—

First, that, while the United States is making the major contribution for imports, it should—subject to paragraph third below—have the controlling voice in the agencies dealing with foreign trade and exchange.

Second, that other reserved powers be exercised by majority vote of the three occupying powers, subject to paragraph third below.

Third, that the exercise of powers under the last two paragraphs be subject to the right of any of the Military Governors who considers that action so authorized would conflict with major policies of his government, to request that the matter be referred to the Governments for consideration; and that such appeal serve to suspend the action for not longer than thirty days, but not to prevent the action in case governmental agreement is not reached.

Fourth, that the three Military Governors, constituting a Tripartite Board, be supported by a staff or committee organization, the nature of which they would work out, which would function throughout the Trizonal area, so that each occupying power would not be functioning merely in its own zone.

Fifth, that the Trizonal agreement continue at least for that part of the period of the occupation during which the United States is, as compared with the other two occupying powers, making the major contribution for imports into Germany.

We are informed by General Clay that it was made clear both by the United States and by the United Kingdom in the London conference last summer that the majority rule, above mentioned in the second numbered paragraph, would govern, although this was not expressed in the terms of the document. There should, therefore, not be too great difficulty on this point if it is insisted upon at an appropriate time.

As to United States control over exports and imports, and foreign exchange, the British have already recognized this in the modified fusion agreement,<sup>2</sup> and the French have acquiesced in it in the understanding reached last fall. This should not, therefore, present an insuperable difficulty.

As to the duration of the Trizonal agreement;—As soon as the German Government is set up, and we are relegated to the powers specifically reserved, we would, for the reasons above indicated, be protected in the effective exercise of such powers only by the clauses in the Trizonal agreement above discussed. It, therefore, follows that such agreement should remain in effect throughout the time that the United States is making the major contribution. For the Department of the Army to justify such appropriations, now estimated for fiscal year 1950 alone as \$500,000,000, we feel that we must certainly offer at least this protection to the American people.

The Department of the Army, therefore, feels it to be obligatory, in order to discharge its occupation responsibilities in Germany, that

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<sup>2</sup> Presumably a reference to the amendment to the Bizonal Fusion Agreement, December 17, 1947. For the text of this amendment, see *Germany 1947-1949*, pp. 454-460.

this Government incorporate the above principles as part of the United States position for the London discussions, so that understandings with our two allies on these points be reached before we agree upon the Occupation Statute.

Sincerely yours,

TRACY S. VOORHEES

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740.00119 Control (Germany)/1-1749 : Telegram

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

SECRET      US URGENT.

LONDON, January 17, 1949—11 p. m.

209. 1. At opening meeting occupation statute discussions this afternoon,<sup>1</sup> it was decided we should concentrate on points of disagreement and that no attempt should be made to redraft entire agreement, thus opening "Pandora's Box." This procedure would not however preclude a certain amount rephrasing agreed sections in interest clarity. All delegations were in accord that work on draft statute<sup>2</sup> should be completed as quickly as possible in order that it may be [in] hands of Bonn Parliamentary Council with minimum delay. US Delegation made it quite clear that its tentative agreement on any point was conditional on general agreement on entire draft and further that draft statute was not only on *ad referendum* basis, but also susceptible of modification on basis of observation[s] of Bonn Council. British and French Delegations both concurred.

2. British and French Delegations both tentatively accepted revised US version Article II 2 (b). (Deptel 145 January 13.<sup>3</sup>)

3. US revised draft Article II 2 (c) was circulated for study and consideration at a subsequent meeting.

4. In view of statements in paragraph 5 (a) of Military Governments report to governments of 17 December,<sup>4</sup> French, with British support, proposed rewrite paragraph 2 subparagraph (f) and (g) and US Delegation circulated Department's proposed redraft paragraph 2 (f). French and British Delegations asked whether by "victims of Nazi persecution" US Government intended to protect only foreign victims or also contemplated protection German nationals persecuted on racial, political or religious grounds. French and Brit-

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<sup>1</sup> The minutes of this meeting were transmitted in despatch 98, January 21, from London, not printed (740.00119 Control (Germany)/1-2149).

<sup>2</sup> The text of the draft occupation statute transmitted by the Military Governors to their governments, December 17, 1948, is printed in *Foreign Relations*, 1948, vol. II, chapter II, part c, p. 653.

<sup>3</sup> *Ante*, p. 1.

<sup>4</sup> *Foreign Relations*, 1948, vol. II, p. 650.

ish both strongly objected undertaking protection German nationals in this connection. Department's instructions requested this point.<sup>5</sup>

5. British Delegation suggested reserving discussion paragraph 2 (i) for consideration in connection with paragraph 13 (d) (vi). In preliminary exchange of views with British, US Delegate has made it clear that we feel very strongly on question of displaced persons and that we are not prepared to accept any substantive deviation from our present position.

6. British Delegation submitted redraft entire Article III with redraft Article I and introductory clause Article II stating that articles as drafted were not completely consistent with one another. We have not yet had time to study British redraft which is being transmitted in my immediately following telegram.<sup>6</sup> French Delegation also indicated that it would submit redraft paragraph 4 and 5 for consideration and US Delegation did likewise.

7. There was an inconclusive discussion of paragraph 9 which was reserved for further consideration.

8. In discussion paragraph 14 re jurisdiction German courts in civil cases, French and British Delegations showed disposition to broaden jurisdiction German courts to include persons mentioned paragraph 13 (d) (iii) and (iv). Massigli stated that although he was not acting under instructions, he felt that it was unreasonable and would be most offensive to Germans to reserve such wide areas of judicial competence for the occupying courts. British agreed strongly this point of view. French expressed embarrassment that they would feel in justifying reservations re their own nationals to Belgians and other allies. British associated themselves with this point of view and asserted that they could not justify reserving jurisdiction all British nationals unless they reserve jurisdiction over Dominion nationals. In view of new British nationality law this would, they contend, necessitate re-writing paragraph 13 (d) (iii) to specify "nationals of France and US and British subjects." With reference to protection, accorded all non-Germans against judicial discrimination in paragraph 16 (c) (ii), British and French expressed opinion that this protection was adequate, but that it would be embarrassing to cite this provision to

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<sup>5</sup> In telegram 209, January 18, to London, not printed, the Department of State informed Embassy London that, in its view, victims of Nazi persecution comprised Germans as well as foreigners and that the Military Governors had so interpreted the phrase in the joint draft of the occupation statute. However, Murphy in telegram 42, January 19, to London, not printed, stated that, to the best of his knowledge, the Military Governors had not discussed or agreed to this interpretation. He supported the idea that both Germans and foreigners should be covered under it, but could not confirm agreement by the Military Governors. (740.00119 Control (Germany)/1-1849 and 1949)

<sup>6</sup> Telegram 210, January 17, from London, not printed (740.00119 Control (Germany)/1-1749).



Canadians, Australians, Belgians, etc. as occupying powers appeared to consider it inadequate for their own nationals by the inclusion of paragraph 13 (d) (iii) and (iv). British and French Delegations expressed intention communicate further with their governments re this general matter. US Delegation has impression that British and French Delegations may return with proposal that German courts be given jurisdiction not only in civil, but also criminal cases, involving individuals covered paragraph 13 (d) (iii) and (iv). US Delegation reserved position pending instructions and in view nature of discussion did not submit proposed redraft paragraph 13 and 14. In connection with above discussions and also those re paragraph 5 British Delegations laid emphasis on desirability avoiding unnecessary limitation of Germans as inconsistent with our intention "to take Germany into our Western club and to receive German representatives at its meetings." French took no exception to these remarks.

9. Kirkpatrick indicated re paragraph 13 that Bevin had remarked to Schuman<sup>7</sup> that he might accept this provision subject to inclusion of a time limit of one or two years. He considered that the time limit should be relatively short in order to facilitate migration and assimilation displaced persons. Apparently British intend to press strongly on time limit principle already contained in tentatively agreed draft 13 (d) (vi).

10. French Delegation did not raise question of Kehl (Deptel 164, January 14<sup>8</sup>), although Foreign Office informs us matter was touched upon in Bevin-Schuman talks. British are inclined to our view that present discussions not appropriate for consideration this matter. They feel, however, that if French make issue of point, it might be desirable to include subject of Kehl in occupation statute talks in return for adequate French concessions to US-UK viewpoint on more important matters. Should this be necessary, British would agree to formula providing for type of New York port authority for Kehl-Strasbourg to be in effect only until peace settlement.

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<sup>7</sup> During the third week of January Schuman had been in London for an exchange of views with Bevin on subjects of mutual interest. Embassy Paris reported that the two Foreign Ministers had discussed Germany, European federation, Italy, the Near and Far East. Schuman had stressed the following points with regard to Germany: West German central government should not be allowed to raise taxes to cover occupation costs, German member on the arbitral court should be equal to Allied members only if the court had solely advisory powers, France would make no claim to Kehl but would propose joint management of Kehl and Strasbourg. (Telegram 209, January 17, from Paris, not printed, 740.00119 Control (Germany)/1-1749)

<sup>8</sup> Not printed; it transmitted the text of a note regarding Kehl in which the French Government requested that the status of the port be considered at the meetings on the occupation statute. The Department of State informed Holmes that the occupation statute meetings were not the appropriate forum for discussing Kehl. (740.00119 Control (Germany)/1-1249)

11. Articles VII, VIII, and IX not reached today's discussion.  
Sent Department 209, repeated Berlin 37.

HOLMES

740.00119 Control (Germany)/1-1849 : Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT

WASHINGTON, January 18, 1949—7 p. m.

210. Holmes from Lovett. In connection with Occupation Statute you should state on first appropriate occasion that you are participating in attempt work out technical details of Statute in form of recommendation to be made to higher authority, but that you are instructed reserve your position with respect to ultimate support recommendation until certain essential points of Trizonal fusion agreement are agreed in principle by you and UK and Fr representatives. US considers these to be :

(1) While US makes major contribution for imports it should have controlling voice in agencies dealing with foreign trade and exchange.

(2) Other reserved powers should be exercised by majority vote three occupying powers.

(3) Exercise of powers under (1) and (2) above should be subject to right of any Military Governor considering action thereunder in conflict with major policies his Government to request matter be referred to Govts, such appeal suspending action no longer than thirty days but not preventing action in case Governmental agreement not finally reached.

(4) That three MilGovs constituting Tripartite Board be supported by staff or committee organization nature of which they would work out which would function throughout Trizonal area so that each occupying power would not be exercising reserved powers merely in its own zone.

(5) Trizonal Agreement should continue for that part of occupation period during which US makes major import contribution. Agreement at least in principle on these points is requested during present Conference as condition of your agreeing to terms Occupation Statute.

Purpose this notification is to make clear US considers certain aspects statute inseparable from certain basic aspects Trizonal fusion agreement.

Discussions with respect to statute and above points with respect to Trizonal fusion agreement will take place concurrently.<sup>1</sup>

LOVETT

<sup>1</sup> The telegram was cleared in substance by Lovett, Saltzman, Draper, and Voorhees.

*Editorial Note*

During January and February 1949 a Committee on Trizonal Fusion within the Department of State met and prepared papers on various aspects of merging the three Western zones of Germany. This committee, composed of officers from CE, O, L, FN, and ED, prepared seventeen series of papers, all indicated by the prefix CTF D. None of these papers is printed in this volume, but a complete set exists in file 740.00119 Control (Germany)/8-1749, Bulky.

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*Editorial Note*

The negotiations on the occupation statute for Germany were held at the Foreign Office, London, starting January 17, 1949. Julius C. Holmes, Counselor of Embassy, led the United States delegation. His principal advisers were William C. Trimble and David A. Thomasson, both of Embassy London, and Bernard A. Gufler, Foreign Service Officer at Berlin. Sir Ivone A. Kirkpatrick, Deputy Under-Secretary of State (appointed Permanent Under-Secretary of State for the German Section February 1, 1949), led the British delegation. His principal advisers were Patrick Dean, Head of the German Political Department, and Christopher Steel, Political Adviser in Berlin. The French delegation was led by Ambassador René Massigli, whose principal advisers were Louis de Guiringaud, First Secretary of the Embassy in London, and François Seydoux, Political Officer in Berlin.

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740.00119 Control (Germany)/1-1949: Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, January 19, 1949—7 p. m.

228. As set forth in instrs,<sup>1</sup> Dept believes that Ger representation is essential element of High Court. We do not agree with Brit that Gers would prefer High Court without Ger member to Judicial Council with Ger member. Although former would more adequately satisfy need of rule of law, we believe Gers would be less responsive to such abstraction as rule of law than to failure include Ger member on Court, particularly since Gers now sensitive to their lack of status in bodies making decisions affecting them. From Ger standpoint, believe

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<sup>1</sup> Transmitted in telegram 145, January 13, p. 1.

Judicial Council with Ger participation would be preferable to High Court without Ger member. Foregoing is for your background info and possible use in discussion on point of Ger representation, but does not imply that Dept prepared at this time accept Fr conception of Judicial Council with Ger representation (urtel 225, Jan 18<sup>2</sup>).

It is still felt that appeal to govts from decision by any court is necessary. Nature of controversies which would come before Court would necessarily involve questions Occ policy as well as questions law due to manner in which Occ Stat leaves scope of many of reserved powers to be determined in accordance with governmental policy decisions. It is not felt that it is appropriate to have Court deciding questions Occ policy without retaining power of govts to review and reverse decisions. Do not agree Brit position that such appeal would make Court mere advisory council. Court's decisions would be binding on Mil Govrs and could only be changed upon appeal by Mil Govrs to their govts. It is not anticipated that there would be frequent appeals to govts but rather that this power would only be invoked in cases involving major Occ policy decisions.

LOVETT

<sup>2</sup> Not printed.

740.00119 Control (Germany)/1-1949: Telegram

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

SECRET US URGENT

LONDON, January 19, 1949—11 p. m.

241. 1. British delegate opened today's session on occupation statute<sup>1</sup> with statement to effect that we should retain maximum controls on important matters but since we wish Germans "in western club" we must not be unduly restrictive on relatively minor points. In reply French delegate expressed view that we should not give Germans too great a leeway in present uncertain circumstances and that it would be better to maintain controls and release them little by little than to give up too many at this time.

2. US suggested changes to British draft paragraph 2(b) including elimination sub-paragraph (iii) tentatively agreed to by UK and French delegates.

3. US draft paragraph 2(c) accepted by other delegates with reservation subject to addition words "and their industrial application" after words "scientific research" proposed by British delegate. Addition made on insistence French to meet their objection re omission

<sup>1</sup> The minutes of this session were transmitted in despatch 106, January 24, from London, not printed (740.00119 Control (Germany)/1-2449).

words "industrial property rights." Addition tentatively agreed to on *ad referendum* basis. In discussion French delegate made clear that he wished inclusion phrase "industrial property rights" to give occupation authorities power to control activities of "Patentamt". French delegate indicated he desired an agreed minute to effect that paragraph 2(c) as now tentatively drawn up will give power to control "Patentamt". US delegate reserved position on this point.<sup>2</sup> At suggestion UK delegate it was agreed to renumber controls in international security enumerated in US draft in following manner: "(1) Prohibition and limitation of level of industry, (2) decartelization and decentralization, (3) disarmament, demilitarization and certain aspects of scientific research and (their industrial application), (4) movement of persons entering or leaving Germany."

4. Consideration proposed US redraft paragraph 2(f) postponed pending clarification requested Embtel 209 January 17<sup>3</sup> (Deptel 209 January 18 and Berlin's 42 January 19<sup>4</sup> not received until after meeting).

5. British delegate indicated that he would propose rewording paragraph 2(g) with view to liberalization its provisions.

6. It was agreed that paragraph 2(i) would be discussed later in connection with paragraph 13(d) and general question of judicial competence of German authorities.

7. There was long and inconclusive discussion paragraph 4 and 5 in which British indicated that with certain changes they would probably accept US draft. French delegate introduced and strongly defended proposed redraft paragraph 5 which provided that Germans could legislate in fields covered paragraph 2(c) only with prior approval of military governors in each instance. British delegate suggested that possibly French objections US draft might be met by specifying certain vital fields reserved paragraph 2(c) as not susceptible to concurrent legislative action by German authorities and permitting Germans to legislate in other reserved fields in accordance with provisions of paragraph 4. French delegate indicated he might be able accept some such solution but would reserve position pending the submission of a tentative draft by US-UK drafting committee.

8. British and French delegates accepted US redraft paragraph 6.

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<sup>2</sup> In telegram 239, January 21, to London, not printed, the Department of State agreed to the inclusion of the words "and their industrial application", but expressed its preference to avoid the inclusion of the agreed minute desired by the French. If such a minute was necessary to secure agreement on 2(c), it should not imply general control of the Patentamt, but merely control of research activities. (740.00119 Control (Germany)/1-1949)

<sup>3</sup> *Ante*, p. 9.

<sup>4</sup> Neither printed, but see footnote 5 to telegram 209, from London, January 17, p. 9.

9. French delegate proposed following rewording paragraph 7(c): "Legislation not referred to in (a) and (b) will be repealed by the military governors on request from the German authorities." In support French advanced view that Germans should not be given right to repeal legislation of occupation authorities. UK and US reserved position pending receipt of military governors views as to whether new draft would increase burden on their legal divisions.<sup>5</sup>

10. In discussion paragraph 9 French delegate made it clear that French are not opposed to German representatives performing administrative consular functions. After reworking of proposed French draft second sentence, following wording was tentatively agreed to by all delegates: "They could also be called upon to perform such consular functions as may be agreed upon by the military governors."

11. French delegate proposed insertion paragraph 19 first sentence after words "political life" words "of the press and radio". US-UK delegates contended that ample power to control press and radio to protect occupation forces prestige and security are already provided paragraph 2(d) and will be taken care of in press ordinance now under discussion. French delegate admitted he had overlooked this ordinance and indicated that his objections might be overcome by recommendations to military governors urging early passage of ordinance.

12. There will be no plenary session until January 21 pending completion of work by drafting committee and receipt of further instructions from governments. We will, however, have informal meeting with British tomorrow with view to ironing out any differences between us and formulating tactics vis-à-vis French re paragraph 20, 21, and 23<sup>6</sup>

Sent Department 241, repeated Berlin 44.

HOLMES

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<sup>5</sup> In telegram 235, January 21, to London, not printed, the Department of State indicated that it would prefer to let the Germans amend the legislation in paragraph 7(c), but that if the French insisted the Departments of the Army and State had no objection to the French proposal (740.00119 Control (Germany)/1-1949).

<sup>6</sup> At the informal meeting on January 20 the British agreed to accept the United States position on displaced persons, but expressed their strong feeling that German courts should have jurisdiction over both civil and criminal cases involving nationals of the occupation countries and their dependents. The British delegate reported that Bevin favored a high court with real judicial powers and a German member, but would forego the latter to obtain French agreement on the nature of the court. The United States proposal for appeal from high courts to governments came under attack since it would reduce the prestige of the courts in German eyes. (Telegram 245, January 20, from London, not printed, 740.00119 Control (Germany)/1-2049)

740.00119 Control (Germany)/1-2149 : Telegram

*The United States Political Adviser for Germany (Murphy) to the  
Embassy in the United Kingdom*

SECRET URGENT

BERLIN, January 21, 1949—2 p. m.

48.<sup>1</sup> Your 47, January 20.<sup>2</sup> Your request for views of General Clay and myself of eventual effect on German public opinion of the British suggested compromise proposal providing for high court composed of five jurists, one to be appointed by each occupying power and two neutrals, General Clay states he is not disposed to comment in absence of request from Government for his views. In my opinion an estimate at this time of eventual impact on German public opinion of provision for high court thus composed would be highly speculative. Germans, I believe, would judge it within framework of the entire statute. Mr. Schuman accurately said recently that as the Ruhr Agreement<sup>3</sup> produced no particular satisfaction in Germany, so also we must expect a similar reaction as regards the future occupation statute.

My fear is that the legalistic document that is being developed for imposition on the Germans as an occupation statute will become a future rallying point for nationalist elements from whom I do not exclude the Social Democrats. At the best, any form of occupation statute reserving powers will be subject to German attack, and only future developments will disclose the volume and virulence of such attack. The latter will, of course, be directed against those Germans friendly to the west who take responsibility, if they do, for accepting [*agreeing*?] to form a German government under the statute. Their task certainly will not be lightened by the absence from the court of German representation. I think German public opinion will crystallize slowly but surely on this and other items such as the Ruhr statute. The greater the discrimination they manifest against the German people, the better opportunity for the future demagog to expand on injustice and *Diktat*.

Sent London 48, repeated Department 110.

MURPHY

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Not printed.

<sup>3</sup> For documentation relating to the negotiation of the International Authority for the Ruhr, including the text of the draft agreement, December 28, 1948, see *Foreign Relations*, 1948, vol. II, p. 448.

740.00119 Control (Germany)/1-2149 : Telegram

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

SECRET US URGENT

LONDON, January 21, 1949—9 p. m.

271. 1. Almost two hours Occupation Statute meeting<sup>1</sup> devoted to consideration paragraphs 20 and 21. US and UK delegates employed numerous and various arguments with French Delegate and in view latter's vulnerable position from logical as well as practical standpoint, we feel that we beat him down somewhat, although he is still hanging on through force of habit. In course of discussions US Delegate put forward suggestion that at appropriate place in article VII there be inserted provision that "collection of all costs arising under this article should be collected by federal state in accordance with relevant provisions of basic law (provisional constitution)". US Delegate pointed out that under this suggestion, which he said he was making on his own responsibility, the question of exact method of collection would be postponed for settlement in basic law. US Delegate remarked that this compromise proposal would meet the French stated desire not to prejudge the question of the incidence of occupation costs in this statute. French Delegate's reaction to this suggestion left it clear that his government has not abandoned its hope of fixing in the statute a concurrent responsibility for occupation costs on both federal, state, and *Laender*. At end, he suggested that each delegate prepare a "compromise text" for consideration tomorrow's meeting.

2. Re paragraph 23, French Delegate stated that his government was now agreeable to high court with powers to make decisions which will be binding on parties provided that court did not include German member. British Delegate then raised question of composition and size of court, remarking that Bevin desired a neutral member and that he favored in addition Benelux member, thus making an odd number of 5 which could find a majority. French Delegate stated that in his personal opinion these suggestions might be acceptable. French Delegate proposed that jurists representing occupying powers should be appointed by governments and not by Military Governors. British Delegate concurred. US Delegate stated that his government feels strongly that there should be German members on court and, pending receipt of instructions, was unable to comment on above. He also stated that US Government feels that provision should be made for appeal from court's decision by Military Governors to their governments citing at length reasons for our position (Deptel 228, January 19,

<sup>1</sup>The minutes of this meeting were transmitted in despatch 241, February 10, from London, not printed (740.00119 Control (Germany)/2-1049).



repeated Berlin 83<sup>2</sup>). Both British and French delegates strongly objected to proposal, British asserting that idea "utterly repugnant" to English concept legal procedure and that no responsible British jurist would serve on a court of this type which would be little more than an advisory council. He likewise pointed out that under paragraph 22 it is provided that appeals may be made from any action taken by occupation authorities on ground such action in conflict with provisions statute, contending that therefore appeals are matters for appropriate decision by court, since they involve interpretation statute as legal instrument and not decisions on governmental policy.

I am impressed by force of these arguments and am inclined to believe that real court with neutral member more desirable than judicial council with German member. Would not point desirability giving Germans feeling participation be met in part by provision nomination "neutral" as suggested paragraph 4 Embtel 245, January 20 repeated Berlin 47?<sup>3</sup> Would appreciate comment Department and PolAd Berlin on this matter as well as proposed redraft article III (Embtel 270, January 21, repeated Berlin 53<sup>3</sup>) on urgent basis.<sup>4</sup>

Sent Department 271, repeated Berlin 54.

HOLMES

<sup>2</sup> Ante, p. 13.

<sup>3</sup> Not printed.

<sup>4</sup> In telegrams 243, January 22, and 257, January 24, neither printed, the Department of State reiterated its belief that a German member of the High Court was necessary. The United States was ready to abandon the idea of appeal in order to meet the views of the British and French, and then suggested as a bargaining proposal that Holmes suggest an all neutral court of three. This proposal might induce the French to accept one German member on the court. (740.00119 Control (Germany)/1-2249 and 2449). Murphy replied in much the same vein, stating his belief that the Germans would have little faith in the court's impartiality without German representation. (Telegram 119, January 23, from Berlin, not printed 740.00119 Control (Germany)/1-2349)

740.00119 Control (Germany)/1-2549: Telegram

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

SECRET

LONDON, January 25, 1949—7 p. m.

305. Deptel 210, January 18<sup>1</sup>. Following memorandum submitted by USDel at end today's occupation statute meeting.<sup>2</sup> Matter will

<sup>1</sup> Ante, p. 12.

<sup>2</sup> At the sixth meeting on the occupation statute, occupation costs were again discussed with the French retaining their position. The United States and British delegations finally persuaded the French delegation to submit to its Government the following paragraph for consideration:

"The costs of occupation represent a heavy although diminishing burden on the German economy. This temporary charge should not lead to an excessive and

Footnote continued on following page.

be discussed at subsequent meeting. Initial British reaction to whom we showed advance copy was favorable although they indicated certain concern with respect to paragraph (c) re scope of operations of tripartite inspectorial teams operating throughout zones.

"The USDel desires to invite the attention of British and French delegates to desirability of reaching an agreement in principle concerning manner in which the military governors will exercise powers reserved to them by occupation statute.

My government considers that firm understanding re fundamental principles to be observed by three military governors in reaching their decisions must be arrived at before definitive approval can be given to text of draft occupation statute. While this meeting is not prepared consider details of a trizonal fusion agreement or an agreement on control machinery, it is felt that certain aspects of such agreements should and can be determined now.

In particular, the US desires assurance with respect to the following matters:

(a) That the reserve powers should be exercised by majority vote of the three representatives of the occupying powers except with respect to matters relating to German foreign trade and foreign exchange. While the US is contributing the major share of German imports or making the major financial provision therefor out of public funds, the representatives of the US in agencies dealing with German foreign trade and foreign exchange, or exercising the powers reserved to the occupation authorities for the control thereof, should have a voting strength proportionate to the funds made available by the US Government for these purposes, on a basis similar to that now recognized in agreements re Joint Export-Import Agency.

(b) That the exercise of powers under (a) above be subject to right of any of the military governors who considers that action decided upon conflicts with major policies of his own government, to request that matter be referred to three governments for consideration. Except when decision which is appealed concerns disapproval of German legislation, such an appeal would serve to suspend the action for not longer than 30 days. With respect to decisions concerning exercise of power to disapprove German legislation, action would be suspended for not longer than 21 days from day when legislation in question had been submitted to occupation authorities. Such suspension, however, would not prevent the taking of the action appealed from unless governmental agreement on the appeal was reached within the time limits mentioned.

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Footnote continued from preceding page.

permanent concentration of financial power in the federal state. The circumstances that responsibility has been placed on federal state with respect to payment of occupation costs is not intended to prejudice the question of the method by which the taxes will be levied." (Telegram 307, January 25, from London, not printed, 740.00119 Control (Germany)/1-2549)

In telegram 325, January 28, to London, not printed, the Department of State indicated its acceptance of the proposal (740.00119 Control (Germany)/1-2549).

(c) That the three military governors constituting a tripartite board, be supported by staff or committee organization which would function throughout trizonal area, details of such organization and its procedures to be decided upon by them. In any event, such an organization would include adequate inspectorial and supervisory group to determine German food requirements, and supervise production and distribution of German food and proper utilization of imported food.

(d) That such a trizonal agreement continue in effect at least for part of period of occupation during which the US is, as compared with other two occupation powers, making the major contribution for imports into Germany.

My government believes that these matters are so inseparably related to occupation statute as to require concurrent agreement in principle."

State please pass Army. Murphy please pass to Clay.

Sent Department 305; repeated Berlin 58.

HOLMES

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740.00119 Control (Germany)/1-2649: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT

LONDON, January 26, 1949—7 p. m.

285. Fr Emb note, Jan. 26,<sup>1</sup> states re Occ stat discussions of occupation costs issue: Massigli has indicated that Fr Govt ready to accept principles of federal responsibility; on condition that occupation costs be charged against the amount of common revenues foreseen in Art 122 B of Bonn draft constitution<sup>2</sup> and that *Laender* be responsible for the administration and collection of all taxes except customs and administrative revenues of the federation (postal fees, clearing fees, etc.). This proposal has the advantage of establishing responsibility of federal state to the Allies for payment occupation costs without furnishing a powerful aid to centralization tendencies.

It appeared during discussion that while Brit representative was ready to agree that representatives of three powers intervene at Bonn to recommend to Parliamentary Council a solution in conformity with Fr compromise proposal, US chargé was bound by his instructions and could not agree to this.

Fr Emb has recd instructions to bring urgently to attention of Dept very grave consequences which maintenance of position taken by

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<sup>1</sup> The French text of this note, which was handed to Beam, is in file 740.00119 Control (Germany)/1-2649.

<sup>2</sup> Presumably this is a reference to the draft constitution, which had passed its second reading on January 20. For documentation relating to the drafting of the Basic Law, see pp. 187 ff.

US representative could have on future of federalism in Ger. Fr Govt is in fact convinced that if payment of occupation costs were made a charge on the federation, considerable increase of financial charges on it resulting therefrom would have effect of increasing chances of centralization. Accordingly Fr Govt desires that instructions be addressed to US representative specifying that he agree to compromise proposal suggested by Fr representative. *End note*

We pointed out to Fr Emb rep that Fr proposal was contrary to para *d* of London Letter of Advice and to corresponding paragraph in Mil Govers' *aide-mémoire* of Nov 22<sup>3</sup> which authorized Fed Govt to raise revenues for purposes for which it is responsible. Also stated that our info did not confirm UK acceptance of Fr proposal (urtel 279, Jan 23<sup>4</sup>). At considerable length we told him that Fr proposal appeared endeavor to prejudice work of Parliamentary Council re division of finance powers and tax administration; that it was mistake to take one particular technical detail of this nature out of proper constitutional context; that Gers should be given a free opportunity within framework of London Letter of Advice to develop details of their constitutional law, and that we would be ready to give particular attention to this problem at time of general review of draft constitution.

Dept does not intend alter your standing instructions on occupation costs issue.

ACHESON

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<sup>3</sup> For the London Letter of Advice of May 12, 1948, and the Military Governors' *aide-mémoire*, see *Foreign Relations*, 1948, vol. II, pp. 240 and 442.

<sup>4</sup> Not printed.

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740.00119 Control (Germany)/1-2949: Telegram

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

SECRET US URGENT

LONDON, January 29, 1949—7 p. m.

354. Accompanied by Reber<sup>1</sup> and Trimble I met with Bevin and Schuman<sup>2</sup> and their advisors this morning re occupation statute.<sup>3</sup> As discussion developed during which I had occasion to withdraw on proposal for appeal (Deptel 257, January 24, repeated Berlin 91<sup>4</sup>), it was obvious that Bevin and Schuman had previously reached an agreement

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<sup>1</sup> Reber was in London for the negotiations on the Austrian Treaty. For documentation relating to these negotiations, see pp. 1066 ff.

<sup>2</sup> Schuman was in London for the meeting of the Consultative Council of the Brussels Pact. Documentation on the Council meeting is in volume III.

<sup>3</sup> A memorandum of conversation for this meeting was transmitted in despatch 243, February 10, from London, not printed (740.00119 Control (Germany)/2-1049).

<sup>4</sup> Not printed, but see footnote 4 to telegram 271, January 21, p. 18.

whereby British would support French contention that Germans be excluded from court in return for French acceptance formula on occupation costs (paragraph 1 Embtel 307, January 25, repeated Berlin 59<sup>5</sup>). Thus, notwithstanding previous position on question (paragraph 12 Embtel 245, January 20, repeated Berlin 47<sup>6</sup>) Bevin put forward compromise proposal for five-man court consisting of three allied judges, one Benelux and nonoccupying power and two German "assessors." In elaboration Bevin asserted that if German judge were included on court he would be placed in difficult position since he not only would possess a minority voice but also would by his very presence become party in German eyes to decisions that might be unpopular with Germans. On the other hand, it would be desirable to have Germans present in capacity of assessors since it would furnish them training in high court procedure in anticipation of day when they might possess full membership. Schuman indicated Bevin's formula acceptable to French adding his opinion Germans would not wish to have members in high court if restricted to minority role. Schuman also reiterated contractual argument against inclusion of Germans.

I reviewed at length our reasons why German participation with full voting rights essential mentioning *inter alia* necessity giving Germans sense responsibility and appreciation rule of law and fact that since purpose of court is only to interpret statute, it is part and parcel of our basic objective to educate Germans in democratic processes. After discussion this point, I made strictly personal suggestion of court of three members (Deptel 257 January 24).

Schuman raised objections to proposal on grounds court might have to consider questions of policy as well as those of purely juridical nature and neutrals would not be adequately acquainted with matters incident to occupation. I pointed out that according paragraph 22 draft statute appeal to court restricted to juridical interpretation of statute. Contention that neutral justices would not be completely familiar with occupation matters would be met by appointing assessors of occupying powers and Germans to participate in deliberations of the court.

Despite his objections, we have impression that Schuman might have accepted my proposal formula if Bevin had not opposed it on grounds that no qualified justice of occupying powers would be willing to participate in role of assessor since he would feel that non-voting restriction would cast doubt on his ability to adjudicate in purely objective manner.

In view attitude of Bevin and Schuman, I then reverted to our original suggestion that court consist of judges representing occupying

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<sup>5</sup> Not printed, but see footnote 1 to telegram 305, January 25, p. 19.

<sup>6</sup> Not printed, but see footnote 6 to telegram 241, January 19, p. 14.

powers, neutrals, Benelux and a German asserting that my government considers it essential that court include German representative even though he would clearly be in minority position. Bevin reiterated view that Germans would probably prefer be associated with court as assessors rather than have one judge in minority. I thereupon suggested that we consult Germans whether they wished to be represented by assessors or a single judge.

Bevin and Schuman objected to this suggestion mentioning that submission of matter to Germans would indicate divergence in views among occupying powers.

As we had then spent almost two hours on court question with little progress, Bevin and Schuman asked me to convey former's compromise proposal to my government and to request answer prior French cabinet February 2. I agreed to do so at the same time stating I could offer no hope acceptance by Washington.<sup>7</sup>

Question of occupation costs was disposed of in short order, Schuman accepting US-UK contention that federal state should be responsible to the occupying authorities for payment of occupation costs and formula mentioned paragraph 1 Embtel 307, January 25. Schuman desired, however, that wording of formula be extended by statement to effect that in interpreting "excessive and permanent concentration of financial power" military governors in this specific instance would not be strictly bound to letter of language contained paragraph (d) Annex H of London reports.<sup>8</sup> Exact phraseology to be determined Monday.

At conclusion meeting Schuman expressed hope representatives three powers would meet again near future consider draft basic law.

Subsequent to meeting Bevin sent message that Schuman had been so cooperative re OEEC at Brussels powers meeting and occupation costs and that such progress was being made with French that he hoped we could help Schuman and take his present attitude into account when Department considers high court compromise. Bevin let us know that he is prepared to agree now, and if necessary to put into a minute, statement that if Germans "behaved themselves" during next year, he would support the replacement of German assessors on court by a

<sup>7</sup> In telegram 346, February 1, to London, not printed, the Department of State expressed its doubts about this compromise proposal since the presence of two Germans at the court as assessors would demonstrate their lower status. Holmes was instructed to inform the British and French that the compromise did not meet the United States objection and that the United States continued to regard German membership on the court not only as proper but also as a useful element in the new relationship being established with the Germans through the occupation statute. (740.00119 Control (Germany)/1-2949)

<sup>8</sup> The text of the London Conference Report on Germany is printed in *Foreign Relations*, 1948, vol. II, p. 191.

German judge or judges at time statute comes up for revision in accordance with paragraph 25.

Sent Department 354, repeated Berlin 68.

HOLMES

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740.00119 Control (Germany)/2-149: Telegram

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

SECRET

LONDON, February 1, 1949—11 p. m.

383. French made strenuous efforts at today's occupation statute meeting<sup>1</sup> to chisel away from Bevin-Schuman agreement on occupation (Embtel 354, January 29, repeated Berlin 68<sup>2</sup>). Despite understanding of both US and UK delegations that agreement envisaged retention original US-UK wording paragraphs 20 and 21 except for deletion final sentence paragraph 21 and substitution therefor of statement mentioned reftel, French maintain that they had contemplated use of wording contained in revision of these two paragraphs put forward by British in first day's session and subsequently withdrawn. Wording paragraph 20 in this suggested compromise is as follows:

"Powers of occupying authorities under Article II include power to require appropriate German authorities to make such financial or other provisions as military governments may deem necessary for discharge their responsibilities and satisfaction their requirements. German authorities will be consulted as to procedure to be followed for satisfaction such requirements."

US delegation agreed to this change on *ad referendum* basis and on condition French acceptance provision in paragraph 21 clearly fixing on federal state responsibility for payment of all costs arising under Article VII.

US delegation refused to accept UK suggested revision of paragraph 21 mentioned above which in our opinion would be entirely inadequate and insisted on retention wording contained in original US-UK draft except for deletion final sentence and substitution following: "The federal state will be responsible for payment to occupying authorities of all costs arising under this article."

US delegation blocked French suggestion that "responsible" be translated French phrase "se retenu d'assurer." French then suggested substitution "appropriate German" for "federal state" authorities first

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<sup>1</sup> The minutes prepared by the United States delegation for this eighth meeting on the Occupation Statute for Germany were transmitted in despatch 217, from London, not printed (740.00119 Control (Germany)/2-849).

<sup>2</sup> *Supra*.

sentence paragraph 21. He asserted latter phrase would preclude consultation with *Laender* authorities on any matter relating to occupation requirements covered by Article VII and also would lead to creation of enormous central bureaucracy. US delegation stated that consultation with any *Laender* authority on any subject not prohibited and therefore permissible. He refused accept substitution as inconsistent with and inferential weakening of provisions last sentence paragraph 21 above quoted. British delegation suggested as compromise elimination phrase "after consultation with federal state authorities." French delegation agreed. US delegate refused but on request consented to refer matter to his Government.

French and US delegations accepted on *ad referendum* basis following British proposed text of paragraph in report to accompany draft statute (Embtel 326, January 26. Repeated Berlin 67<sup>3</sup>) re occupation costs:

"Text of paragraph 20 and 21 aims at leaving open question whether occupation and mandatory costs will be collected by federal state or by *Laender*. Agreement was reached that responsibility to occupying powers for payment these costs must definitely be laid on federal state. As imposition this responsibility, interpreted in light paragraph (d) of Annex H of report of six-power conference of June 1, 1948, might lead Parliamentary Council to feel compelled to vest in federal state financial powers which occupying powers might think excessive, it was considered prudent to agree on an explanation of attitude of occupying powers to be issued to Parliamentary Council. It is recommended that military governments should be instructed to issue their statement (Annex B this report) at same time they transmit draft occupation statute to Germans."

Text Annex B is as follows:

"Costs arising under Articles 20 and 21 of occupation statute represent heavy though diminishing burden on German economy. This temporary charge should not lead to a concentration of excessive financial power in federal government. The circumstance that responsibility has been placed on federal state with respect to payment of these costs is not intended to prejudge in any way the method by which, under basic law, federal state will obtain the funds necessary for their payment."

Department will note that foregoing varies slightly from text contained Embtel 307, January 25, repeated Berlin 59,<sup>4</sup> but changes are not considered of substantive nature.

We recommend approval Annex B and paragraph in report as well as elimination from paragraph 21, phrase consultation since entire

<sup>3</sup> Not printed.

<sup>4</sup> Not printed, but see footnote 2 to telegram 305, January 25, p. 19.



compromise involved therein does not in our opinion represent any substantive departure from our original position.

Sent Department 383, repeated Berlin 70.

HOLMES

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740.00119 Control (Germany)/2-449: Telegram

*The Deputy Director of the Office of European Affairs (Reber) to the Secretary of State*

[Extract]

SECRET

PARIS, February 4, 1949—1 p. m.

494. From Reber.<sup>1</sup>

[In the first part of this telegram, which is printed on pages 81-90 and 668-669, Reber reported on the Berlin situation and the French attitude concerning tripartite talks on Germany.]

Insofar as discussions in London are concerned, Couve said his government has agreed to discuss tripartite control in connection with occupation statute and instructions were being sent to Massigli which would enable him to deal with this matter beginning Monday. He hoped, however, that this would not delay presentation of the draft occupation statute to Germans as we were obligated to secure their observations before finalizing statute. On matter of court, he asked whether instructions had been sent to London with regard to British compromise.<sup>2</sup> I said that I had seen none, but doubted whether in any event we were prepared to accept solution which did not give Germans definite participation in authority of court. It was, in our opinion, essential that their responsibility be involved and that in some way they be made to realize that they too have part to play in successful operation of occupation statute which in any event would be difficult for them to accept. Couve raised no objections to a personal suggestion which I put forward, namely that in presenting draft to Germans we should accept some slight modifications which they might wish to make.

He then reverted to subject of tripartite control and said that French Government fully accepted idea that US should have predominant voice in matters in which its financial contribution was dominant. With respect to majority principle for remaining reserved powers, this presented some real difficulties. Recognizing disadvantages of veto in control matters nevertheless, French Government felt

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<sup>1</sup> Reber was in Paris to discuss the forthcoming negotiations on the Austrian Treaty. For documentation relating to these negotiations, see pp. 1066 ff.

<sup>2</sup> Regarding the British compromise proposal under reference here, see telegram 354, January 29, p. 22.

there were certain questions which should only be decided by the three powers acting in unison. These could be limited and relate primarily to questions affecting security. If it were not possible to divide reserved powers between those which required a unanimous opinion and those which could be settled by majority rule, it was possible that another solution could be achieved through strengthening appeal machinery. He feared that our proposal of delay of thirty days on matters of extreme importance would not be sufficient for intergovernmental consideration.

Before concluding conversation he said that with respect to Baden-Wuerttemberg problem,<sup>3</sup> it was his understanding that military governors had reached impasse in this respect and French Government would, therefore, instruct Bonnet to raise this question in Washington. Bonnet at that time would be authorized to propose a solution leaving Heidelberg as an American military enclave.

Sent Department; repeated London 96, Berlin 81.

[REBER]

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<sup>3</sup> Clay, referring to American military facilities at Heidelberg, had opposed a French proposal that South Wuerttemberg be transferred from the French Zone to the U.S. Zone of Occupation in return for the transfer of North Baden to the French Zone.

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740.00119 Control (Germany)/2-649: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

SECRET      US URGENT

PARIS, February 6, 1949—1 p. m.

497. De Leusse returning London tonight states new instructions on Occupation Statute worked out in detail directly with Schuman. With regard question decisions by majority vote states Schuman feels very strongly that questions involving fundamental occupation policy should be finally acted on only on basis agreement between three governments while other less fundamental matters on which disagreement might arise should go into effect after periods of delay allowing time for discussion proportionate to their importance. French will accordingly present proposal whereby such matters as "changes in control statute, questions of German foreign policy, etc., will come into effect only by agreement between the governments while other lesser matters would be subject to appeal of length varying with class of question down to minimum of 21 days." De Leusse stated Schuman repeatedly emphasized to him that French delegation should make it entirely clear to their British and American colleagues that while considering such an arrangement necessary as a matter of principle the French Government would not make use of the arrangement to follow an obstructive policy.

For what it may be worth, De Leusse stated he remarked to Schuman that the difficulty might be that in first instance the objections to a particular measure might come from Koenig not from Schuman. According to De Leusse Schuman smiled and said "if Koenig says no on Monday, there is no reason why I can't say yes on Tuesday."

On question high court Schuman had no new instructions for delegation stating merely that if Americans maintained their view French delegation would simply have to state there was no change in their instructions and they would have to refer matter back to Paris.

Sent Department 497, repeated London 98, Berlin 32.

CAFFERY

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740.00119 Control (Germany)/2-749: Telegram

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

SECRET US URGENT

LONDON, February 7, 1949—8 p. m.

465. From Holmes. Kirkpatrick informed Reber and me this morning re conversation he had had with Schuman in Paris on February 4 with respect to Germany. He said that trip had been made at Bevin's instruction as latter was seriously concerned by French obstructionist attitude in occupation statute discussion as well as other matters relating to Germany and believed that further delays in settling west German question would have extremely grave consequences for western powers. Bevin thought that occupation statute and constitution should be settled before end this month.

Kirkpatrick indicated that Schuman was not offended by bluntness Bevin message gist of which is given above, and had admitted, as Foreign Office has all along suspected, that he has not been kept fully informed re German developments by his subordinates in Quai d'Orsay. He assured Kirkpatrick that hereafter he would give his personal attention to these matters and consider them from standpoint of "broad statesmanship" and not be influenced by temporary advantages that might accrue to France on individual important but not fundamental questions. In reply observation that British and French would have recourse to Brussels powers consultative council in event they disagreed with US, Schuman said that he would be reluctant to take such step as Benelux not involved in matter. Kirkpatrick thereupon remarked that if question affected French security, they nevertheless had right to do so under Brussels Pact.

Re control agreement, Schuman concurred in Bevin's view that in principle majority vote should prevail, mentioning however that certain important matters such as those affecting security of occupying

forces should require unanimous vote. According to Kirkpatrick, Schuman also agreed that by virtue of its financial contribution, US should possess weighted vote in questions re foreign trade and foreign exchange. In this connection, Kirkpatrick said he told Schuman that British have not encountered any material difficulty under Bizonal fusion agreement despite predominant US voice.

Kirkpatrick said that after his talk with Schuman he had had long conversation with Chauvel in which he again stressed Bevin's concern at French delaying tactic. Latter, he indicated, agreed in desirability of taking more objective attitude toward German question as a whole. Chauvel had, however, expressed some criticism on [of?] US contention that by reason of its financial contribution to Germany, it should have controlling voice in German policy matters. Flaw in this argument according to Chauvel was that if policy should go wrong, French would be first to suffer and, hence, size of aid should not be same criterion for determination policy.

Kirkpatrick said that he proposed to give substance of his conversation to Massigli before tomorrow's plenary session and while we were in his office he telephoned to see if Massigli could call at Foreign Office this afternoon. Latter replied that he would be unable to do so for although he had received instructions re principles of fusion agreement, he was seeking further "clarification" from Paris.

Kirkpatrick concluded conversation with us by reiterating earlier statement (Embtel 384 February 1 repeated Berlin 71<sup>1</sup>) that British were prepared to back up with respect to majority vote principle and to accept weighted vote in tripartite fusion agreement provided it did not go beyond points covered existing bizonal agreements.

In view Schuman's remarks to Kirkpatrick, Reber's talk with Couve de Murville (Paris 494 to Department, February 4 repeated London 96 Berlin 31<sup>2</sup>) and Paris Embassy's conversation De Leusse (Paris 497 to Department, February 6 repeated London 98 Berlin 32<sup>3</sup>) and conversation Reber also had with De Leusse, French position principles trizonal fusion will presumably be along following lines (Deptel 406 February 3<sup>4</sup>):

1. US to exercise weighted vote in matters relating to foreign trade and foreign exchange.

2. Unanimous decision by governments required in certain essential matters such as security. The range of this is not yet clear but we expect elucidation tomorrow.

<sup>1</sup> Not printed.

<sup>2</sup> *Ante*, p. 27.

<sup>3</sup> *Supra*.

<sup>4</sup> Not printed; in it the Department of State asked Holmes for information on the French reaction to the memorandum on trizonal fusion (740.00119 Control (Germany)/2-349).

3. Majority principle to prevail in all other matters of [on?] condition that longer time limit might be permitted for consideration appeals to governments.

Sent Department 465, repeated Paris 82, Berlin 90.

DOUGLAS

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740.00119 Control (Germany)/2-849: Telegram

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

SECRET

LONDON, February 8, 1949—8 p. m.

492. From Holmes. During course Occupation Statute meeting,<sup>1</sup> I stated, in reply French inquiry, that my government had given careful consideration to Bevin's compromise proposal regarding composition High Court (Embtel 354 January 29 repeated Berlin 68<sup>2</sup>). Views of all competent authorities had been obtained including those Murphy and Clay. It was considered opinion of all that court would lose great usefulness from psychological standpoint if it did not include full German representation and would also place in jeopardy our objective of encouraging Germans to assume responsibilities. I reviewed at length arguments in favor German justice and concluded by stating that the minimum which I thought my government would accept would be nine-man court proposal mentioned Embtel 464 February 7, repeated Berlin 89.<sup>3</sup>

UK Delegation supported my position pointing out that British favored full German participation in court as indicated in their original proposal. He also asserted that if Occupation Statute read carefully French would see that court will rarely sit in view of provisions enabling Military Governors themselves to decide extent to which exercise of reserved powers is necessary. UK Delegation stated that by agreeing to German representation on court, French would in effect make friendly gesture to Germans which would cost them nothing and emphasized desirability doing this quickly as possible.

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<sup>1</sup> The minutes of the ninth meeting on the occupation statute were transmitted in despatch 314, February 24, from London, not printed (740.00119 Control (Germany)/2-2449).

<sup>2</sup> *Ante*, p. 22.

<sup>3</sup> Not printed; in it Holmes had reported on a conversation with Kirkpatrick about the composition of the High Court, in which various possibilities had been considered. Holmes had repeated that the United States still strongly favored having a German judge while Kirkpatrick indicated British preference for a German member but would agree to a neutral court if the French were adamant. After reporting on the conversation Holmes said he would propose a nine-member court, including one German, but if no progress was made on his proposal, he would revert to the three-member neutral court. (740.00119 Control (Germany)/2-749)

French Delegation appeared somewhat shaken by our combined attack and after mentioning that French objection was one of principle rather than fears regarding ability German judge to influence decisions, said that he was unable to accept my proposal but would seek new instructions.

Sent Department; repeated Berlin 95.

DOUGLAS

740.00119 Control (Germany)/2-949: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET US URGENT

BERLIN, February 9, 1949—8 p. m.

213. We are seriously disturbed by indications in Paris' telegram 497, February 6, repeated London 98<sup>1</sup> and London's 488, February 8, repeated Paris 87,<sup>2</sup> that French will insist upon unanimous agreement by military governors or governments on fundamental matters within the reserved fields. Our long and bitter experience with Soviet obstructionism in ACC has demonstrated only too clearly how unanimity rule can reduce effectiveness Allied control to nought. We do not question Schuman's sincerity in stating that he can reverse Koenig whenever required but we must consider possibility that we shall not be dealing with Schuman at some future time. In hands De Gaullist French Government, for example, unanimity rule could hamstring action on many major issues. For foregoing reasons we strongly recommend that US delegate be instructed to maintain US position requiring majority vote in such instances on all levels of Tripartite Allied Control.

Sent Department as 213, repeated Paris 77, London 95.

RIDDLEBERGER

<sup>1</sup> *Ante*, p. 28.

<sup>2</sup> Not printed.

740.00119 Control (Germany)/2-1049: Telegram

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

SECRET US URGENT  
NIACT

LONDON, February 10, 1949—7 p. m.

522. USDel prepared and circulated following draft re principles trizonal fusion as working paper which could be used as suitable frame for further discussion. Although for tactical reasons language used follows as far as possible translation French memo,<sup>1</sup> document in-

<sup>1</sup> Transmitted in telegram 488, from London, February 8, not printed (740.00119 Control (Germany)/2-849).

cludes modifications which we feel would be desirable in any case. It was made quite clear that document has not been approved by US Government and does not imply acceptance by USDel of any proposal put forward by French delegate. It will be noted that organization this draft limits appellate procedure and suspension of action to legislation and not to action of an executive nature. Further, it is believed that this would avoid major objection to French proposal in that it leaves military governors free to interpret and carry out policies set forth in existing intergovernmental agreements while preventing unilateral modification or amendment of agreements entered into among governments.

"1. Occupation authorities in exercise of powers reserved to them by occupation statute shall come to their decisions by majority vote except:

(a) In exercising powers reserved to occupation authorities to approve amendments to federal or *Laender* constitutions, their decisions will require unanimous agreement; and

(b) (See text contained Embtel 489, February 8 repeated Paris 88, Berlin 91<sup>2</sup>)

2. When occupation authorities legislate themselves, authorize German authorities to legislate or approve German legislation their decisions shall be subject to right of appeal to governments as set forth below:

a. A commander-in-chief who disagrees with his colleagues concerning the exercise of any of the powers reserved by subparagraphs *a, c, d, i* and *j* of Paragraph 2 Article II of the occupation statute can, if he considers that the decision conflicts with fundamental principles of the policy of his government, appeal to his government. An appeal in such a case shall serve to suspend action until an agreement is reached among the governments.

b. A commander-in-chief who disagrees with the decision reached by his colleagues concerning the exercise of any of the reserved powers other than those referred to in Paragraph 2 above can, if he considers the decision reached by them conflicts with fundamental principles of policy of his government, appeal to latter. An appeal in case covered by this paragraph shall serve to suspend action only for a limited period which shall be 60 days if decision is one approving a German law which has effect of abrogating or amending legislation of occupation authorities (Article III, Paragraph 6 (b) (i), or 21 days in all cases where decision is concerned with expressing or withholding disapproval of German legislation which does not conflict with legislation of occupation authorities (Article III, Paragraph 6 (b) (ii)). Period of suspension provided for in this paragraph shall start as from day on which German legislation in question is officially received by occupation authorities.

<sup>2</sup> Not printed.

3. Occupation authorities should agree among themselves which of appellate procedures described above should govern any matter which occupation authorities acting in accordance with Paragraph 3 (c) of report on intergovernmental talks concerning occupation statute, may agree to retain within exclusive legislative competence of occupation authorities.

4. Approval of federal and *Laender* legislation; operations of military security boards; exercise of powers reserved for control of foreign trade and foreign exchange; importation, production and distribution of foodstuffs; observations and advice and assistance re democratization of political life; social relations and education; and determination and assessment of occupation costs as well as any other matter on which occupation authorities may agree, are recognized as being of tripartite interest.

5. Organization of military government in three zones shall be of nature to permit occupation authorities to exercise their common responsibility in these fields through a uniform, tripartite policy and uniform, tripartite directives.

6. Arrangements outlined above will continue in force until altered by agreement among the governments."

Department's comments on above will be appreciated on urgent basis.

Sent Department 522, repeated Berlin 102, Paris 96.

DOUGLAS

740.00119 Control (Germany)/2-1149: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Department of State*

TOP SECRET

BERLIN, February 11, 1949—7 p. m.

228. Following is Clay's comment in which I concur on draft principles trizonal fusion:

"Have just seen London No. 522 to State Department.<sup>1</sup> To my mind this formula presents a maze of language which would make the effort to soundly administer Germany almost ridiculous. In point of fact, paragraph 4 under the interpretation which could readily be given to it would in fact make every function of government at all levels to be of tripartite interest, and hence subject to governmental appeal by any Military Governor who did not like German legislation.

We have gone far from the general understanding in London<sup>2</sup> which stated that except as may be provided in the specifically reserved fields, German legislation would become effective unless it is approved [*disapproved?*] in 21 days by majority vote of Military Governors. This

<sup>1</sup> *Supra.*

<sup>2</sup> The reference here is to the London Conference on Germany, February 23-March 6 and April 10-June 1, 1948. For documentation relating to this conference, see *Foreign Relations*, 1948, vol. II, pp. 75 ff.



provision which we fought hard to get had for its purpose to prevent either a veto power or continuing delay which would retard progress being exercised by any one occupying power.

It would seem to me that the maximum which we could possibly accept in this field if we expect West German government to have any success, would be somewhat as follows:

(1) Amendments to the federal constitution will require approval by unanimous agreement. Amendments to *Laender* constitutions may be approved by majority vote unless the dissenting occupying power appeals the decision on the grounds that it violates the federal constitution. In such case approval will be delayed until the governments of the occupying authorities casting the majority votes have considered the appeal of the government of the dissenting occupying authority. Such appeal will be considered as rejected if not accepted within 30 days after the casting of vote of the occupying authorities which in itself must be cast within 21 days after the submission of the proposed amendment by the proper German officials.

(2) In the exercise of the powers reserved by subparagraphs *a, c, d, i* and *j*, of paragraph 2, Article II of the occupation statute, the action of the occupying authorities will be taken by majority vote. If any action so taken is deemed by one of the occupying authorities to be in conflict with fundamental principles of agreed policy, it may appeal through its government for the enactment of corrective legislation. (*Note*: Since the exercise of these powers will be by the legislative actions of the three occupying authorities, it would seem unnecessary to delay the actions of the majority pending government appeal. If the three governments subsequently agree that the actions are inconsistent with policy, they may instruct their representatives to take modifying or corrective action.)

All other decisions of the occupying authorities will be decided by majority vote and legislation not disapproved within 21 days after its submission by the responsible German officials will automatically come into force. However, in those measures which relate to the control of the operations and the carrying out of the responsibilities contemplated by existing fusion agreements for the British and US zones in Germany, the voting strength of the representatives of the respective occupation authorities will be proportionate to the funds made available by the respective occupation authorities on the basis provided in Article V of the agreement between the British and US Governments dated 17 December 1947.<sup>3</sup>

It was my understanding that we were attempting to develop in the occupation statute and with the approval of the German constitution, a tripartite policy which would enable the occupation authorities by majority vote to function quickly and positively in administering the three western zones as a whole. The proposed voting rights and appeals

<sup>3</sup> For the text of this agreement which extended and revised the bizonal fusion agreement of December 2, 1946, see *Germany 1947-1949*, pp. 454-460.

procedure are not only confusing but in my opinion would require high court interpretation far more than the occupation statute itself.

The problem of administering a government under conditions now existing in Germany are almost insuperable and a German government subject to the certain delays and possible disapprovals would become a laughing stock to all Germans. We must remember we are dealing with human beings. The proposal would now give to trizonal fusion less chance of success than bizonal fusion. It is difficult enough and almost impossible to administer Germany now under the very limited right which the French have to protest bizonal legislation. Given this document with its Rube Goldberg procedures, the powers of the veto and the ability to delay given to any one occupying authority makes the task of administering Germany worse than any affliction suffered by Job, and even his patience would not suffice for the American administrator. To my mind, it is worse than the Control Council which in its establishment recognized that a Zone Commander could proceed alone when Control Council agreement became impossible."

Sent Department 228, repeated Paris 87, London 105 for Ambassador Douglas.

RIDDLEBERGER

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740.00119 Control (Germany)/2-349 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

US URGENT

WASHINGTON, February 11, 1949—9 p. m.

507.<sup>1</sup> Ur Niact 522, Feb 10<sup>2</sup>. Fol are preliminary State Comments draft re principles trizonal fusion not yet cleared by Army and for urinfo only. Will advise you further when Army views recd. Comments numbered according ur draft.

1. Dept reluctant agree specific reference approval amendments to Federal and *Laender* Constitutions require unanimous agreement. For urinfo have some doubts this requirement and furthermore may wish suggest unanimous agreement re approval occupation costs. Prefer leave language in general terms which wld not preclude later agreement on unanimous vote in certain instances. Suggest, therefore, you propose deletion subpara *a* this para and insert words "in principle" between "shall" and "come". Subpara *b* contained Embtel 489, Feb 8,<sup>3</sup> agreed.

2. Cannot agree this para. While do not object to limitations appeal procedure to legislation, cannot agree to any indefinite suspension. This is in effect a requirement of unanimous vote on many other matters than approval constitutions mentioned ur para 1.

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<sup>1</sup> Repeated to Berlin as 174 and to Paris as 432.

<sup>2</sup> *Ante*, p. 32.

<sup>3</sup> Not printed.

Believe 60-day limitation provided in 2(b) is longer than necessary for effective consideration by govts and would seriously impede Ger legislative action. Cld agree to 30 days for decision on question approving Ger law which has effect of abrogating or amending legis of occ auths and 21 days, as provided in your draft, on other Ger legis. Much prefer your formula of suspension running from time of submission of law to that which would begin suspension at decision Mil Govs.

Your 2(b) does not provide period for suspension on appeal from decision on legis of occ auths in fields other than those covered by 2(a). Believe this should be 30 days from date of decision appealed.

3. Do not understand para 3 in view your statement in opening Niact 522 that appellate procedure and suspension of action is limited to legis and does not apply to action of executive nature. It would appear that any legis action taken by occ auths in fields which they, acting in accordance with para 3(c) of report on intergovernmental talks,<sup>4</sup> reserve exclusive legis competence would be covered by para 2 which applies to legis of occ auths as well as authorization, approval and disapproval of Ger legis. Unless para 3 applies to executive action in fields referred to therein, can see no necessity for its inclusion. Assume para 3(c) report is first para quoted urtel 408, Feb 3.<sup>5</sup>

4. US theory has been that administration trizonal area should be in principle on tripartite basis and that any unilateral action should be exception to general principle. Feel this absolutely essential if purposes fusion and occ stat are to be accomplished. Therefore do not approve spelling out powers in which action will be taken on tripartite basis as in your para 4. This would leave all other fields, some of them impossible to anticipate now, for unilateral action unless occupation authorities decide otherwise. For example, your draft would appear to exclude foreign affairs from tripartite decision, except insofar as legis in that field is covered by your para 2(a). Would much prefer statement that action will be taken on tripartite basis in all matters except as defined by occ auths, or, if necessary, except in fields of reparation, restitution, displaced persons and war criminals, and matters affecting respective occ auths or personnel, such as maintenance of law and order, protection and security their forces, disciplining of and jurisdiction over occupation personnel and conduct of occupation courts. If necessary could also add "and any other fields which occ auths agree."

5. Agree.

6. Agree.

ACHESON

<sup>4</sup> The text of the Military Governors Report to their governments, December 17, 1948, is printed in *Foreign Relations*, 1948, vol. II, p. 650.

<sup>5</sup> Not printed.

740.00119 Control (Germany)/2-1249 : Telegram

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

SECRET

LONDON, February 12, 1949—6 p. m.

547. From Holmes. Entire session Occ Statute Plenary today<sup>1</sup> devoted to question Kehl. French delegate together with prefect Bas-Rhin and director port Strasbourg-Kehl developed at great length French position. UK delegate said his government prepared to give sympathetic consideration to joint administration ports with German minority representation based on proportionate utilization of the port by Germany and return city of Kehl to German administration as soon as the Strasbourgers now housed there can be returned to Strasbourg.

US delegate made statement along lines third paragraph Deptel 488, February 10; repeated Berlin 167,<sup>2</sup> emphasizing fact that such joint port authority as might be established should be acceptable both to French and Germans as well as other countries concerned with peace settlement and having interest in Rhine navigation. He made it quite clear that any temporary arrangement which might be made at this time should not pre-judge peace treaty settlement.

In reply my question, French delegate said he was still awaiting instructions re composition court.

Sent Department 547; repeated Berlin 104.

DOUGLAS

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<sup>1</sup> The minutes of the 11th meeting on the occupation statute for Germany were transmitted in despatch 364, from London, March 3, not printed (740.00119 Control (Germany)/3-349).

<sup>2</sup> Not printed.

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740.00119 Control (Germany)/2-1549 : Telegram

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

SECRET

LONDON, February 15, 1949—9 p. m.

579. From Holmes. 1. As indicated Embtel 522 February 10, repeated Paris 96, Berlin 102,<sup>1</sup> draft of principles trizonal fusion was a working paper to be used as frame for further discussion and did not imply in any way acceptance by US of any French proposals embodied therein. We have given careful consideration to all aspects of problem as known to us and on basis thereof have arrived at tentative conclusions and suggestions discussed below.

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<sup>1</sup> *Ante*, p. 32.

2. Statement of principles for guidance of Military Governors in arriving at definitive tripartite agreement regarding exercise of controls in Germany should provide for:

(a) Decisions to be reached by majority vote, save where amendments to Federal Constitution involved or in cases where US has dominant voice;

(b) Appeals against majority decisions should as far as possible result in suspension of action for limited time only and should only be permitted where decision is considered to violate tripartite policy as agreed at governmental level;

(c) Acknowledgment that all matters affecting Germany, unless specifically accepted [*excepted?*], are of tripartite interests;

(d) Organization of Military Governments should be of nature to permit occ authorities to exercise powers by means uniform tripartite policy and directives;

(e) Continuation these principles until altered by agreement by governments. While this statement is one of principles, it should be sufficiently definite to avoid insofar as possible further dispute on points covered by it.

3. Principal divergence between US and France with respect to foregoing concerns appeal procedure. We believe suspension for limited period of time should be sufficient to meet our requirements in event that US Military Governor disagrees with majority decision, for we would probably have sufficient time in intervening period to use means of pressure at our disposal to secure in most instances reversal or modification of original decision. Also we would prefer to run risk of losing appeal rather than endanger administration Western Germany by frequent obstruction. On other hand, French consider themselves to be in minority position and therefore to protect themselves believe that provision should be made for indefinite suspension of action on appeals against decisions in certain reserved fields. This procedure would in effect constitute veto and would generally increase French bargaining power. They admit, however, that appeals would only be made against decisions in conflict with fundamental policy of government. French have unexpressed fear that we and British might make majority decisions that would appear appropriate to us but that might be of such character as to embarrass and even endanger continuance third force government in France. British position is less categoric than French, but apparently consider there is some merit in indefinite suspension provision and have pointed out that in any case majority decision of Military Governors cannot be permitted to alter any inter-governmental agreements.

4. With the foregoing in mind, we have drawn up the following revised paper for Department's consideration and comment. It has not been shown to either French or British and we do not propose to do so pending receipt Department's instructions.

(1) "Subject to provisions of paragraphs 2 and 5 hereof Military Governors in exercise of powers reserved to them by Occupation Statute shall come to their decisions by majority vote."

(*Comment:* We consider that insertion of phrase "in principle" as suggested by Department would weaken contention that majority vote should prevail.)

(2) "In exercise of powers reserved to Occupation authorities to approve amendments to Federal Constitution, decisions of Military Governors will require unanimous agreement."

(*Comment:* British and French strongly of opinion that since Federal Constitution requires approval of three governments to become effective, it follows that amendments thereto likewise require unanimous approval. We consider argument valid and consequently perceive no objection to making this exception to majority rule. On other hand, we do not concur in French view *Laender* Constitutions require unanimous approval since *Laender* Constitutions must be consistent with Federal Constitution and also since these Constitutions originally approved unilaterally. While admitting that as suggested by Department unanimous approval regarding Occupation costs would enable us to prevent any Military Governor from levying costs by unilateral action, we consider this possibility adequately safeguarded by provisions Occupation Statute and inclusion subject among matters tripartite interest. In addition advantage would be more than outweighed by fact that provision for unanimous vote would conceivably enable British and French to hold up payment Occupation costs to US Forces.)

(3) "A Military Governor who considers that a majority decision concerning demilitarization and disarmament modifies or is not in conformity with intergovernmental agreements regarding Germany, may appeal to his government. Such an appeal shall serve to suspend action for not more than 30 days from date on which decision is made unless two of governments indicate that grounds justify further consideration. In such case, three governments will instruct their respective Military Governor further to suspend action pending agreement among governments."

(*Comment:* This formula has effect of making majority vote of governments test of validity of appeal. Thus, if government of dissenting Military Governor is able to convince another government that the original decision for appeal is justified, indefinite suspension of action results pending ultimate intergovernmental agreement. This procedure in our opinion would prevent situation where a single government desiring to uphold prestige its Military Governor or desiring to offer arbitrary obstruction could exercise a veto. It avoids a purely subjective test of question whether appeal is actually taken on grounds contemplated in this agreement. Finally, it would seem to provide French with an adequate safeguard on matters in which they are primarily interested although it will probably be extremely difficult to convince them of this. If necessary for negotiation purposes other matters such as those listed in alternate paragraph 3 below could be included in this formula without endangering success of our basic policy.)

(4) "A Military Governor who considers that a majority decision involving any other matter reserved by Article II paragraph 2 of Occupation Statute is not in conformity with basic tripartite policy

regarding Germany or on grounds that amendment to *Land* constitution violates basic law may require suspension of action while he makes appeal to his government. An appeal in this case shall serve to suspend action only for limited period of time which shall not exceed 30 days from date on which majority decision of Military Governors is made."

(*Comment*: This formula has effect of limiting appeals against majority decisions in reserved field matters to those deemed at variance with basic tripartite policy. While time limit is believed sufficient to enable appeal to be considered by governments, it may be necessary to compromise on somewhat longer period.)

(5) See paragraph contained Embtel 489 February 8 repeated Paris 88, Berlin 91<sup>2</sup> text of which has been accepted with minor editorial change by British and French.

(6) "Except as otherwise determined by Military Governors, all actions of the Occupation authorities in respect to Germany shall in principle be considered to be of tripartite interest."

(*Comment*: Paragraph is in line with principle set forth above that administration trizonal area should be on tripartite basis and that any unilateral action should be exception to general rule. It is, however, sufficiently flexible to enable Military Governors themselves to designate subjects not considered to be of tripartite interest.)

(7) "Organization of Military Government in three zones shall be of nature to permit Occupation authorities to exercise their common responsibility in these fields by means of uniform, tripartite policy and directives."

(8) "The arrangements outlined above will continue in force until altered by agreement among the governments."

5. As indicated by its wording, paragraph 3 above represents compromise between French desire for ultimate veto and our position that an appeal should suspend action for only a limited time. If we should be unable to sell it to French and British and have to accept indefinite suspension, we feel that it should be limited to as few fields as possible. Following alternate wording paragraph 3 therefore drafted against such contingency:

"If a Military Governor considers that a majority decision with respect to legislation concerning matters listed hereunder modifies or is not in conformity with agreed tripartite policy, he may require suspension of action while he makes appeal to his government. Such an appeal shall serve to suspend action until agreement is reached among governments.

(a) Guiding principles for conduct German external relations;

(b) Demilitarization and disarmament;

(c) Operations essential to national security of US, UK and France;

(d) Any other matters as may be agreed upon among three Military Governors."

<sup>2</sup> Not printed.

(*Comment*: We consider French categories of reserved matters subject indefinite suspension to be far too broad. Certain of them relate to matters which are covered by intergovernmental agreements and therefore not subject modification by Military Governors. Moreover, most these agreements provide special voting procedures. Above formula would tend to restrict appeals regarding paragraph 2a Occupation Statute to principles for conduct German external relations as opposed to day by day operations. Demilitarization and disarmament mentioned for same reasons given in comment on previously proposed paragraph 3. Inclusion operations affecting national security is designed to cover what we believe is essential element from French standpoint of paragraph (d) Occupation Statute.)

6. As we propose to suspend discussion this matter until full instructions received, early reply to this message urgently requested.<sup>3</sup>

Please pass Army.

Sent Department 579, repeated Berlin 107, Paris 104.

DOUGLAS

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<sup>3</sup> In telegram 613, February 23, to London, not printed, Saltzman told Holmes that the Departments of the Army and State approved his memo in general, subject to certain comments that would be sent later, with the exception of paragraph 5 for which the following language was suggested:

"In the exercise of the powers reserved to the occupation authorities in the occupation statute for the control of German foreign trade and foreign exchange and with respect to legislative and administrative actions which directly affect foreign trade and exchange, the representatives of the occupying authorities shall have a voting strength proportionate to the funds made available by their respective governments, except that no action taken hereunder shall be contrary to any intergovernmental agreement among the signatories. The trizonal fusion agreement or any separate agreement relating to control machinery for Germany shall incorporate this principle." (740.00119 Control (Germany)/2-1549)

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740.00119 Control (Germany)/2-1749: Telegram

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

SECRET URGENT

LONDON, February 17, 1949—10 p. m.

614. From Holmes. In absence Department's comments on Embtel 579, February 15, repeated Berlin 107,<sup>1</sup> today's Occupation Statute plenary<sup>2</sup> largely devoted to Kehl. At outset, French delegate circulated revised French proposal which translated reads as follows:

[Here follows a translation of a French proposal that the administration, direction, management, and operation of the Kehl Port Zone be assured by the French authorities of the Port of Strasbourg and that Kehl be included in the French customs area and use the French monetary system.]

<sup>1</sup> *Supra*.

<sup>2</sup> The minutes of the 12th meeting on the occupation statute for Germany were transmitted in despatch 305, February 21, from London, not printed (740.00119 Control (Germany)/2-2149).



French delegate indicated foregoing principles should be embodied in statute to replace within six months present provisional ordinance regarding Kehl and statute would be in effect until peace settlement. In reply question by US delegate, he said proposed formula envisaged gradual return city Kehl to German administration as additional housing becomes available Strasbourg for French temporarily domiciled Kehl. One-third city could be turned over within several months and full evacuation completed within approximately four years depending an availability building materials for housing in Strasbourg. Compensation office necessary to handle payments to Germans working in Port Kehl who would desire their wages in marks, settlement port dues and charges, etc., during period in which exchange control systems are in effect. German members proposed mixed commission would be nominated by *Land* Baden. Proportion of German members to French would be 1 to 3 as ratio between traffic Ports Kehl and Strasbourg in prewar period was 1.7 to 5.2. French delegate indicated cost repairs and improvement Port Kehl would be approximately several billion francs in addition 600 million already spent on reconstruction Kehl. He asserted that Baden authorities would welcome the entire arrangement in view of circumstance that French Government has given up thought annexation Kehl and is willing to spend French funds in improving port. In view considerable sums needed for port rehabilitation, he said French would like some assurance for provision in peace settlement for continuance above outlined regime since otherwise French Parliament would be unwilling invest these sums unless sufficiently long period of amortization is reasonably assured. He said he fully realized UK and US Governments could not commit themselves with regard peace settlement but French desired some assurance that if regime contemplated works well in interim, its continuation would be regarded benevolently. Point might be covered by exchange of letters phrased in general terms. British delegate said he would discuss proposal with Bevin and give French his views at tomorrow's plenary.<sup>3</sup> British delegate afterwards informed me that formula along following lines would probably be acceptable his government.

"French Government has informed HMG that if Port of Kehl is to be rehabilitated, it will have to invest substantial funds in project and therefore French Government desires some reasonable assurance to

<sup>3</sup> In telegram 621, February 18, from London, not printed, Holmes reported on the 13th meeting on the occupation statute, at which the British delegate gave Bevin's views on the French proposal. While the British Foreign Secretary saw some advantage in joint operation of the ports, he was very reluctant to give any assurance for its prolongation in the peace settlement. The British delegate then suggested that he and the French delegate prepare a formula along the lines of that indicated in the penultimate paragraph of the source text for submission to Bevin. (740.00119 Control (Germany)/2-1849)

make such an investment worthwhile. HMG has noted French position and considers that if system including mixed commission works well, if interests of all parties concerned are protected and if it does not develop into a source of irritation between Germans and French, HMG would approach problem at time of peace settlement in same sympathetic manner as that now manifested."

Formula along above lines would appear to have certain advantages as it would be an inducement to French to operate joint ports during provisional period in interests both countries rather than from purely national standpoint. At conclusion meeting, French Delegate said his government would agree 9-man court including German judge having full voting powers provided satisfactory solution reached on other matters, obviously referring Kehl and principles Trizonal fusion.

US delegate urgently requests Department's instructions Embtel 579, February 15 as well as Kehl proposal.

Sent Department 614; repeated Berlin 114.

DOUGLAS

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740.00119 Control (Germany)/2-1949: Telegram

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

SECRET

LONDON, February 19, 1949—3 p. m.

631. From Holmes. UKDel today handed us revision of formula ported in Embtel 614, February 16 [17], repeated Berlin 114,<sup>1</sup> concerning continuance Kehl arrangements, as provisionally agreed between UKDel and FrDel.

Text follows:

"Port of Kehl-Strasbourg

The French Government has informed the British Government that they intend to request, at the negotiation of a peace treaty, the maintenance of the provisional arrangement, the principles of which have been agreed by the three governments.

They have called the attention of the British Government to the fact that from every point of view uncertainty in regard to the maintenance of the regime applied to the port of Kehl is not compatible either with the reasonable exploitation of the port in the interest of the two countries or with a policy of capital investment essential to the reconstruction of port installations.

The British Government are unable to give any binding assurance [now in] regard to the peace treaty. But they recognize the importance of developing harmoniously the joint port of Strasbourg-Kehl, of ensuring its administration in the interest of both countries, and

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<sup>1</sup> *Supra.*

of protecting French capital investment. They trust that the provisional regime will secure these requirements and in the light of the experience obtained meanwhile, they will at the negotiation of the peace treaty bring an attitude of goodwill to the settlement of the problem."<sup>2</sup>

Sent Department 631, repeated Berlin 117.

DOUGLAS

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<sup>2</sup> In telegram 632, February 21, from London, not printed, Holmes reported Bevin's concurrence with this memorandum provided paragraph 3 was revised to indicate that the "interests of both countries" referred to Germany and France. (740.00119 Control (Germany)/2-2149)

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*Editorial Note*

On February 19, Caffery reported that as he left Schuman's office, the French Foreign Minister had remarked that he had come around to agreeing in general with the United States ideas on the occupation statute. (Telegram 726, from Paris, not printed, 740.00119 Control (Germany)/2-1949.)

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740.00119 Control (Germany)/2-349: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, March 3, 1949—7 p. m.

713.<sup>1</sup> For Holmes. 1. Understand (reurtel 579, Feb. 15<sup>2</sup>) proposed agreement re basic principles wld be in form of annex to report to govts (urtel 401, Feb. 3<sup>3</sup>). Believe it will be desirable for three MilGovs soonest to resume discussions re which matters to be handled on tripartite basis and which are unilateral, and re form of tripartite organization, in accordance with principles to be agreed in Lond. Bal. of issues involved in trizonal fusion shld be negotd on governmental level preferably in Wash. because:

(1) Trizonal fusion shld continue pattern established by US-UK fusion agreements far as practicable.

(2) Obligations re such matters as contributions, repayment, objections, duration must be assumed by govts.

(3) Terms of fusion agreement must harmonize with objectives ECA.

(4) Financial terms must be in accord overall US policy necessitating coordination with Treas.

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<sup>1</sup> Repeated to Paris as 682 and Berlin as 252.

<sup>2</sup> *Ante*, p. 38.

<sup>3</sup> Not printed.

2. Fol. comments numbered according para. 4 urtel 579.

(1) Concur.

(2) Concur.

*Comment:* Our suggestion that occupation costs shld req. unanimous approval designed to enable US to block proposal by other powers to levy excessive costs. Believe US adequately protected by appeal procedure under ur para (4) since occupation costs are reserved by Art. II para 2 Occupation Statute. Army advises however Gen. Clay feels our acceptance of unanimous agreement on Fed. Constitution amendments shld only be made final in return for major concessions to US on other points.

(3) Concur.

(4) Concur provided fol. added interest clarity "and shall not prevent action in case govt agreement is not reached."

*Comment:* We note with satisfaction that concept of appeal in matters not in conformity "basic tripartite policy" appears more restrictive than formula in Fr. memo and urtel 522 Feb. 10.<sup>4</sup>

(5) Will instruct soonest.<sup>5</sup>

(6) Suggest fol. wording: "All actions of occupation authorities re Germany shall in principle be considered of tripartite interest, except as otherwise determined by MilGovns."

*Comment:* Above reversal order ur clauses seems desirable to state gen. principle first and exception later. Assume any exceptions to gen. principle will req. unanimous agreement among MilGovns.

(7) Suggest fol. wording: "Organization of MilGovt in three zones shall be determined by the three MilGovns and shall be of nature to permit occupation authorities to exercise their common responsibility by means of uniform, tripartite policy and directives."

*Comment:* Above change intended make clear that organization details shld be left to MilGovns.

(8) Concur.

3. Cannot approve any form appeal by MilGovns resulting in unlimited suspension action by less than majority. If you cannot sell ur para (3) we cld agree to para along lines ur alternative (para 5 urtel) provided unlimited appeal eliminated by inclusion formula along lines 2nd sentence ur para (3).

4. Army concurs.

ACHESON

<sup>4</sup> *Ante*, p. 32.

<sup>5</sup> In telegram 747, March 6, to London, not printed, Holmes was instructed to proceed with one of the following alternatives with respect to paragraph 5: seek agreement on the formula in telegram 613, February 23, to London (see footnote 3 to telegram 579, February 15, p. 38) or agree to the formula transmitted in telegram 489, February 8, from London (not printed, but summarized in paragraph 1 of telegram 507, February 11, p. 36) provided a statement was recorded in the minutes clearly giving the United States a major voice in those matters which affected foreign trade and exchange. The Department of State with the Army's concurrence preferred the first alternative, but Holmes could select either alternative depending on which would help obtain final agreement. (740.00119 Control (Germany)/2-1549)

740.00119 Control (Germany)/3-749

*Memorandum by Mr. Ware Adams of the Policy Planning Staff to the  
Director of the Policy Planning Staff (Kennan)*

SECRET

[WASHINGTON,] March 7, 1949.

Subject: The Occupation Statute for Western Germany

*The Problem*

1. To review the proposed occupation statute for Germany at its present stage of drafting, with a view to facilitating its early completion in the form most satisfactory to us in the light of current developments.

2. The work of drafting the occupation statute to implement the London decisions of June 1, 1948, concerning Western Germany, was initiated by the three military governors and their staffs in Germany. Their initial effort then became the subject of comment from their respective governments, that from Washington representing a compromise between comments of the Departments of State and the Army. After a further effort the military governors referred the partially completed draft to the governments with a statement of remaining differences. Drafting was then continued on a "government level" in London, where further efforts are now being made to resolve the remaining differences.

3. The resultant document, still partially incomplete, having been worked on separately by different groups, and representing repeated compromises, has become somewhat lengthy, rigid, complicated, and difficult to follow and interpret. It is an accretion of successive additions rather than a well-rounded concept designed to achieve a clear-cut occupational objective.

4. Questions also arise concerning its workability, since it makes a rigid division of authority between the occupation authorities and the German authorities in such a way that each will be affected by the other without being able to control the other in the exercise of authority in the allotted fields. Authority allotted to the Germans could not be reassumed by the occupation authorities except in a declared general emergency.

*Factors Bearing on the Problem*

5. It has never been made clear, either in the London agreements or subsequently, whether it was the intention of the allies to establish a Western German "state", separate from the rest of Germany, or merely a governmental and administrative regime for "zones of occupation" defined by the EAC and Potsdam agreements as occupation subdivisions of the territory of Germany as a whole. The distinction now assumes considerable importance: partly because the drafting of the

occupation statute now tends to fall between these two stools; partly because the Soviet Union charges that we do intend to establish a separate "state" in violation of the 1945 agreements to place Germany as a whole under quadripartite occupation headed by an Allied Council at Berlin; and partly because the Germans wish to make Western Berlin a part of the Western "state".

6. However, the Germans themselves have made their own choice between these two juridical alternatives unanimously and unmistakably clear. Within and without the Parliamentary Council convened at Bonn to implement the London decisions, the Germans have refused to participate in any arrangement that would imply a separate "state" or prejudice the eventual achievement of German unity. For example, the Council refused to draft a "constitution" as suggested by the allies, but insisted instead upon drafting a "basic law" for the interim government of those "parts" of "Germany" subject to it.

### *Conclusions*

7. It would therefore be desirable to clarify the intentions of the three Western occupation powers with respect to the juridical and political status of the regime they intend to install in Western Germany, rather than let it appear to waiver ambiguously between a regime for certain territory under military occupation and one for a "state" separate from the rest of Germany which would be partially independent of the occupation authorities.

8. This is done rather clearly in the draft proclamation that would serve as a preamble to the occupation statute, in these words: "The Military Governors and Commanders-in-Chief of the French, United States and British zones have decided that pending agreement on Germany as a whole, it is expedient for the better administration of their zones to establish provisionally a constitutional German government . . ." But this principle becomes blurred in the actual text of the statute itself, in which an effort is made to delimit by statute not only the powers of the German government but also the powers of the occupation authorities themselves, even to the point of subjecting the latter to decisions of a High Court or Tribunal.

9. The existing text of the statute might easily be brought into line with the clearly stated draft proclamation—preamble by writing into it the principle that although the German authorities would normally be permitted to function independently on many matters, they would do so subject to the over-riding supreme authority of the occupation authorities. This could be accomplished by altering Article I from its present form to that of Article I of the existing control agreement for Austria, which has now regulated the Austrian Government for nearly three years to the complete satisfaction of both the Austrians and ourselves, *viz.*

"Article 1. The authority of the Austrian (German) Government shall extend throughout Austria (the three occupation zones), subject only to the following reservations:—

"(a) The Austrian (German) Government and all subordinate Austrian (German) authorities shall carry out such directions as they may receive from the Allied Commission (Military Governors);

"(b) In the matters specified in Article ——— neither the Austrian (German) Government nor any subordinate Austrian (German) authority shall take action without the prior written consent of the Allied Commission (Military Governors)."

10. Such a provision would then greatly facilitate the drafting of the rest of the statute, since it would no longer be necessary to specify in advance all conceivable action that the occupation authorities might later deem it necessary to take or require, or to establish a High Court to rule on their power to do so.

11. It would make it unnecessary to elaborate "reserved powers" as distinct from fields prohibited to the Germans, thus simplifying Article II (Reserved Powers) of the present draft. It would make unnecessary the proposed draft's Article VI (Emergency Powers), VIII (Interpretation of the Statute), and IX (Amendments), and make it much easier to formulate Articles III (Legislative Powers), IV (Executive Powers), and VII (Requirements of the Occupation), in simpler form if they are considered needed at all.

12. It would not only clarify the status of the regime to be set up in Western Germany, but would have many other advantages as well. It would be simple, flexible, and comprehensive, and easier to negotiate.

13. It would permit the Germans to govern themselves to the extent that they proved capable of doing so satisfactorily, and correspondingly reduce the administrative burden on the occupying powers, without in any way lessening the ultimate authority of the latter whenever and wherever the three powers might agree that such authority should be exercised.

14. It would provide a flexible trial period in which to see whether and how the Germans might govern themselves, and in which the Germans might show their own abilities and inclinations.

15. It would make the occupation statute much easier for the three powers to negotiate among themselves, since they would not feel obliged to think up beforehand all conceivable circumstances in which they might later find it necessary to exercise authority.

16. It would make it unnecessary to provide a special High Court to regulate the powers of the occupying authorities, since their authority would remain supreme during the trial period insofar as they chose to exercise it.

17. At the same time it would not in any way inhibit the Germans from enjoying self-government to the extent they proved capable and worthy of it, if the Austrian case is taken as an example. Instead, indeed, it would relieve German political leaders of the onus of moves contrary to natural political forces such as German nationalism since such moves could be ordered in the name of the occupying authorities rather than the German authorities.

18. It would eliminate the anomalous and embarrassing need for deciding whether western Berlin should be a part of "Western Germany", since it is not in fact geographically a part of the western zones of occupation.

19. It would provide a partial basis, if one were desired, of meeting Stalin's charge that the blockade of Berlin is occasioned by the establishment of a western German "state".

20. It would make it unnecessary prior to putting the statute into effect, to try to make final or semifinal decisions concerning matters such as the Ruhr, reparations plant removals, and restricted and prohibited industries.

21. Finally, it would keep us a free hand to decide later whether we preferred ultimately to establish a separate Western German state or alternatively enter CFM discussions with the Soviet Union concerning Germany as a whole and the Berlin situation.

#### *Recommendations*

22. It is recommended that consideration be given to revision of Article I along the lines of paragraph 9 above, and to the deletion of other provisions thus rendered irrelevant, as a means of enabling the American negotiators in London to achieve an early completion of the occupation statute for the western zones of occupation in Germany in a form most suitable to the interests of the western occupation powers in the light of recent developments and prospective needs.

WARE ADAMS

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740.00119 Control (Germany)/3-1149; Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, March 11, 1949—7 p. m.

821. For Holmes. Fol is background present position re area in which US shld have predominant voice in exercise of reserve powers:

Various members of Cong Appropriations Comm. have repeatedly expressed strong conviction that while US is called upon to furnish principal financial support for West Ger, it shld have principal voice in economic policies which wld affect the extent of such drain on US. Revised Bizonal Fusion Agreement of Dec. 1947 did not fully meet



their approval and resulted in difficulty in obtaining appropriation. To some extent their objections were overcome because Britain in practice largely recognized US right to decide matters affecting amount of contribution required from US. It is only due to such acquiescence that arrangement has worked and been reasonably satisfactory to Congress. GARIOA and ECA appropriations for West Germany will, of course, be an absolute necessity for some time for success of new German Government and of Western Allies' policy for Germany. To obtain them, we must satisfy Congress that US retains necessary powers over German Government to hold such costs to minimum. In order to satisfy Congress, this must be clearly stated in writing before Government is set up because members will not be readily convinced from above stated practice of Britain of acquiescing in a rather broad area of economic matters in which US exercises majority voice. For these reasons it is really in interests of Britain and France that US area of controlling voice is adequate to give Congress requisite reassurance to make necessary appropriations.

Development of Occupation Statute negotiations showed clearly desires of France to retain such large measure of reserved powers as to weaken German Government. Powers reserved are accordingly now so extensive that only by a restrained use of them can the new Government be made effective and be expected to assume real responsibility. Should such Government be weakened and subjected to hampering restrictions, heavy additional costs to US for food and assistance would be inevitable.

You may desire express such part of above as in your discretion it would be proper to divulge to your British and French colleagues to show importance of statement of principles. Perhaps some agreed minute indicating limited extent and purpose for which US proposes to use its predominant voice might be helpful in obtaining consent thereto. Clearly control of foreign trade and foreign exchange alone would not give protection to US funds which Congress desires. For example, (a) possible failures of Germans in food collections would either defeat policy for economic recovery or require more imports (b) internal pricing which might increase export costs and thus decrease exports, thereby increasing US financial burden. Army concurs.

ACHESON

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740.00119 Control (Germany)/3-1549 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

US URGENT

WASHINGTON, March 15, 1949—7 p. m.

875. Deptel 820, Mar 11<sup>1</sup>. Fol is for your guidance re Kehl issue. We would prefer deferment discussion on Kehl until thorough exploration of trizonal fusion principles but leave handling in your discretion.

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<sup>1</sup> Not printed.

Gen framework of US approach to Kehl problem remains as indicated in Deptels 488, Feb 10,<sup>2</sup> and 820, Mar 11. If a joint administration of ports of Strasbourg and Kehl will contribute to economic cooperation between Ger and Fr and other countries affected, US Govt wld of course welcome such joint admin. If proposed Strasbourg-Kehl port authority is to be effective instrument of economic cooperation, organization and administrative arrangements of joint authority must be satisfactory to both Fr and Ger as well as other countries with an interest in Rhine navigation. US is not yet convinced that there is compelling econ justification for joint admin of Strasbourg-Kehl ports. However, US retains open mind on subject and wld naturally accept solution which took proper account of interests of countries concerned and was satisfactory to them.

US is profoundly concerned lest a scheme for admin of Strasbourg-Kehl ports be established, which will be unsatisfactory to either Fr or Gers and hence become a continuing source of friction. US considers possible importance of such friction in light of likelihood that Strasbourg will be designated as seat of Council of Europe. Great city of Strasbourg, standing as it does on frontier of Fr and Ger, wld appear an excellent location for Council of Eur. It wld be most unfortunate if role Strasbourg might play in this larger conception of a European association to which we are all dedicated, were to be jeopardized by petty friction and aggravation which cld so readily be generated by an ineffectual or one-sided port authority.

Re Fr proposal in urtel 614, Feb 17,<sup>3</sup> exclusive Fr police jurisdiction in Kehl port zone, inclusion of Kehl port in Fr customs area and exclusive use of Fr monetary system are unacceptable, since tantamount in fact to outright annexation of Kehl port zone. Mixed comm, serving primarily in advisory capacity to Fr port admin, moreover with ratio of one Ger member to three Fr, would give Gers little voice in protection of legitimate Ger interests. Six hundred million francs which Fr claim to have already spent on Kehl reconstruction appears very small sum in comparison with US and UK expenditures in support Ger econ. Re proposal further Fr expenditures, we believe reconstruction of Kehl port facilities might be appropriate project to be financed by ECA counterpart funds.

US position is that Fr Mil Govt Ordinance 163 cannot remain in force under Occ Stat. You shld not hesitate to indicate US Govt's surprise to learn of unilateral issuance of ordinance, particularly in view of its date, July 6, 1948, after Six-Power agreement had been reached on London Program which had provided for close association of three Mil Govrs upon which Fr have repeatedly insisted re affairs of Bizone.

<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 42.

US Govt does not object, however, to continued residence by Fr in Kehl during four year period required for preparation additional housing in Strasbourg for Fr temporarily domiciled Kehl. Evacuation of one-third of Kehl within several months as proposed wld appear desirable and Fr formula for gradual return Kehl city to Ger admin acceptable.

In connection with preceding para, suggest Fr Mil Govt, with assistance of Strasbourg port authorities, maintain jurisdiction over Kehl port zone until establishment of provisional Ger Govt and conclusion of negots re joint port authority.

Fr and provisional Ger Govt, under auspices of Central Rhine Comm, shall undertake negots for the establishment of a mutually satisfactory joint port authority. Participation of provisional Ger Govt in negots will as a matter of foreign affairs, in accordance with Occ Stat, be under direction of Mil Govrs. You may state that US will naturally recognize preponderance of Strasbourg port over Kehl and hence of Fr interest over Ger interest in any joint port authority and wld accept that manager be of Fr nationality under Central Rhine Comm as in Article 65 of Versailles Treaty. Any arrangement for joint port shld in our opinion provide for appeals to CRC or other appropriate body by any country with grievance respecting admin of port.

Future reconstruction of port facilities of Kehl might properly be financed by ECA counterpart funds and Dept wld be prepared support such proposal with ECA.

Any arrangement agreed upon for joint port authority wld be reviewed at time of peace settlement. If port authority develops harmoniously, and ensures econ interests of Fr, Ger and other affected countries, US will at negot of peace settlement, bring attitude of good will establishment permanent joint port authority.

Although we wld strongly prefer negots between Fr and provisional Ger Govt, in order to reach overall agreement with Fr on Occ Stat, trizonal fusion principles as well as Kehl, we wld be prepared to accept negots between Govt *Land* Baden and Prefect of Bas-Rhin to be approved by three Mil Govrs and by Fr Govt as set forth in Brit proposal urtel 486, Feb 8.<sup>4</sup> Believe such negots shld also be under auspices Central Rhine Comm.<sup>5</sup>

ACHESON

<sup>4</sup> Not printed.

<sup>5</sup> In telegram 881, March 16, to London, not printed, the Department of State advised Holmes to bear in mind when presenting the United States views on Kehl that French jurisdiction over Kehl should have a reasonable duration. Holmes was also instructed to leave open the possibility of a mixed commission at the head of the port authority with the manager of French nationality, since the United States did not want to prejudice the form of the port authority before negotiations between the French and Germans. (740.00119 Control (Germany)/3-1649)

740.00119 Control (Germany)/3-2549 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, March 25, 1949—7 p. m.

1048. For Holmes. Dept has been considering questions relating appointment, tenure, and removal of judges High Court. Believe it would be preferable not to have language in occ stat covering these points but to leave for later decision by Mil Govs, since proposal now might delay statute.

Possible, however, other delegations may suggest provision for appointment, selection, removal, etc. In such event, you shld suggest these matters be left for decision by Mil Govs. If, however, other delegations insist inclusion such provisions, you shld propose language along following lines:

"The High Court shall consist of nine judges appointed by occ auths and selected as follows:

(a) Two judges shall be selected by each of the occ auths; such judges shall be of the same nationality of the occ auth by whom they are selected;

(b) The Pres of ICJ shall be requested to select two judges. Such judges shall not be nationals of a country which is occupying any part of Germany nor of a country at war with any of the occ powers during the period from September 3, 1939 until May 8, 1945.

(c) One judge, who shall be a German national, shall be selected by the Govt of the Federal State.

Judges of High Ct shall be appointed for term of two years. A judge shall not be removed from his office while such office continues to exist, prior to the end of term of his appointment, except upon formal charges and for cause. Judges from Court of Appeals shall be entitled to a hearing by occ auths before being removed from office for cause."

Dept feels selection of neutral jurists shld be by Pres ICJ, rather than by Court and it should only be nomination, not appointment as has been suggested in some past discussions. It would not be proper function of Court make nominations or of either Court or President make appointments.

Provisions relating to term of office and removal are considered important to prevent arbitrary action which might undermine independence Court. If no provision against removal included, individual MG's or Germans might claim right remove Allied or German judge at any time he renders decision contrary their interest. Two-year term chosen as long enough allow Court function without undue interrup-

tion and short enough not give appearance occ stat will continue unchanged indefinitely.

Sent London 1048, rptd Berlin 360.

ACHESON

740.00119 Control (Germany)/3-2549 : Telegram

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

[Extracts]<sup>1</sup>

SECRET

LONDON, March 25, 1949—9 a. m.

1208. Following *aide-mémoire* re certain outstanding German questions was transmitted to me yesterday just prior to Bevin's departure. Our comments thereon follow text.

A. Foreign Office *aide-mémoire*:<sup>2</sup>

"Political program in Germany: Following is present position in regard to various items of program:

1. Occupation statute. French have agreed to German judge on court (thus completing agreement on occupation statute proper), provided that satisfactory agreement is reached over Kehl and tripartite control.

As regards Kehl, British and French have reached provisional compromise agreement but US delegates have instructions which do not permit them to go whole way towards meeting French requirements.

Question of this little port is relatively unimportant, and what is required is a solution which will give French essentially what they want, in a form which recognizes German rights.

2. Tripartite control. US delegation produced on their own responsibility draft which French Government reluctantly accepted after personal intervention of M. Schuman. Unfortunately, however, this draft was not endorsed by State Department, and after considerable delay a new American redraft has been tabled. But the [French] do not like the redraft and are annoyed at having the question reopened. They have accordingly declined to resume negotiations, and hope reach a settlement in Washington.

French Ambassador has been strongly urged to resume negotiations London on understanding that if agreement is not reached within week, points of difference may be referred to three Foreign Ministers in Washington.

In order to reach quick agreement on tripartite control, what is required is broad-minded and elastic approach to problems of:—

(a) Suspensory period of [*in?*] event of disagreement between Military Governors;

(b) American weighted voting rights in JEIA matters and matters inherited from JEIA."

<sup>1</sup> For the remaining portions of this telegram, see p. 229.

<sup>2</sup> The original *aide mémoire*, handed to Ambassador Douglas on March 23, is in London Post Files: Lot 58F47: Box 1394: 350 Germany.

## B. Embassy's comments:

1. Occupation statute: Statement that French agreement to inclusion German judge would complete draft occupation statutes substantially correct. There are, however, two minor points still to be settled with French: Note re paragraph 11 and language Paragraph 12 and accompanying note (see Embtel 984 March 16 repeated Berlin 153<sup>3</sup>). US views on Kehl as contained Deptels 875, March 15, repeated Berlin 313<sup>4</sup> and 881, March 16, repeated Berlin 314<sup>5</sup> will be made known to French at plenary scheduled for March 28. Substance of them has already been conveyed to British. We are inclined to agree with Foreign Office that question port of Kehl is relatively unimportant compared to major issues on which we have been negotiating. Provided reasonable solution can be found between Anglo-French formula and US position which would ensure protection German interests, recommend that we accept it without delay if by doing so we would secure agreement to occupation Statute and trizonal principles on lines we desire.

2. Tripartite control: British statement present situation incorrect. "Draft" to which Foreign Office refers was working paper prepared by US Delegation for use as suitable frame for further discussion at drafting committee: It was made abundantly clear to British and French that document had not been approved by US Govt and in no way implied acceptance by US Delegation of any of proposals put forward by French. We do not feel that it was "reluctantly accepted" by French Government since except for minor objections French Representative on drafting committee indicated that it would be satisfactory to them. It is undoubtedly true that French do not like US redraft since it not only removes possibility veto of action by one government but also drastically reduces period of suspension for appeals. Do not believe that French are "annoyed" at having question re-opened but rather by three-week delay in submission US redraft. Furthermore, their unwillingness to resume negotiations is believed to reflect feeling that they might obtain more satisfactory settlement at Washington than at meeting here.

On basis informal discussions we have had with British during past 10 days, differences over weighted voting do not appear to be limited to "US rights in JEIA matters and matters inherited from JEIA" but relate to US right to have predominant voice in legislative and administrative actions directly affecting German foreign trade and foreign exchange. British are willing agree that US shall have weighted vote re approval or disapproval German legislative and administrative actions in these fields and that US Military Governor can prevent enactment Military Government legislation proposed by his two colleagues. However, they will not admit that US Military Governor shall have right to use weighted vote to require passage Military Government legislation or taking of administrative action by Military Governors despite objections his two colleagues. British

<sup>3</sup> Not printed; it summarized the outstanding questions on the occupation statute and the principles of trizonal fusion. (740.00119 Control (Germany)/3-1649)

<sup>4</sup> *Ante*, p. 51.

<sup>5</sup> Not printed, but see footnote 5 to telegram 875, p. 51.

feel they cannot put their Military Governor in position where he would be obliged to subscribe to any legislation which US Military Governor might propose on grounds of which he alone would be judge that might affect US contribution. Kirkpatrick says no British Government could present such agreement to Parliament.

. . . . .

DOUGLAS

740.00119 Control (Germany)/3-2949 : Telegram

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

SECRET      US URGENT  
NIACT

LONDON, March 29, 1949—8 p. m.

1260. From Holmes. Occupation statute, plenary scheduled for this afternoon cancelled at last minute by French who, contrary to their expectations, have not yet received instructions on matters referred to [in] Embtel 1218, March 26, repeated Berlin 180.<sup>1</sup> Instead, we had long discussion with Kirkpatrick, Stevens and Nicholls on paragraph 5, principles trizonal fusion. Kirkpatrick stated preferred US language unacceptable as were alternatives we were authorized to submit since all of them would have effect of making US military governor "the military governor of Western Germany", thus reducing British to mere "mercenaries".

He based argument on grounds that American texts, especially in the light of unilateral statement paragraph 1b Deptel 747, March 6,<sup>2</sup> would give US military governor right to intervene in *Laender* as well as federal legislation and administrative action, and would make him judge of scope of his intervention in that he could claim with justification that almost any action Germans might contemplate would affect their export and foreign exchange position and thus bring it within the purview of his weighted vote. In this connection British asserted parenthetic phrase inserted in US preferred formula in accordance Deptel 850, March 14<sup>1</sup> and reading "In situation where action or non-action, as the case may be, would increase the need for US assistance from appropriated funds" would increase rather than limit US military governor power.

Kirkpatrick also maintained that all US formulae would give US military governor power to draw up laws on any matter which in his opinion affected German foreign trade—foreign exchange and force his colleagues to sign them against their will. Reference to 30 [day]

<sup>1</sup> Not printed.

<sup>2</sup> Not printed, but see footnote 5 to telegram 713, March 3, p. 45.

appeal procedure under paragraph 4 fusion agreement did not move him on this point nor did assurance US Government would not sustain its military governor in arbitrary action appealed against. He gave indication of feeling that appeal right was a small concession and one which British military governor would use only with great reluctance.

Kirkpatrick agreed that in present circumstances it would be advisable for London meeting to prepare split text to be forwarded to the Foreign Minister[s] at Washington. Assuming that French receive satisfactory instructions on occupation statute and fusion agreement and that PRI discussions<sup>3</sup> can be concluded in London, there can be forwarded to Washington conditionally agreed upon texts occupation statute and all fusion agreement except paragraph 5. Foreign Ministers will thus have before them for settlement questions of Kehl, weighted vote and German basic law.

If this procedure followed Kirkpatrick said would have to withdraw his latest proposal on weighted voting, text of which had not been specifically cleared with Bevin although drawn up by Kirkpatrick on basis of general principles approved by Bevin.

Kirkpatrick prepared to defend text as final settlement only since it represented substantial concessions in an effort to meet US desires. It was not text for negotiation. He stated that he would draw up a new British formula setting forth original British position to be included in split paper, as basis for Washington discussions. Latest British proposal paragraph 5 withdrawn today by Kirkpatrick reads as follows:

"5. (i) In exercise of powers reserved to occupation authorities in occupation statute for control of German foreign trade and foreign exchange and of federal legislation and administrative actions directly affecting foreign trade and foreign exchange, decisions of occupation authorities will be arrived at by a system of weighted voting in all cases where action or non-action, as case may be, would increase need for assistance provided for Germany from US appropriated funds.

(ii) Under this system, representatives of occupation authorities will have a voting strength proportionate to funds made available by their respective governments, except that no action taken hereunder shall be contrary to any intergovernmental agreement among the signatories.

(iii) Legislation or action by occupation authorities in matters dealt with in this article shall, without prejudice to provisions of Article I of this agreement, require approval of military governor who enjoys a predominant vote, or of his representative.

(iv) A military governor who disagrees with a decision taken by his colleagues under provisions of this article may require suspension of action in circumstances and on terms described in Article 4.

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<sup>3</sup> For documentation relating to the negotiations on prohibited and restricted industries in Germany, see pp. 546 ff.



Although foregoing represented distinct improvement over earlier British drafts, we considered it unacceptable on basis our instructions and have so informed British. Our objections are:

1. Word "federal" in first sub-paragraph would prevent US from exercising weighted vote in regard to *Laender* legislative and administrative actions affecting foreign trade and exchange.

2. Sub-paragraph (iii) would prevent taking by US military governor of legislative or administrative action which he might consider necessary in interest our financial contribution if such legislation or action opposed by his two colleagues.

3. Sub-paragraph (iii) could also be interpreted as preventing US military governor from employing weighted vote in approval German applications for permission to legislate under provisions paragraph 6 occupation statute and from employing weighted vote to *cause approval* German legislation under paragraph 6. British asserted that language was not intended to curtail authority US military governor in this way and stated that they would be willing to remove this objection.

As we hope to be able to transmit split paper following tomorrow's plenary please instruct on urgent basis whether Department wishes us to include as US proposed text paragraph 5: (a) formula contained Deptel 613 February 23<sup>4</sup> without accompanying note; (b) above formula with accompanying note or (c) above formula with inclusion parenthetical statement referred Deptel 850 with accompanying note or (d) without accompanying note. Irrespective which formula included we propose, unless otherwise instructed in accordance with paragraph 2(b) Department's 874, March 15<sup>5</sup> to include in paragraph 5 sentence along following lines: "Appeal procedure provided under paragraph 4 above shall apply to decision taken under provisions of this paragraph."

Language of note which we propose to include, if Department so desires, is as follows: "It is the understanding of the US Government that formula set forth in paragraph 5 will enable representatives of US to exercise predominant vote among three powers and with Germans in those matters which clearly affect German foreign trade and foreign exchange because of major contribution US is making toward economic rehabilitation of Germany. The exercise of such vote shall extend to any proposed action which might result in an increase in financial burden borne by US, as for instance internal pricing if it was of a nature to increase export costs and thereby decrease exports, and would thus increase financial burden borne by US. The JFEA has already disappeared, and functions and powers of JEIA will desirably become less as more authority is given to German legislative and administrative bodies. The transfer of power of JFEA and JEIA to

<sup>4</sup> Not printed.

Bank Deutscher *Laender* or to other German agencies shall in no way lessen predominant vote exercised by US representatives.”

Sent Department 1260, repeated Berlin 185.

DOUGLAS

740.00119 Control (Germany)/3-2949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT  
NIACT

WASHINGTON, March 30, 1949—8 p. m.

1108. For Holmes. We have been studying Brit proposal para. five principles trizonal fusion as reported urtel 1208 Mar 25<sup>1</sup> and urtel 1260 Mar 29.<sup>2</sup> We believe proposal opens avenue to agreement. If there is still time to do so, we wld be extremely anxious have this troublesome question resolved.

If Brit proposal means what we think it means, we think we could work out acceptable solution. However, we are not sure we have correctly interpreted it.

Our difficulty centers around phrase “or action” in section iii of the Brit draft which states that legislation or action by occupation authorities will require approval by Mil Gov having predominant voice plus agreement by one other Mil Gov. Since anything done by occupation authorities wld fall within category of “action”, this wld appear to mean that the predominant voice in all cases wld amount merely to veto power. Our understanding of ur comments in Embtel 1208 leads us to believe that perhaps Brit proposal is in fact less restrictive. In Embtel 1260 moreover we note that you raised similar point in your third objection and Brit stated language was not intended curtail authority US Mil Gov in this way. We wld like to sort out problem as follows and see whether or not there is actually basis for agreement in your opinion. We are therefore not suggesting actual language but merely breaking problem down into its different parts and wld appreciate ur views as to whether in your opinion at present stage negotiations proposal we cld accept wld lead to agreement with Brit.

1. Legislation by Occupation Authorities. We wld agree to Brit proposal that with respect to legislation by occupation authorities US predominant voice wld operate as a veto, that is to say, formula in section iii in Brit formula urtel 1260 wld be acceptable.

2. Administrative actions by Occupation Authorities. With respect to action by occupation authorities other than legislative, we believe

<sup>1</sup> *Ante*, p. 55.

<sup>2</sup> *Supra*.

a distinction must be made between action in fields of foreign trade and foreign exchange and those which directly affect foreign trade and foreign exchange.

(a) With respect to the control over foreign trade and foreign exchange, we must insist upon US predominant voice involving both affirmative action as well as preventing action by occupying powers. This wld, of course, not apply to legislation which is covered in our first proposal. It is our understanding that this in effect means the right to exercise the controlling voice in Allied agencies which control German foreign trade and foreign exchange. This is clearly covered by current Bizonal Fusion Agreement and we had assumed that there was no dispute on this point.

(b) With respect to action by the occupation authorities which directly affect foreign trade or foreign exchange, we wld be prepared to accept the Brit formula in section iii which wld give US Milgovernor veto but not permit him to take action over the objection of his two colleagues.

3. German Legislative and Administrative Actions Directly Affecting German Foreign Trade and Foreign Exchange. This has two problems. First problem is point you raised with respect to limitation to Federal as distinguished from *Laender* actions. Second problem relates to nature of action which is subject to US predominant voice.

(a) Federal. We will be willing to accept limitation to Federal action if this absolutely necessary. If we do, however, we wish have it clearly understood our agreement does not prejudice our position that tripartite policy should be uniformly applied throughout Western German area as a whole nor our position with respect to organization of tripartite Mil Gov under para 7 of principles. In cases where there is concurrent jurisdiction by the Federal Govt and *Laender* Govts this provision might lead to embarrassment to Mil Gov since contradictory position could be taken by Mil Gov with respect to legislation enacted by the Fed Govt on the one hand and by similar legislation by *Land* Govt on the other. To avoid this contradiction wld be desirable that the principle applicable to Federal legislation shld apply as well to *Land* legislation in fields where there is an overlap.

(b) We wld be willing to accept formula in section iii, with respect to approval or disapproval German legislative and administrative actions, subject to adjustment which Brit stated they were willing to make as outlined in regard your third objection (urtel 1260).

4. Ruhr Authority. We believe necessary clarify position with respect to Mil Gov action regarding Ruhr Authority. We feel we must insist that the US controlling voice apply affirmatively with respect to actions by occupation authorities in modifying allocations of the Ruhr Authority as provided in Article 22, section (i) IAR agreement of Dec. 28.<sup>3</sup> It follows that US controlling voice must likewise apply

<sup>3</sup> The text of the draft agreement for the establishment of an International Authority for the Ruhr, made public December 28, 1948, is printed in *Foreign Relations*, 1948, vol. II, chapter II, part B, p. 581.

to casting of German vote (article 9(c)) with respect to divisions of coal, coke and steel as between German consumption and export made under Article 14. In other words, with respect to allocations of coal, coke and steel it is necessary that the vote of Mil Gov on the Ruhr Authority be consistent with the action taken by the Mil Gov in implementing the decision of the Ruhr Authority. On all other issues arising before the Ruhr Authority US will agree that action by Mil Governors shall proceed by majority vote in the usual way.

5. As stated Deptel 1088,<sup>4</sup> US agrees that predominant voice will not apply to any actions taken by Mil Governors under terms of PRI agreement.<sup>5</sup>

6. Who determines what directly affects German foreign trade and foreign exchange? Our proposal is based on premise that US Mil Gov will be judge (subject to appeal procedure) of what matters directly affect German foreign trade and foreign exchange and amount of the US contribution required. This appears to us to be implicit in the Brit proposal.

If above not in accordance with Brit position we wld appreciate full description from you of areas of difference.

Have not been able obtain Army concurrence to above and therefore cannot authorize you to submit it to Brit as US proposal. Hence it is being sent in effort assist you to narrow and clarify issues.

ACHESON

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<sup>4</sup> Not printed.

<sup>5</sup> For documentation relating to the negotiation of the agreement on prohibited and restricted industries in Germany, including the text of the tripartite draft agreement, see pp. 546 ff.

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740.00119 Control (Germany)/4-249 : Telegram

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

SECRET

LONDON, April 2, 1949—4 p. m.

1338. Following is clean text Occupation Statute as agreed yesterday's plenary. French agreement paragraph 23 conditioned on satisfactory solution Kehl. (Embtel 1337, April 2, repeated Berlin 199.<sup>1</sup>)

#### INTERGOVERNMENTAL TALKS (OCCUPATION STATUTE—GERMANY)

##### DRAFT REPORT

1. In accordance with the instructions of their governments, representatives of the United States, France and the United Kingdom have

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<sup>1</sup> Not printed.

met in London from 17 January, 1949 in order to discuss the report of the Military Governors of the United States, French and British Zones of Occupation in Germany on the Occupation Statute<sup>2</sup> and to reach agreement on a joint draft text of the statute for submission to their respective governments. They also discussed other matters relating to the statute.

2. The text of the Occupation Statute recommended as result of these meetings is attached as Annex A.

3. It was agreed by the representatives of the United States, France and the United Kingdom that the following points required comment :

(A) *Article II, paragraph 2(a).*

Invitations to participate in international conferences should be transmitted to the Occupation Authorities for forwarding to the German Authorities.

(B) *Article II, paragraph 2(c) (iii).*

Agreement was reached that the words "their industrial application" of subparagraph 2(c) (iii) shall be interpreted to include *inter alia* any research activities of the Patent Office in accordance with the provisions of this paragraph.

(C) *Article III, paragraph 6(b).*

It is recommended that the Military Governors, before the coming into force of the Occupation Statute, should agree on those matters which under paragraph 2(b) should be withdrawn from German legislative competence.

(D) *Article III, paragraph 7(b).*

[Order 163 of the French Commander-in-Chief shall be included among legislation of the occupation authorities referred to in Article III of paragraph 7(b) of the draft Occupation Statute and the administration of Kehl shall be taken as belonging to those questions referred to in Article II paragraph 2(a)]<sup>3</sup> (French).

(E) *Article IV, paragraph 10.*

It is recommended that the Military Governors should be instructed to transmit to the German Authorities a statement to the effect that paragraph 2, Article II and paragraph 10 Article IV preserve to the Military Security Board the right to visit any installations without prior notification in accordance with its terms of reference.

(F) *Article IV, paragraph 11.*

It is agreed that the power of dismissal conferred by this paragraph upon the occupation authorities shall only be exercised when three

<sup>2</sup> *Foreign Relations*, 1948, vol. II, p. 597.

<sup>3</sup> The brackets in this and subsequent articles are in the source text.

Military Governors are of the opinion in each case that the German concerned should be dismissed.

(G) *Article IV, paragraph 12.*

It is agreed that orders and directives issued by the occupation authorities under the statute shall be directed to the responsible heads of the federal and *Land* authorities and that only in cases when it is necessary to deal with matters affecting the occupying forces and their operations in particular localities will the occupation authorities communicate directly with the heads of the county and municipal authorities.

(H) *Article V, paragraph 14.*

It would be desirable for the occupation authorities to enact legislation affirming the title to property transferred as reparations or otherwise under Military Government authority, so that the validity of such transfers may not be litigated in German courts.

(I) *Article VII, paragraphs 20 and 21.*

The text of paragraphs 20 and 21 aims at leaving open the question whether occupation and mandatory costs will be collected by the federal state or by the *Laender*. Agreement was reached that the responsibility to the occupying powers for the payment of these costs must definitely be laid on the federal state. As the imposition of this responsibility interpreted in the light of paragraph (d) of Annex H of the report of the Six-Power Conference of the 1st June, 1948,<sup>4</sup> might lead the Parliamentary Council to feel compelled to vest in the federal state financial powers which the occupying powers might think excessive, it was considered advisable to agree on an explanation of the attitude of the occupying powers to be issued to the Parliamentary Council, and it is recommended that the Military Governors should be instructed to issue the statement set out in Annex B at the same time as they transmit the draft Occupation Statute to the Germans.

(J) *Article VIII, paragraph 23.*

It is agreed to recommend to the President of the International Court of Justice that of the two jurists whom he is to be asked to nominate to sit on the High Court, one should not be a national of the occupying powers nor of Germany, nor of any power which has been at war with Germany at any time after September, 1939 and that the other should be a national of the Benelux countries.

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<sup>4</sup> The Report of the London Conference on Germany is printed in *Foreign Relations*, 1948, vol. II, p. 191.

## Annex A

## JOINT TEXT OF THE OCCUPATION STATUTE PROCLAMATION

To the people of the French, United States, and British Zones of Occupation in Germany:

Whereas the Governments of France, the United States and the United Kingdom desire to establish just and lasting peace and to enable demilitarized and democratic Germany to play her part in the community of peace-loving nations of Europe and the world:

Whereas in the interest of better administration and the furtherance of German democratic responsibility, pending agreement on Germany as a whole, the 3 governments have authorized the establishment of a Provisional Constitutional German Government:

Whereas without prejudice to the provisions of the peace treaty the 3 governments have agreed to define on the basis of the present temporary organization of Germany a common policy as to their fundamental relations with the German people in their zones, and

Whereas supreme authority is exercised by the Military Governors and Commanders-in-Chief of the French, United States, and British Zones of Occupation, acting on the instructions of their respective governments, each in his own zone of occupation:

We, General Pierre Koenig, Military Governor and Commander-in-Chief of the French Zone of Germany, General Lucius D. Clay, Military Governor and Commander-in-Chief of the United States Zone of Germany, and General Sir Brian Hubert Robertson, Military Governor and Commander-in-Chief of the British Zone of Germany, do hereby jointly proclaim the following Occupation Statute:

## ARTICLE I

*Powers of the Federal State and of the Participating Laender.*

1. The federal state and the participating *Laender* shall have, subject only to the limitations in this statute, full legislative, executive, and judicial powers in accordance with the basic law (Provisional Constitution) and with their respective constitutions.

## ARTICLE II

*Powers Reserved to the Occupation Authorities.*

2. The occupation authorities retain the powers necessary in their opinion to enable them:

(a) To conduct or direct the external relations of the federal state until such time as it may be permitted unrestricted external relations. However, German representation at international conferences attended by one or more of the occupying powers shall be permitted, provided that the members of the delegation have been approved by the occupa-

tion authorities and no international obligations entered into by such delegation shall become effective without the approval of the occupation authorities;

(b) To exercise such control over German foreign trade and foreign exchange and over internal policies and measures which could adversely affect them, as they may consider the minimum necessary to ensure:

(i) Respect for Germany's international obligations, including those entered into by the occupation authorities in regard to Germany;

(ii) The proper use of funds, food and other supplies made available to Germany, and

(iii) The repayment in due time of expenditures incurred by the occupying powers in respect of, or on behalf of, Germany.

(c) To exercise such controls as have been or may be agreed upon by the occupying powers or occupation authorities in regard to the Ruhr, reparations, foreign interests in and claims against Germany and such further controls as have been or may be agreed by them in the following fields to ensure international security:

(i) Prohibitions and limitations on industry;

(ii) Decartelization and deconcentration;

(iii) Disarmament, demilitarization and certain aspects of scientific research and their industrial application; and

(iv) Movement of persons and property entering or leaving Germany;

(d) To protect the prestige and to ensure the security of the occupation forces; to guarantee their immunity from German legislative, executive, and judicial action, and the satisfaction of their requirements; and to conduct operations they deem essential to the national security of their countries;

(e) To ensure the observance of this statute, of the basic law (Provisional Constitution) and of the *Land* constitutions;

(f) (i) To safeguard and protect the property, rights or interests of any non-German state or its nationals, including those in enterprises organized or doing business in Germany;

(ii) To prevent any official action, or any private action in the fields of commerce, finance or industry, which:

(1) Discriminates against any non-German national, or any enterprise comprising or involving an interest of a non-German state or its nationals, as compared with German nationals or enterprises;

(2) Is inconsistent with the principles and aims of the Havana Charter for an International Trade Organization or of the International Monetary Fund;

(g) To protect the claims to compensation of persons affected by seizure of external assets or reparations removals;

(h) To regulate the admission of refugees;

(i) To ensure the protection, maintenance, repatriation and resettlement of displaced persons;

(j) To control all aspects of civil aviation and facilities therefor;



(k) To require the federal state and the participating *Laender* to furnish periodically the information and statistics needed by the occupation authorities for the exercise of the powers reserved in this statute and, in addition, to furnish any special information and statistics which may be requested by the occupation authorities. They shall be provided with every facility to verify all such information and statistics; and

(l) To control the care and treatment in German prisons of persons charged before or sentenced by the courts or tribunals of the occupying powers or occupation authorities and the carrying out of sentences imposed on them; and to decide questions of amnesty, pardon or release in relation to them.

### ARTICLE III

#### *Legislative Powers.*

3. The federal state and the participating *Laender* will exercise the legislative powers conferred upon them under Article I hereof subject to the provisions of this Article.

4. (a) *Land* constitutions and amendments to the basic law (Provisional Constitution) or to any *Land* constitution shall not come into force until approved by the occupation authorities.

(b) Except as provided in paragraph 6, other legislation enacted by the federal state or the participating *Laender* shall come into force on the twenty-first day after its official receipt by the occupation authorities or such later date as may be provided in the legislation, unless within the said period of 21 days it has been disapproved by the occupation authorities. They will not disapprove such legislation unless in their opinion it violates the basic law (Provisional Constitution), *Land* constitution, legislation of the occupation authorities or the provisions of this statute.

5. Subject to the provisions of paragraph 18, Article VI, the occupation authorities will in future limit their legislation to the matters referred to in Article II. On other matters, they may also, after consultation with the appropriate German authorities, repeal German legislation in force on the effective date of this statute if it is inconsistent therewith.

6. The federal state and the participating *Laender* shall have the power to legislate in accordance with the basic law (Provisional Constitution) on the matters referred to in Article II subject to the following conditions:

(a) In those matters enumerated in paragraph 2 (a), (c), (d), (f) and (j) they may legislate after they have received the prior written authorization of the occupation authorities. Such legislation shall come into force after it has received the written approval of the occupation authorities.

(b) On other matters enumerated in paragraph 2 they may legislate after 90 days from the effective date of this statute and on the

understanding that the occupation authorities retain the right to direct otherwise:

(i) In those cases where such legislation would have the effect of repealing, amending or otherwise modifying the legislation of the occupation authorities it will come into force only after it has received the written approval of the occupation authorities.

(ii) In all other cases such legislation shall come into force as provided in paragraph 4(b) unless within the period of 21 days the occupation authorities notify the appropriate German authorities that the period shall be extended by not more than 30 days from the date of such notification. In exercising their power of disapproval the occupation authorities will not be bound by the limitations contained in the last sentence of that paragraph.

7. Legislation of the occupation authorities enacted before the effective date of this statute shall remain in force until repealed or amended in accordance with the following provisions;

(a) The occupation authorities will repeal or amend legislation which they deem inconsistent with this statute;

(b) Within 90 days of the effective date of this statute, the occupation authorities will codify legislation pertaining to the matters mentioned in Article II, and as far as possible, harmonize it;

(c) Legislation not referred to in (a) and (b) will be repealed by the occupation authorities on request from the German authorities.

#### ARTICLE IV

##### *Executive Powers.*

8. The federal state and the participating *Laender* shall be entitled to exercise executive authority in all matters within their competence, subject to the provisions of this Article.

9. The German authorities may enter into commercial relations through commercial representatives abroad, under regulations approved by the occupation authorities. These representatives shall be appointed by the German authorities with the approval of the occupation authorities and may be entrusted with such consular functions as may be agreed by the occupation authorities.

10. In the exercise of their powers under Article II the occupation authorities may take action themselves or direct measures to be taken by the German authorities.

11. Action of the occupation authorities under the preceding paragraph includes the right to require the dismissal of any German holding public office or any German public servant who in the opinion of the occupation authorities obstructs them in the exercise of the powers and the fulfillment of the responsibilities retained by them under this statute.

12. All orders and directives issued by the occupation authorities under this statute will be transmitted to the responsible head of the appropriate German authority.

## ARTICLE V

*Judicial Powers.*

13. German courts shall have jurisdiction in all criminal cases except the following:

(a) Cases falling under the jurisdiction of military courts of the occupation forces;

(b) Cases affecting the security or prestige of the occupation forces;

(c) Cases arising under legislation of the occupation authorities where such legislation provides that German courts shall have no jurisdiction;

(d) Cases against:

(i) Members of the occupation forces;

(ii) Non-Germans accredited to or sponsored by the occupation authorities;

(iii) Dependents of persons in categories (i) and (ii) above;

(iv) German nationals employed by the occupation forces, where the charge is in respect of any matter arising in the course of or out of their official duties;

(v) Displaced persons, where the charge is in respect of an offense committed before the expiration of a period of 2 years from the effective date of this statute;

(e) Cases involving offenses against any person mentioned in sub-paragraph (d) (other than sub-paragraph (iv)) above or his property, or against the property or safety of the occupying powers or occupation forces, unless German courts are authorized by the occupation authorities to exercise jurisdiction.

14. German courts shall have jurisdiction in all civil cases, provided that unless expressly authorized by the occupation authorities they shall not exercise jurisdiction in cases in which any person mentioned in paragraph 13(d) (i), (ii) and (iii) is a party, or in which any person mentioned in paragraph 13(d) (iv) and (v) is a party in respect of any matter arising in the course of or out of his official duties with the occupation forces.

15. German courts shall not have jurisdiction in any case involving a challenge to the validity of any legislation of the occupation authorities or of any order issued by them.

16. The occupation authorities reserve to themselves the right:

(a) To try offenses arising under their legislation which the German authorities have neglected to prosecute;

(b) To try any person, irrespective of his nationality, who is charged with participation in an offense allegedly committed by a person mentioned in sub-paragraph (d) of paragraph 13, or with being an accessory thereto;

(c) To set aside the decision of any German court,

(i) Which violates the provisions of this statute or any legislation of the occupation authorities or any German legislation enacted at their instance or under paragraph 6, Article III, or

(ii) In which in the opinion of the occupation authorities a non-German national has suffered a substantial miscarriage of justice.

And in either event to order a retrial of the case, either in one of their courts or in a German court; and

(d) To establish such courts as they may consider necessary for the trial of cases excluded from the jurisdiction of German courts or withdrawn from such jurisdiction under the provisions of this Article.

17. Subject to the requirements of their security, the occupation authorities guarantee that all agencies of the occupation respect the right of every person to be protected against arbitrary arrest, search or seizure to be represented by counsel, to be admitted to bail as circumstances warrant; to communicate with relatives; and to have a fair and prompt trial.

#### ARTICLE VI

##### *Emergency Powers and Special Responsibilities of the Occupation Authorities.*

18. The occupation authorities reserve the right to resume the full exercise of their authority if they deem it necessary in an emergency threatening security. Before so doing, they will formally advise the appropriate German authorities of their decision and of the reasons therefor.

19. The occupation authorities will have a special responsibility to observe, advise and assist the federal state and the participating *Laender* in regard to the democratization of political life, social relations and education of the German people. This shall not imply additional restrictions on the legislative, executive and judicial competence accorded to them in those matters. The federal state and the participating *Laender* will furnish any special information, facilities and statistics which may be requested by the occupation authorities in the exercise of this responsibility. Legislation in those fields shall be subject to the provisions of Article III of this statute.

#### ARTICLE VII

##### *Requirements of the Occupation.*

20. The powers of the occupation authorities under Article II include the power to require the appropriate German authorities to make such financial or other provisions as the occupation authorities may deem necessary for the discharge of their responsibilities and the satisfaction of their requirements. The German authorities will be consulted on the procedure to be followed for the satisfaction of such requirements.

21. The occupation authorities shall, in respect of every financial year, establish estimates of their requirements (occupation costs) and

of the other provisions to be made under paragraph 20 of this Article (mandatory expenditures). The estimates shall be presented to the federal state government before the beginning of the financial year and shall not be exceeded without supplementary estimates, similarly established which shall likewise be presented to the federal state government as the occasion arises. In principle, supplementary estimates in respect of occupation costs shall not be presented except for special reasons, such as important errors in the original estimates, changes in the functions, size or deployment of the occupation forces, increases in prices and wages. The federal state will be responsible for the payment to the occupation authorities of all costs arising under this Article.

### ARTICLE VIII

#### *Interpretation of the Statute.*

22. The federal state or any participating *Laender* may, on its own behalf or on behalf of any one of its citizens, appeal from any action taken by the occupation authorities on the ground that the action is in conflict with the provisions of this statute. Such appeals shall be addressed to the appropriate occupation authorities according to procedure to be established.

23. In case of adverse decisions on the appeal, there shall be a further right of appeal to a high court according to procedure to be established. The high court shall consist of 9 members appointed by the occupation authorities and selected as follows:

Two by each of the occupation authorities;

Two by the President of the International Court of Justice, 1 being a national of Belgium, the Netherlands or Luxembourg and 1 a national of a state which has not been at war at any time between September, 1939 and May, 1945; and 1 by the federal state.

Its decisions will be binding on the parties.

24. No appeal under paragraph 22 or 23 shall have the effect of suspending the action taken by the occupation authorities.

### ARTICLE IX

#### *Amendments to the Statute.*

25. (a) The occupation authorities retain the right to amend this statute at any time. No amendment shall be made without prior notice to and consultation with the governments of the federal state and of the participating *Laender*.

(b) After 12 months and in any event within 18 months of the effective date of this statute the occupying powers will undertake a review of its provisions in the light of experience with its operation and with a view to extending the jurisdiction of the German authorities in the legislative, executive and judicial fields.

## ARTICLE X

*Definitions.*

26. For the purposes of this statute:

(a) The term "occupying powers" shall mean the French Republic; the United States of America; and the United Kingdom of Great Britain and Northern Ireland;

(b) The term "occupation authorities" shall mean the authorities, civil and military, in Germany, of the occupying powers as defined in (a) above, acting in accordance with procedures agreed between them;

(c) The term "occupation forces" shall include:

(i) The occupation authorities,

(ii) The armed forces, including the auxiliary contingents of Allied powers, serving under the Commanders-in-Chief of the occupying powers, and

(iii) Non-German organizations and persons accompanying or serving with the said authorities or forces;

(d) The term "legislation of the occupation authorities" shall mean legislation applicable to those parts of Germany under the jurisdiction of the occupation authorities enacted otherwise than by German authorities.

(e) The term "federal state" shall mean [the Federal Republic of Germany].

(f) The term "basic law (Provisional Constitution)" shall mean the basic law (Provisional Constitution) for the [Federal Republic of Germany].

## ARTICLE XI

*Authentic Texts.*

27. The English and French texts of this statute shall be equally authentic.

## ARTICLE XII

*Effective Date.*

28. This statute shall come into force on the date on which the basic law (Provisional Constitution) enters into force and shall be effective in the territory of the [Federal Republic of Germany] composed of the following *Laender*: (Here set out the *Laender* of the French, US, and British Zone.)

*Occupation Costs.*

The costs arising under Articles 20 and 21 of the occupation statute represent a heavy though diminishing burden on the German economy. This temporary charge should not lead to a concentration of excessive financial power in the federal government. The circumstance that responsibility has been placed on the federal state with respect to payment of these costs is not intended to prejudice in any way the method

by which, under the basic law, the federal state will obtain the funds necessary for their payment.

DOUGLAS

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*Editorial Note*

Negotiations concerning the occupation statute, the principles of trizonal fusion and the port of Kehl were transferred to Washington, where the Foreign Ministers of France, the United Kingdom and the United States discussed the whole range of questions concerning Germany, April 4-6. For documentation relating to these discussions and the texts of the several agreements signed by the Foreign Ministers, see pages 156, ff.

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**B. OTHER DISCUSSIONS, JANUARY-APRIL 1949, WITH REGARD TO THE FORMULATION OF UNITED STATES POLICY ON GERMANY**

740.00119 Control (Germany)/1-649

*Memorandum by Mr. Wayne G. Jackson, Special Assistant to the Director of the Office of European Affairs (Hickerson) to Mr. Hickerson*

SECRET

[WASHINGTON,] January 6, 1949.

*Introduction.*

One point which emerged very clearly during the London negotiations on the Ruhr Authority Agreement<sup>1</sup> was the impossibility of separating the various aspects of our policy and operations in Germany into water-tight compartments. The Report of last June's London talks<sup>2</sup> specifically makes the point that the matters covered are all inter-related and should be approved or disapproved as a unit. This position was and still is sound. While I believe that the Ruhr Agreement as drafted is as satisfactory as could be obtained now and that we should eventually approve it, I do feel that we need not hurry. It should be examined as part of a package which is satisfactory not only as to the whole but as to the constituent parts. I feel we should at least wait until the French have approved the Agreement. The British, because of the Parliamentary recess, will not approve the Ruhr Agreement before about February 10 at the earliest. I do not know the exact French time-table but they intend to have an Assembly debate on the

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<sup>1</sup> For documentation relating to the negotiations for the establishment of an International Authority for the Ruhr, including the text of the draft Ruhr Agreement, see *Foreign Relations*, 1948, vol. II, pp. 448 ff.

<sup>2</sup> For documentation on the London Conference on Germany, February 23-March 6 and March 20-June 1, 1948, including the report of the Conference, see *ibid.*, pp. 75 and 145.

Agreement and a vote of confidence before they sign. Accordingly, there is no particular rush as far as we are concerned.

In order to amplify the point about interrelation it might be useful if I mentioned some of the other German problems which came up in the course of our discussions. There is no particular significance to the order in which these are listed below.

*Specific Problems.*

1. *Prohibited and Limited Industries.*<sup>3</sup>

This came up in connection with the allocation functions of the Authority and the proposals for supervision over management as they applied to steel. It was obvious that both the level of steel production and the type of steel production within the present permitted level were of great importance. The French and Benelux countries want a permanent limit on steel production in Germany. While the British position was not stated with any clarity, they did not dissent from the French and Benelux statements nor did they give any support to the unequivocal statement of Ambassador Douglas that the U.S. did not favor a permanent ceiling on steel production in Western Germany.

The argumentation in favor of a limit on production was in terms of security. It is obvious that the French, in particular, are anxious to have a defense in depth against rearmament in Germany. Accordingly, they want not only prohibitions upon the manufacture of certain types of end products but also they want a limitation upon the amount of steel which may be produced so that there will not be extra steel which could be used for armament purposes. They fear that if productive capacity remains in Germany in excess of an agreed limit of production, this capacity will in fact be used or, at least, will constitute a continuing basis for German efforts to increase the level of production. As a part of this defense in depth, they were most anxious to give the Ruhr Authority extensive powers of supervision over production, development and investment in the steel industry so that they could forestall developments which might result in increases in production or the installation of equipment which could be justified only in terms of the manufacture of prohibited items.

There is undoubtedly a considerable commercial motive on the part of the French and Benelux and perhaps the British. The various plans for steel production expansion in those countries give rise to fears that the time may come when more steel is produced than can be economically marketed. Accordingly, there is a great attraction in using the security arguments as a means for eliminating potential competition

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<sup>3</sup> For documentation relating to the question of prohibited and limited industries in Germany, see *ibid.*, pp. 668 and 703. For documentation relating to the negotiation of the Prohibited and Restricted Industries Agreement in London, January-March 1949, see pp. 546 ff.



from a steel producer who probably could operate with lower costs and more efficiently. While this commercial motive is involved, these same considerations also have their security aspect. If the center of gravity of continental European steel industry were moved westward from the Ruhr and into France, Belgium, et al., there would, of course, be a shift in the center of gravity of military potential. I doubt seriously whether a commercial motive would account for any substantial part of the popular support which undoubtedly exists in the Western European countries for minimizing the importance of the Ruhr steel industry.

If and when agreement is reached with respect to limitations and prohibitions upon German industry, it then will be easier to determine what methods would be most appropriate for ensuring that those limitations and prohibitions are respected. The role, if any, of the Ruhr Authority in this field could be more accurately determined. If, as I imagine, some of the prohibited and limited items require for their manufacture special types of steel-making equipment, a technical study of the problems involved in enforcement might well lead to the conclusion that a body like the Ruhr Authority, which will be in close contact with the Ruhr steel industry, would have a useful function in watching the investment and development plans of the steel industry so as to be able to foresee prospective violations of limitations and prohibitions. This would in turn affect the way the staff of the Authority is organized. That organization is to take place as soon as the Agreement is signed. Until a definitive position is agreed on the question of prohibitions and limitations and a method for policing the Agreement has been worked out, we may expect the French and Benelux and perhaps the British to keep pressing at every opportunity for general powers of control over German industry.

As a footnote to this problem I might mention that one of the most hard-fought issues in the Ruhr talks was the question of whether the Authority should have the power to allocate pig iron for export. Aside from a somewhat nebulous desire of the Dutch to be sure in the future of adequate supplies of pig iron, it was clear that the desire of the French and Benelux Delegations to include pig iron was principally based upon their wish to be able to limit the amount of pig iron available to the German economy and thus further protect the limitation on steel production, if not control the level of steel.

## *2. Reparations and Dismantling.<sup>4</sup>*

This problem arose really as part of the matters discussed in the previous section. There was obviously a strong desire on the part of all the other delegations that the dismantling program go forward

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<sup>4</sup>For documentation on the questions of reparations and dismantling, see *Foreign Relations*, 1948, vol. II, pp. 703 ff; for further documentation relating to these questions in 1949, see pp. 546 ff.

promptly and that any productive capacity which was unnecessary in view of prohibitions and limitations upon German industry should be removed. While they undoubtedly want to obtain equipment out of Germany, I believe that the principal motivation is again to limit the productive capacity in prohibited and limited industries so as to ensure that the prohibitions and limitations will not be violated. To the extent that physical removals of equipment minimize German ability to exceed limitations and prohibitions, the pressure from the Western European countries for the transfer to the Ruhr Authority of controls over German production would lessen.

### 3. *Relation of Steel Production in Germany to Rearmament.*

The Brussels Pact countries anticipate a considerable degree of rearmament in connection with the projected North Atlantic Pact.<sup>5</sup> They would like, of course, to have the materials for rearmament given to them from U.S. sources without reducing the amount of ERP aid and without having to divert their own production from civilian and trade purposes. In particular, they would not like to see German steel production increased as a result of such a program. It is doubtful whether, under any circumstances, all these wishes can be met. If in fact European steel in large quantities will be used in an armament program, it will either mean that the Western countries will devote their own steel production to domestic use, having none for export and thus leaving the commercial market open for German steel exports, or else German steel production would be used in part as the basis for armaments, leaving the other countries with exportable surpluses. Both of these alternatives worry the Western countries very much. It seems essential that the relationship of the armament program to ERP and to the level of German steel production be thought through and some sort of accommodation reached.

### 4. *The Occupation Statute.*<sup>6</sup>

This matter came up at various times and in various contexts. Since the Ruhr Agreement anticipates that powers now exercised by the Military Governors may from time to time be relinquished to a provisional German government, it was a matter of considerable interest to the delegations to know what residual powers would be retained by the Occupation Powers. While they are not worried that the provisional government will refuse to carry out the decisions of the

<sup>5</sup> Documentation relating to the negotiation and signing of the North Atlantic Pact is in volume iv.

<sup>6</sup> For documentation on the preparation of a draft Occupation Statute by the Military Governors, including their report and the text of the draft statute, see *Foreign Relations*, 1948, vol. II, chapter II, part B. For documentation relating to the London negotiations of representatives of the United States, United Kingdom and France concerning the draft statute, January 17-April 2, 1949, see pp. 1 ff.

Authority during the Control Period, there is, I believe, some latent fear that, by turning powers over to the German government, the Occupation Authorities may find themselves unable to ensure that decisions of the Authority are carried out. This fear arises in part from a general doubt as to whether the Military Governors and particularly the U.S. Military Governor will really try to make the Ruhr Authority a genuinely functioning body during the Control Period.

The question of arrangements under the occupation statute also came up in connection with the many occasions in the draft Ruhr Agreement where provision is made for decisions to be taken by the Occupation Powers. How would agreement be reached between the various Military Governors? Would unanimity be required or majority vote or would there be a special voting formula as exists in JEIA? Since, from the very beginning, decisions will have to be made jointly by the Occupation Authorities in relation to the Ruhr Authority, this matter needs to be settled.

#### 5. *German Constitution.*<sup>7</sup>

This matter came up in connection with the problem of the implementation of the Ruhr Authority's actions after the Control Period. While it was agreed generally that the relations of the Authority should be with the central German government, the question was raised as to whether that central government would have the power to require *Land* or other political units to take required action. For example, the Agreement provides that the Authority may examine witnesses and conduct investigations. The power of subpoena might well rest in the judicial system at the *Land* or lower level. Some feeling was expressed that the central German government might disclaim any ability to implement the actions of the Authority by reason of the constitutional setup in Germany. While the implication of the concern described above is that the French and Benelux countries would favor a central government with strong powers, this is obviously not what they seek.

The question of the powers of the central government was, of course, high-lighted by the very serious French and Benelux concern over the possibility of the nationalization of the coal and steel industries by a central German government. As Schuman pointed out in his meeting with the Secretary, such action would put into the hands of a central government an immense economic power and one which would in fact, if not in theory, come close to changing the concept of a federal government which was agreed in London last spring. The present British Government is, of course, almost hysterical on this question of nationalization and found the most extraordinary difficulties with various

<sup>7</sup> For documentation on the preparation of a constitution for West Germany by the Bonn Parliamentary Council, see *Foreign Relations*, 1948, vol. II, chapter II, part A. For further documentation relating to the deliberations of the Council in 1949, see pp. 187 ff.

drafting suggestions in the Ruhr Agreement because they might by some stretch of the imagination be construed to prejudice the possibility of such nationalization.

It is clear, I believe, that this possibility of nationalization of the coal and steel industries by a central German government will continue to cause difficulties. This possibility plus the need of the central government to have considerable powers in order to implement the functions of the Ruhr Authority, will cause the French and Benelux countries to make every effort to strengthen the outside controls on the coal and steel industries.

#### 6. *Military Security Board.*<sup>8</sup>

The London Agreements of last spring provided for the setting up of a Military Security Board during the Occupation Period. This appeared to be the principal agency to be charged with maintaining disarmament and demilitarization in Germany, including the policing of prohibitions and limitations upon German industries. As soon as the security problem was raised in the Ruhr discussions, it became evident that unless some other body was charged with the principal security functions, there would be the strongest kind of pressure to give security functions to the Ruhr Authority. In view of the role envisaged for the Military Security Board by the London Agreements, and the undertaking in Annex L of the London Agreements that adequate provision would be made in the post-occupation period for demilitarization and disarmament, it became necessary to stress that the Military Security Board and its successor would be the proper repository of security functions.

As will be recalled, the U.S. Delegation's suggestion as to how we could meet the French demand for powers of supervision over management was to propose that the Ruhr Authority should, in substance, act as an agent of the Military Security Board in the security field as applied to the Ruhr industries. The British proposal was very much the same. As it turned out it was not necessary to be specific, although the draft Ruhr Agreement clearly anticipates that the Military Security Board and its successor will have the principal security functions in Germany.

While the basic terms of reference of the Security Board have been agreed in principle between the three Military Governors, the Board is to operate only during the occupation period and there is no express agreement about a successor. Furthermore, the actual method of operation of the Board and the fields in which it will act are not yet developed. The reference in the Ruhr Communiqué to the adaptation of the Byrnes' proposals, which was included on the Department's instruc-

<sup>8</sup> For documentation relating to the establishment of the Military Security Board, see *Foreign Relations*, 1948, vol. II, pp. 665 ff. For the text of the Directive on the Organization of the Military Security Board, January 17, 1949, see *Germany 1947-1949*, pp. 103-105.

tions, clearly indicates that the techniques for ensuring the continuance of disarmament in Germany will be further developed as time goes on.

When the time comes to determine, under Articles 18 and 19 of the Ruhr Agreement, what powers now exercised by the Occupation Authorities should be transferred to some other body, there will be very strong pressure to transfer many powers to the Ruhr Authority unless the Military Security Board has been fully set up, its powers defined and some measure of agreement has been attained as to the continuance of those powers in the post-occupation period.

There is a further point with regard to the Military Security Board which also applies to any other body set up in Germany. The Benelux countries asked whether they would be associated with the working out of any successor to the Military Security Board (on which, of course, they are not represented). On the Department's instructions, we advised them that in our view they should be associated with the working out of such arrangements even though we could not make any commitments as to their membership on any body. They later expanded their request to seek assurance that they would be associated with the setting up of any organizations dealing with Germany. Since they will be members of the Ruhr Authority, unless we can give them some assurance as to their participation on a general basis in arrangements relating to Germany, their desire will be to transfer as many powers as possible to the Ruhr Authority itself.

If a successor to the Military Security Board is in fact to be the body which will police limitations and prohibitions on German industry, it may well be that the Ruhr Authority could play a useful role as an adjunct of that successor with respect to the Ruhr industries. If such a development is to be anticipated, it would seem desirable to foresee it now and to give thought as to the best method of working out the relationship.

#### 7. *Fusion Agreements.*<sup>9</sup>

It is evident that the British are restive under the interpretation which U.S. Military Government is giving to the provisions of the Bizonal Fusion Agreement relating to the voting procedure in JEIA. In substance this provision is interpreted as giving the U.S. the controlling voice in all matters which affect foreign trade or the German balance of payments position. The British resistance to this broad interpretation was made clear in the discussions about the procedure to be followed by the Occupation Authorities in casting the German vote in the Ruhr Authority. The British refused to agree to our posi-

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<sup>9</sup> For documentation relating to the problem of trizonal fusion, see *Foreign Relations*, 1948, vol. II, pp. 669 ff.; for documentation relating to the London negotiations of representatives of the United States, United Kingdom, and France concerning the principles of trizonal fusion, January 17-April 2, 1949, see pp. 1 ff.

tion that the casting of the German vote should be determined in accordance with the JEIA formula whenever the subject matter of the vote fell within the JEIA provisions of the Fusion Agreement. The British Delegation formally stated the British reservation of the right to take this matter up on an inter-governmental basis.

While this matter of the predominant U.S. voice was not discussed in any detail with the French, it will come up in connection with the working out of any trizonal fusion agreement and may well prove very difficult. We will, of course, have no support from the British in our attempts to have a dominant voice with respect to the French Zone. I think it highly likely that the negotiations with the French for a trizonal fusion agreement, which will presumably involve the British at the same time, will require a consideration of many phases of our occupation policy in Germany. The example we have established of insisting that our financial contribution gives us a predominant voice in a wide range of matters within Germany will make the French anxious to define their rights with considerable clarity and will make them wary of broad formulae.

The recent letter that Mr. Bevin wrote to Ambassador Douglas relating to the long-term program submitted to OEEC by the Bizone<sup>10</sup> indicates that although we are successful in maintaining that the U.S. voice is predominant within Germany, we will not be successful in preventing attacks in OEEC by the British and presumably by the French on the economic policies and programs which we put into effect through our dominant position. Aside from the unhappy spectacle of the three Western Occupation Powers squabbling in OEEC over German policy, the question is raised as to whether the British criticism of the long-term Bizonal program may not arise out of a legitimate belief that this program is not designed to further the recovery of Western Europe as a whole but is rather designed to further the interests of Germany alone. I seriously doubt whether Mr. Bevin would have written so strong a letter if it were not the British view that the Bizonal program as submitted is detrimental to British interests and probably to European interests as a whole. If there is any validity in this surmise, it would seem most appropriate to examine the question of whether through our exercise of dominance in Western Germany we are not promoting action which is inconsistent with the objectives which we are seeking with respect to the whole OEEC area.

This problem is again related to the proposal recently made by General Clay that there be no further appropriations to the Army Department for Civil Affairs in Germany but that the whole appropri-

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<sup>10</sup> The letter under reference here, not printed, was transmitted in telegram CC 7204, December 27, from Berlin, in which Clay expressed his astonishment at the British position which reserved the right to approve Bizonia in the OEEC. (740.00119 Control (Germany)/12-2748)

ation be made to ECA. This he felt might remove the necessity for the JEIA voting procedure.

#### 8. *Relation of Germany to OEEC.*

Aside from the points mentioned above, the relationship of the Bizone to OEEC is already of a special nature. At the time when OEEC was making recommendations regarding the division of U.S. aid for the current year, it was generally felt that the Bizonal Area got considerably more than its fair share. The OMGUS people who took part in these negotiations were perfectly candid about saying that they had tried to get as much for Western Germany as possible, pointing out that other countries likewise did the best that they could for themselves. The fact that it was Americans who were making the claim on behalf of the Bizone, however, made our voices disproportionately loud. We are encouraging OEEC to develop into as much of a cooperative undertaking as is possible. It is at least questionable whether we are furthering this aim by having the one area in which we have a preponderant voice acting not for the purpose of developing cooperation but for the purpose of getting as much as it can.

The experience of the European countries with the economic policy of the Bizonal Area clearly makes them dubious as to whether the Ruhr Authority will be permitted to function in any real sense so long as the occupation continues and the American voice is predominant. The continuous insistence in the discussions last spring, and in the recent meeting, on the preservation of American rights under the Fusion Agreement have emphasized this doubt.

#### *Conclusion.*

The matters discussed above, in a rather confused way, bring out the fact that the whole range of U.S. problems in relation to the Occupation of Germany are closely linked together. The possibilities of inconsistencies or over-lapping functions are great, particularly since the several problems are being handled by different people, at different times and at different places. While I believe that the draft Ruhr Agreement fits in with present U.S. policies and with the foreseeable development of those policies, it seems to me that we should not take formal action to approve it until we are considerably more clear on several of the other points mentioned above. Some of these points require for their clarification internal action within the U.S. Government, principally a higher degree of coordination between the objectives of the occupation, the recovery program and other aspects of U.S. policy in Europe. A number of the problems, however, cannot be resolved by the U.S. alone but seem to require fairly exhaustive discussions with the French and British and perhaps also with the Benelux countries. The French and Benelux countries want the Ruhr Agreement very much. Furthermore, they may be expected to press in other negotiations for the same measures of control over Germany as they

tried to achieve in the Ruhr talks. In order to preserve our bargaining position and to ensure a consistent course of action, we must preserve the greatest possible flexibility.

I understand that thought is being given to holding a general meeting on German policy with the British and French at a not too distant date. I doubt whether any such meeting would be worth holding if it is proposed to discuss only general policies. I do believe, however, that such a meeting would be of great value if some of the specific points discussed above, and undoubtedly others, could be taken up and thrashed out with the British and French. I have no illusions that permanent answers to the above problems can be worked out in the course of the next few months.

Interim answers must, however, be found. If they are evolved through full and fair discussion with the British and French, it should be possible to obtain agreement that, at appropriate intervals, there would be a complete review of matters relating to Germany with the understanding that the work and organization of bodies like the Ruhr Authority would also be reviewed and that necessary changes would be made from time to time. I am convinced that the possibility of such changes is most desirable. Only by experience will we find the bugs in the various arrangements. I am also convinced that we cannot get agreement by other countries to a procedure which would allow for changes from time to time without instilling in them considerably more confidence than they now have in the reliability of our intentions and the consistency of our declared policies with the actions which we take in Germany. Unless they can be convinced that we not only have a consistent German policy but that we will carry it out, they will continue to grab all the controls they can get from time to time while at the same time remaining prey to every rumor or propaganda story which pictures the U.S. as more interested in German recovery than Western Europe as a whole.

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740.00119 Control (Germany)/1-2549

*Memorandum by the Secretary of the Army (Royall) to the Secretary of Defense (Forrestal)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] January 19, 1949.

1. It seems to me clear that the present situation in Berlin<sup>2</sup> cannot continue indefinitely without risk both of failure and of impairment of

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<sup>1</sup> The source text, sent as an enclosure to a memorandum from Secretary Royall to Secretary Acheson, January 25, not printed, was handed to Acheson after a meeting in Royall's office on January 26, at which representatives of the Departments of State and the Army discussed the creation of a special inter-departmental committee to consider the German question. (740.00119 Control (Germany)/1-2549) A memorandum of the discussion in Royall's office, not printed, is in file 740.00119 Control (Germany)/1-2649.

<sup>2</sup> For documentation relating to the Berlin Crisis, see pp. 643 ff.



American prestige. I also believe that the present division of Germany and the maintenance there of large numbers of allied troops and larger numbers of Russian troops will in the months ahead impede German recovery and prolong the military and political tensions in Europe. It seems to me immensely important that the United States should at this time take the initiative in suggesting a specific long-range plan designed to meet these troublesome situations. General discussions without a specific proposal would appear to be inadequate.

2. Several plans have been considered, including particularly the one comprehensively studied by Mr. Kennan of the State Department.<sup>3</sup> While realizing that no one can be too dogmatic about any particular plan, it seems to me that some modification of, or substitute for, Mr. Kennan's plan should be pressed to a decision at an early date. The following possible substitute might serve as a basis for specific discussion:

Immediately following the formation by the Western Powers of a new German Government for Western Germany,<sup>4</sup> the United States shall propose that there be held in Germany a nation-wide election under the supervision of the United Nations (or of selected neutrals) for the purpose of extending the Western German Government to all of Germany and of including Russia as an occupying power under the Western occupation statute.

The announced plan shall also provide that, immediately upon this all-German government being formed, all occupation troops and civilians would be withdrawn from Germany except for a small force (e.g. 25,000) of each occupying power for use in administration and enforcement of the occupation statute. The reduction of Western troops in Germany would not preclude European troop dispositions elsewhere if required by an Atlantic Pact.

The powers of the occupying authorities would be clearly delineated by a German-wide occupation statute. The occupation zones would remain unchanged, but there would be free communications and transportation throughout Germany.

3. Any such proposal should first be made to the British and the French for the purpose of obtaining an agreed joint proposal to the Russians. If the British and French do not join in an agreed proposal, then a unilateral proposal would be made by the United States to Russia as well as to England and France. If the proposal is declined, we should consider making it through the United Nations.

4. If the proposal were accepted, it would automatically solve the Berlin situation and would also relieve some of the tension throughout Germany. If the Russians refused to join in the proposed plan—and this might well happen—our offer would still improve our moral position in the eyes of the world. While the Russians might prolong

<sup>3</sup> For the text of "A Program for Germany," prepared November 12, 1948, see *Foreign Relations*, 1948, vol. II, p. 1325.

<sup>4</sup> For documentation relating to the establishment of the West German Government, see pp. 187 ff.

discussions as to the form of German government, etc., such action would at least have the advantage of getting the two nations back to the discussion stage; and even the consequent delay would be no worse than the present stalemate.

5. If the proposal was rejected, it might give us a better opportunity (if we desired) to leave Berlin with some degree of "face", on the ground that an all-German government had become impossible and, therefore, Berlin was without further significance.

6. I believe that the proposal, even if not accepted, might well have a valuable psychological effect upon the Germans. Faced with danger of a loss of our protection and assistance, they might show more cooperation—without us having continually to ask for such cooperation.

7. Similarly, the mere proposal might tend to change the attitude of the French and perhaps the British, both of whom today we are continually asking to take action or to refrain from action.

8. The mere making of the proposal might serve to offset (although belatedly) the criticism of our government which will probably result from a failure of Berlin currency negotiations in Geneva.

9. A proposal such as that in paragraph two might be considered by the National Security Council. However, I suggest that, in the first instance, it be discussed between you, Acheson, Souers and myself and then possibly with the President.<sup>5</sup>

KENNETH C. ROYALL

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<sup>5</sup> Also attached to the source text was a memorandum from Kennan to Acheson, January 27, not printed, in which the Director of the Policy Planning Staff expressed his view that Royall's basic thought of a *modus vivendi* for Germany deserved careful and sympathetic study. Kennan, however, felt that the idea of asking the Soviet Union to accept the West German arrangements, the idea of four-power collaboration, the idea of free communication and transportation throughout Germany with continued occupation, and the proposal to leave a small force to administer and enforce the occupation statute, were unrealistic in view of the work done by the German planning group in the fall of 1948. (740.00119 Control (Germany)/1-2549)

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740.00119 Control (Germany)/1-2549 : Telegram

*The United States Military Governor for Germany (Clay) to the  
Department of the Army*<sup>1</sup>

TOP SECRET      PRIORITY

BERLIN, January 23, 1949.

CC-7529. Personal from Clay personal for Draper. It looks as if French Military Government has finally succeeded in that apparently

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<sup>1</sup> The source text was sent as an enclosure to a memorandum from Kenneth Royall, Secretary of the Army, to Secretary Acheson, January 25, not printed. In his memorandum Royall noted that Clay's message was another indication of the increasing difficulty which confronted the United States in coordinating its German policy with the British and French, and he suggested a meeting to discuss a consolidated approach to the various problems related to Germany. (740.00119 Control (Germany)/1-2549)

anatomical impossibility of making the tail wag the dog. It has discovered that by protest it can stop the adoption of bizonal economic legislation, appealing if necessary to [*for?*] additional delay for an intergovernmental conference. As a result, legislative progress in the bizonal economic council has almost ended. This is having an appreciable and increasingly adverse effect on morale. In fact, the French are thus able to stop legislation much more effectively now than they could under trizonal fusion in which it has been agreed that a majority voice will be decisive. The British are for the moment unwilling to risk French displeasure and frequently team up with the French. This, I think, has resulted from British opposition to reparations policy recommended by ECA and their desire to have French support to use restriction on industry to reduce competition with British industry. I am afraid that the results are that bizonal German administration is fast becoming a farce.

As you know, the French have protested the bizonal patent law. They have not withdrawn their protest in spite of our expressed willingness to require the implementing regulations to be approved by military government and to discuss such regulation with them before approval. They now demand that this matter be held in abeyance pending an inter-governmental conference on German patents which is to be held in Paris shortly. I have not been advised that our government has consented to such a conference. However, even if it has so consented I do not believe that the approval of the present patent law should be deferred and I would urge that our government approach the British to obtain British agreement to proceeding in the bizonal area on the lines approved by our government. I believe this matter to be urgent. Recently one of our prominent chemical engineers stated in New York that the principal deterrent to German recovery in the chemical industry was lack of patent protection. I feel definitely that the postponement of the patent law will be at the expense of the United States. Moreover, its disapproval will provide ideal fuel for Communist propaganda to show the intent of the Western Allies to exploit and keep possession of Germany's patents and trade processes.

Moreover, the patent law is only one of several issues in the same status. The French have protested approval of the first equalization law as amended to meet the views of our government, and are insisting that we defer approval of this law. In view of the great interest of the trade unions, deferment of this measure will again be interpreted as anti-trade unionism on our part. I have not yet obtained British views as to proceeding without French acquiescence. However, I propose to urge the British to join us in approving the amended law regardless of French protests.

I might add that the French protest is largely on the ground that neither the bizonal economic council, nor in fact any central legislative body, should have the right to legislate and control relief measures.

Also a measure passed recently by the bizonal economic council with strong support from the trade unions provides for collective agreements reached by collective bargaining to be legally binding on the parties concerned. It is most desirable legislation, but again the French have protested its approval for the bizonal area because in their view such a question should be left entirely to the individual states. This is of course carrying federalism to the extreme.

In addition the trade union leaders have called for an early conference to discuss a trizonal federation of trade unions. We have always favored such a federation which has been an accepted fact on a zonal basis in both the US and British zones for many months. A few of the trade unions in the British and American zones have already amalgamated. However, the federation of trade unions has not as yet been placed on a bizonal basis. The French now insist that trade unions should be allowed to federate only at the state level. Obviously there could be no more damaging ruling to the trade unions. I do not propose to accede to the French request. However, the French will deny permission to their zonal labor leaders to attend the conference. It will have to devote itself to the question of federation of trade unions in the bizonal area.

I think you will realize the problem now facing us. The French have found that through appeal and the establishment of inter-governmental conferences they can delay measures necessary to the recovery of Germany. I cannot help but feel that the purpose is to retard German recovery. Since this can only be done at our expense, it seems inconsistent with our overall German problem. I would appreciate your views with respect to these several matters and to the general problem soonest so that I may know how to approach my British opposite in trying to develop a joint course of action. I want you to know that for the moment we have completely lost control of the situation here in Germany and that we shall soon begin to see the effects of this loss of control both politically and economically. It cannot be regained if matters of this type are to be always considered at governmental level in joint conferences because the time lag is too great to permit progress.

I feel very strongly that these tactics are defeating the financial and economic position which we assumed to protect our financial support of all three zones. The French receive material help for the French zone from the bizonal area where we underwrite the deficit and from ECA, and at the same time delay trizonal fusion and insist on no action in bizonal area which is contrary to their views. Frankly, I am beginning to wonder if we are right in supporting all three zones under the cir-

cumstances. I feel certain that we are losing ground politically in Germany and that the purpose of our huge expenditures to support Western Germany is being negated rapidly. I am not at all sure that we should continue financial aid as British and French policies in Germany are made possible only by our financial support. If we withdrew this support, economic necessity would force British and French policies more nearly approaching our own and they could not maintain an occupation in chaos. I cannot over-emphasize the seriousness of the present situation nor the extent to which we have lost control.

[CLAY]

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740.00119 Control (Germany)/1-2849

*Memorandum by Mr. Geoffrey W. Lewis of the Office of  
Occupied Areas*<sup>1</sup>

TOP SECRET

WASHINGTON, January 28, 1949.

Subject: Meeting of Policy Committee on Germany January 28, 1949.

At the meeting this morning George Kennan told us of an earlier NSC meeting today in the White House at which were present Messrs. Acheson, Forrestal, Royall, Hoffman, Harriman, Bissell, Ohly, Kennan, Voorhees and Souers.<sup>2</sup>

Mr. Royall opened by stating that the British and French were wrecking our plans for Germany by their foot dragging tactics. Their method was to get to a certain point in piecemeal negotiations on various subjects at the Military Governors level and then raise the matter at a governmental level, thereby often gaining concessions on a piecemeal basis. He said that the US Government must reach an agreement as a whole with respect to Germany using all forms of pressure open to us, e.g., withholding ECA aid, refusal to come into the Atlantic Pact, refusal to approve the Ruhr Agreement, etc. General Clay reports that as a result of the British and French tactics the US is losing ground in Germany. There is urgent need for a US policy paper to be worked out through the NSC and approved by the President. In this paper we should examine such questions as whether or not we should threaten withdrawal of all aid to the European countries who are opposing our plans in Germany, and as to whether we should threaten to withdraw entirely from the occupation of Germany. There should be an early meeting with the British and French to decide the following questions: Occupation Statute; Trizonal Fusion; German Constitution; Prohibited and Restricted Industries; Reparations; Long-Range Economic Program for Germany; Berlin Currency Situ-

<sup>1</sup> The memorandum was addressed to Saltzman and Wilds.

<sup>2</sup> No other record of this meeting has been found in the Department of State files.

ation; and Ruhr Control Plan. At this meeting we should not hesitate to use all forms of pressure open to us.

Mr. Harriman then said that some time ago he had telegraphed the Department saying he thought the US was asking the impossible of France in requiring individual concessions from her on all the various matters concerning Germany which have come up.

Mr. Acheson agreed with Mr. Harriman and went on to say that he thought it was quite out of the question for us to deal with the French and the British until we can tell them what our long-range policy with respect to Germany will be.

Admiral Souers then proposed the following procedure for handling the question through NSC:

1. There should be a sub-committee of the NSC set up consisting of the Secretaries of Defense, Army and State and the ECA Administrator with the Secretary of State in the Chair.

2. Under this sub-committee should be organized a steering group of representatives of the above men and it was agreed at the meeting that the members would be Messrs. Kennan, Ohly, Voorhees and Bissell with Mr. Kennan in the Chair.

3. The steering group would immediately undertake to work up a statement of our policy, the first draft to be prepared by State within two weeks.

4. Any member of the sub-committee who wishes to have other urgent problems considered by the committee and the steering group can submit a paper making a request to that effect. The subject would be taken up if the sub-committee so decides.

The above procedure was agreed to at the meeting. The Army then said they would wish to bring up the individual questions they had listed above. Mr. Acheson said he thought these questions would have to come up in their proper context and Mr. Kennan made the point very clearly, to which all agreed, that day to day operations would continue and would not be interrupted or held up by the deliberations of the sub-committee of NSC.

Mr. Royall then brought up the question of the US representative on the Ruhr Authority. Mr. Acheson listened to what Mr. Royall had to say but said nothing.

After Mr. Kennan had reported the above there followed a general discussion in his committee as to how we would proceed with the job of formulating a policy paper. In analyzing the reasons for our failure thus far to reach real agreement concerning Germany with the British and the French Mr. Kennan gave as two main reasons: our lack of a long-range policy and the fact that much of the negotiations on these matters had been carried on by Army and Military Government personnel who tended to take too rigid positions, thus failing to make use of the accepted give and take of diplomatic negotiations.

The next meeting is scheduled for Monday at 11:00 A.M.

Mr. Kennan also mentioned that Mr. Draper who is now Acting Secretary of the Army wants urgently to see him (Kennan) this afternoon to talk about the Baden Works Council Law and the question of the US representative on the Ruhr. Mr. Kennan has Mr. Wilds' file on the Ruhr question and will be briefed by Beam on the Works Council question. However, he intends to state flatly to Mr. Draper that he cannot become involved in these individual questions by virtue of his Chairmanship of the new steering group and that these matters will simply have to be handled between the two Departments in the ordinary channels.<sup>3</sup>

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<sup>3</sup> At the meeting with Draper on January 29, Kennan stated that the problems of a United States representative on the Ruhr Authority and the Works Council Law should be taken up through the usual channels. (Memorandum by Kennan, January 29, not printed, 740.00119 Control (Germany) 1-2949)

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740.00119 Control (Germany)/2-449 : Telegram

*The Deputy Director of the Office of European Affairs (Reber) to the  
Secretary of State*

[Extract]

SECRET

PARIS, February 4, 1949—1 p. m.

494. From Reber.<sup>1</sup> At his request I called on Couve de Murville last night for a general discussion concerning Germany which lasted more than one hour. He expressed hope it might be possible some time in relatively near future to arrange at ministerial level for a general discussion of principal outstanding points still at issue between US, UK and France with respect to Germany. Although he recognized it was very difficult at such a meeting to reach decisions involving general policy, consideration must at least be given to policy matters if we are to know where three of us are going. He hoped it might be possible to arrange this meeting concurrently with signature of Atlantic Pact.

In his opinion it would be important for three countries to exchange views whether it is in our interest to maintain division of Germany or whether, if Soviets should lift blockade, we should really work for unified Germany involving general elections, establishment of a central government in Berlin and early withdrawal of occupation forces. His own government had not yet reached any decision in this respect but realized we might all be placed in embarrassing situation if Soviets should make sudden move looking toward this solution.

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<sup>1</sup> Reber was in Paris to discuss the forthcoming negotiations on the Austrian Treaty. For documentation relating to these negotiations, see pp. 1066 ff.

It is over question of political significance of Berlin that he felt many of our difficulties had arisen. In his view Berlin had become political symbol in Germany, symbol of resistance to Communism which we all could applaud, but which at same time presented definite risks insofar as central organization of Germany is concerned. Question to be put to us by Germans at Bonn with respect to acceptance of Berlin as twelfth land raises this issue immediately. He said, as we undoubtedly knew, French Government felt this request should be rejected on grounds that Berlin was separated from and could not be made integral part of West Germany. I pointed out we were giving Germans certain freedom in establishing their own government and if we imposed objections at every turn they would consider our promises in this connection quite unreal and it would be difficult to refuse completely to recognize Western orientation of Berlin which had taken place largely because of our efforts and in our support. Whether it was necessary that Berlin representatives should be entitled to participate on basis of full equality as representing another land was, however, matter for further examination and I had no comments to make on this point.

[In the last two parts of this telegram, which are printed on pages 27-28, and 668-669, Reber reported on the Berlin situation and the French attitude on the London discussions.]

[REBER]

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CFM Files : Lot M-88 : Box 180 : Sub-Committee for Germany, National Security Council

*Paper Prepared by the Chairman of the Steering Group of the National Security Council Sub-Committee on the German Question (Kennan)*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON,] February 7, 1949.

#### PRINCIPLES OF BASIC POLICY CONCERNING GERMANY

Assuming the cooperation of the British and the French, the United States proposes to be guided, in its policy toward Germany, by the following principles:

1. The U.S. Government recognizes that no approach to the German problem can be adequate which deals only with Germany itself and ignores the question of its relationship to other European nations. In the long run it will not be satisfactory merely to restore Germany

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<sup>1</sup> Attached to the source text was a cover sheet from Bradley Patterson, the secretary of the Steering Group, which stated that Kennan's draft was still under discussion. In the series of papers prepared by the German Sub-Committee of the National Security Council, this paper bears the number GNSC D-3.



as a sovereign entity among similar sovereign entities in Europe, even though Germany may be saddled with special obligations concerning demilitarization. Some new relationship must be found between Germany and her European neighbors other than that which prevailed before the recent war. The U.S. Government therefore considers that any promising approach to the problem of Germany's future status must address itself not only to the arrangements which are to be made *within* Germany but also in the conditions which are to govern Germany's relationship to the remainder of the European community.

2. Plainly, Germany cannot be fitted into the European community in a satisfactory manner until there is an adequate framework of general European union into which Germany can be absorbed. The other countries of Europe cannot be expected to cope with the problem of Germany until there is a closer relationship among them than the existing one. If this closer association of the other European countries were not called for by *other* requirements, it would be called for by their common interest in the handling of the German problem, alone.

3. The United States favors a closer association of the nations of Europe on a basis consistent with the Charter of the United Nations, both for general reasons and for its potential usefulness in facilitating a solution of the German problem. As a matter of principle, it will not oppose the movement toward European union, on the contrary, it will support and encourage it where it can. But it considers that form and pace of the movement in this direction are predominantly matters for the Europeans themselves. And while it may have views on various phases of these questions and may wish to state them from time to time, it does not propose to take the lead in their settlement or to bring any strong pressure to bear on European governments in this connection.

4. The United States Government considers that the development of a closer association among the European nations must begin with those nations which are free of foreign domination and at liberty to determine their relationships with their neighbors in the process of free expression of their own national will. It can of course include only such governments as are willing to accept in good faith the purposes and obligations of such association, and to admit to a basic community, rather than conflict, of aims with the other European governments involved. There can be no question of the inclusion of any government which excludes in principle the validity of any political philosophy but its own and accordingly attempts to impose its own on other nations. Within these limits, however, the United States Government hopes that the area of closer integration within the European community may be as wide as possible.

5. With regard to the eventual inclusion of Germany into a system of European states, the United States Government considers that the terms of such inclusion should not, in the final analysis, be unequal ones which would impose unilateral handicaps and restrictions upon Germany. This could easily be reconciled with the security interests of other European powers if the general terms of European union are such as would automatically make it impossible or extremely difficult for any member, not only Germany, to embark on a path of unilateral aggression. However, the U.S. Government recognizes that progress toward this end must be gradual and must be governed by the degree to which the German people themselves take a constructive and co-operative view of their responsibilities as a member of the family of European nations.

6. The U.S. Government considers that the most important single factor governing the integration of Germany into Europe, in addition to the subjective attitude of the German people just mentioned, will probably be the framework and conditions of association offered by the other European governments. It does not believe that the degree of centralization or decentralization achieved in the organization of German political life at the present juncture will necessarily be of major importance in this respect.

7. The United States holds no brief for German centralization as such. It is prepared to permit the Germans to decentralize so far as they wish to do so and so far as it is safe for them to do so, from the standpoint of European stability, at any given time. In principle, it considers that the guiding factors in these decisions should be the extent to which institutional arrangements have real foundation in the psychology and traditions of the German population and can function effectively from the standpoint of the stability of Germany and Western Europe in general.

8. The United States Government is not inclined to bring pressure upon the Germans in the direction of greater decentralization where it is clear that movement in that direction would weaken the capacity of the German people to resist pressures from totalitarian minority elements.

9. The United States Government regards the problem of economic recovery in Germany as part and parcel of the problem of general Western European recovery. It will continue to judge problems of aid to Germany and to other European countries solely from the standpoint of that overall objective. It has no intention of favoring any one country over another or of trying to make recovery more rapid in one country than in another through the allocation of aid. On the other hand, it notes that foreign aid is only a marginal factor in the recovery process, and that the main factor is the will and energy with which the

peoples apply themselves to the task of recovery. The rate of recovery in Germany must therefore rest primarily on the efforts of the Germans themselves. To the extent that they bring about recovery through their own efforts, the United States has no intention of attempting to deny to them the fruits of their effort by attempting to slow down the pace of their recovery. Europe needs production everywhere, and the United States cannot use its influence to delay or hamper the process of recovery.

10. On the other hand, the United States Government is prepared to accept and face the consequences of this attitude from the security of Germany's neighbors. It wishes to see Germany take a worthy and rightful part in the cultural and economic life of the continent. It has no intention of permitting Germany to become again a threat to peace-loving neighbors. Accordingly, it does not propose to accept any arrangement, provisional or permanent, which would permit Germany to re-emerge as a military power in its own right. It therefore does not propose to withdraw its troops from Germany until adequate safeguards have been established against a resurgence of German militarism and until the present tense and insecure situation in Europe has been substantially alleviated.

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*Editorial Note*

On February 14 Kennan sent to the NSC Sub-Committee on the German Question, a copy of the first draft, prepared by himself, of the Report of the Steering Group which the Steering Group had accepted, four main problems were identified:

"1. Long-term U.S. policy toward Germany (including Germany's future role in Europe) ;

2. Policy, in terms of Germany, with relation to that portion which is under Western control (This is the area of the present negotiations with the British and French) ;

3. Policy on the problem of working out Four-Power agreement on a unified Germany ; and

4. The handling of the Berlin situation."

After identifying these problems, the report next considered the line of procedure in dealing with them, and concluded that a Three-Power meeting devoted to the German problem was desirable if not unavoidable. The initiative should come from the United States for such a meeting with the Departments of State and War handling it on an operational basis.

Attached to the report were four draft statements dealing with United States long-term policy toward Germany, problems to be raised at a Three-Power meeting, principles governing common action within

the framework of a split Germany, and an outline of various courses which the Western Powers might follow in the Berlin situation.

A copy of the report is in file 740.00119 Control (Germany)/2-1449. Only two of the four drafts have been identified in the Department of State files and they are printed *infra*.

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CFM Files : Lot M-88 : Box 180 : Sub-Committee for Germany, National Security Council

*Paper Prepared by the Chief of the Division of Central European Affairs (Beam)*<sup>1</sup>

SECRET

[WASHINGTON, February 24, 1949.]

SET OF PRINCIPLES FOR TREATMENT OF WESTERN GERMANY IN EVENT  
IT IS IMPOSSIBLE TO REPAIR THE SPLIT OF GERMANY (Revised)<sup>2</sup>

*General*

1. To press forward with the economic and political rehabilitation of Western Germany so that the latter may serve as a pattern for a free Germany whenever it is possible to re-unify the nation.
2. To press for the closest association of Western Germany, first economically and subsequently politically, with the Western European system and to encourage all steps which will lead to Western Germany's acceptance as a productive and self-respecting member of the Western European community.
3. To bring about the establishment of a financially self-sustaining Western German economy within the framework of the European Recovery Program, which will enable the German people to enjoy a gradually increasing standard of living.
4. While continuing the disarmament and demilitarization of Germany, to treat Western Germany as within the area protected by the North Atlantic Pact under Western auspices.
5. To provide, as far as is possible, for the settlement of those issues which would be dealt with in a peace treaty, so that normal relations may be restored between Western Germany and other countries.
6. In the absence of four-power agreement, to remain in Berlin as long as this suits Western purposes, namely, as long as our commit-

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<sup>1</sup> Attached to the source text was a cover sheet from Bradley Patterson, dated February 24, not printed, which indicated that Beam's paper was numbered GNSC D-4a.

<sup>2</sup> The first draft of this paper (GNSC D-4, February 14, not printed) was approved by Hickerson and Murphy. It was revised to incorporate the suggestions of Jacques J. Reinstein, the Special Assistant to the Assistant Secretary of State for Economic Affairs. Paragraphs 3 and 5 of the General section and paragraphs 7-9 of the Specific section were added to Beam's original paper, and minor drafting changes were effected in the other paragraphs. A copy of GNSC D-4 is in Lot M-88 : Box 180 : Sub-Committee for Germany, National Security Council.

ment to protect the Berlin population continues and as long as Allied occupation of Berlin frustrates Soviet policy.

7. To treat the Eastern area as a lost German territory; to subject it to psychological warfare with a view to encouraging anti-Russian resistance and to inducing the population to look to Western Germany as the image of Germany's future.

*Specific*

1. To proceed as soon as possible with the establishment of a West German government under an occupation statute, the restrictive terms of which will be progressively relaxed in order to limit to an increasing degree Allied interference to the absolute minimum required for reasons of security.

2. To conclude a trizonal fusion agreement which will provide the maximum coordination of Allied policy and action respecting Western Germany and which will enable the U.S. financial contribution to be used in the manner most effective to promote German recovery within the framework of Western European recovery, and to achieve a self-supporting position for all ERP countries at the earliest possible date. [The agreement should provide for U.S. influence in the control of economic affairs commensurate with the U.S. financial contribution to German recovery.]<sup>3</sup>

3. To stabilize the Berlin situation through an emergency economic program for Berlin adapted to the maximum supply by airlift.

4. To establish the Ruhr Authority and influence its activities in a direction which will elicit German cooperation and promote the economic integration of the Western European countries.

5. To complete the reparations program and the settlement of restitution claims as soon as possible.

6. To obtain an agreement on prohibited and restricted industries, pending a peace settlement, which will provide security guarantees which are simple and workable and which will have a minimum impact on the German economy.

7. To establish through the Military Security Board an effective system for enforcing compliance with the security restrictions imposed on Germany.

8. To protect United Nations property in Germany pending the conclusion of a peace settlement and to terminate the present moratorium on foreign investments under conditions which will safeguard German interests.

9. To work out, as far as possible, a final settlement of Allied claims against Germany for application in Western Germany.

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<sup>3</sup> Brackets in the source text.

10. To establish the policy regarding public ownership which will permit decisions by democratically responsible German authorities, whether at the local or national level.

11. To assist democratic German forces to combat a dangerous revival of ultra-nationalist groups, preferably by constructive support of positive policies.

12. To work out with the British and French Governments, and to a suitable extent with the Benelux and other interested governments, precise statements of requirements on matters of continuing Allied concern, with a view to terminating Allied controls reserved under the Occupation Statute except as necessary to enforce these requirements.

13. To maintain readiness for four-power discussions on all of Germany if and when the Soviet Union should demonstrate a willingness to engage in such talks on acceptable conditions. These conditions would include lifting of the Berlin blockade and terms which would offer hope of re-unifying Germany within the framework of a free and peaceful European community.

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740.00119 Control (Germany)/3-849

*Paper Prepared by the Director of the Policy Planning Staff  
(Kennan)*

SECRET

[WASHINGTON,] March 8, 1949.

The following is the situation as I see it with respect to German policy:

1. I am not sure that we as a Government have ever made a firm determination of our view on the long-term future of Germany. Germany has become a problem child in Europe only since it has begun to think in national terms, that is, since it has become a Reich; and it is my own conviction that it will continue to be a problem, and an insoluble one, as long as its affairs are approached on a nationalist basis. There is no solution of the German problem in terms of Germany; there is only a solution in terms of Europe. I think wise Germans have long recognized this. This is a question of the whole orientation of German thought and effort and hope for the future. This realization is not new. Many statements could be cited to bear out this point. I was struck with the following passage which I recently came across in a speech by Prince Max von Baden, then German Reichs Chancellor, given in October 1918.

"... If we cling inwardly to the basis of national egoism which until recently was the dominant power in the life of peoples, then, gentlemen, there will be no reconstruction and no renovation for us. There will remain then a feeling of bitterness which will paralyze us

for generations. But if we once understand that the meaning of this terrible war lies above all in the victory of the idea of the rule of law\* and if we yield ourselves unresistingly to this idea, not with inner reservations but of our own free will, then we will find in it a cure for the wounds of the present and a challenge for our strength in the future. . . .”

2. Germany is now again, as in 1918, at a parting of the ways. Although the Germans are by and large a sick people from whom no political impulses emerge in any clear and healthy form, there is already noticeable a distinct cleavage in Germany between those who are beginning to think of Germany's future in terms of the old defiant nationalism and those who are dimly aware that there are no real answers along those lines and that Germans must come to regard themselves as Europeans, and not just Germans, if they are to achieve any stability of life on their own territory and if they are to continue a constructive development of their own culture and civilization.

3. As between these two groups, the former is probably already by far the more numerous, and if German opinion is forced to crystalize at this time, there can be little doubt that the crystalization will be along nationalist lines. Local elections, and many other manifestations, point in this direction.

4. For us to proceed with the Western German arrangements, as they are now envisaged, will undoubtedly bring about such a crystalization. OIR Report No. 4676 of August 16, 1948<sup>1</sup> contained the following statements on this point:

“ . . . The organization of the western German state will probably aggravate the political conflicts among the German parties. It is unlikely that the western currency reform will be followed by an equalization of the war-damage burden which would satisfy the desires of the millions of bombed-out and refugee citizens. The resultant discontent, in turn, will accelerate the trend toward the polarization of German political life into an extremely nationalist and authoritarian Right and a numerically weaker democratic Left. . . .”

The force of logic supports this conclusion. A Western German Government bearing an electoral relationship to the populace will naturally serve as a magnet and channel of expression for nationalist sentiment. Such a Government will have to function against the background of a number of irritating restrictions and handicaps. Prominent among these will be the division of the country between East and West, the large area of power being retained by the Western Military Governors, the internationalization of the Ruhr, the dismantlings,

\*“*Rechtsidee*” in the original. By this, Baden indicated that he meant international association with other powers within a framework of law. [Footnote in the source text.]

<sup>1</sup> Not printed.

and the restrictions and prohibitions on industry. The converse of this picture will be a wide-spread apathy toward Western political programs and efforts toward democratization and reform.† In other words, there will be indifference to Western desiderata but an enthusiasm for German desiderata largely opposed to Western purposes.

Operating against this background, it is clear that the premiums of political success will lie in overcoming the handicaps placed on Germany by outside intervention. Just as in the early 30's one of Hitler's most effective boasts was that he alone could free Germany from the strictures of Versailles, so today, given the establishment of a Western German Government, the successful political figure will probably be he who can demonstrate with most plausibility that he has chances for overcoming the division of Germany and achieving the removal or relaxation of the new restrictions which have been placed on German national power.

This means that not only will a German Western Government become the spokesman of a resentful and defiant nationalism, but much of the edge of this resentment will inevitably be turned against the Western governments themselves, particularly in view of the large area of power which they are reserving to themselves under the contemplated arrangements. Worse than that, the dominant force in Germany will become one oriented not to the integration of Germany into Europe but to the re-emergence of that unilateral German strength which has proven so impossible for Western Europe to digest in the past. Finally, it will thrust the German politicians into a position where they are almost compelled to negotiate with the Russians behind our backs for the return of the Eastern provinces; and the Russians will not be slow to exploit the possibilities this offers. A Western German Government set up in present circumstances will thus be neither friendly nor frank nor trustworthy from the standpoint of the Western occupiers.

Nor is it proven that the Germans themselves really want this solution. Our intelligence analyses tells us that "German political and industrial leaders . . . are not eager for the establishment of a western German government by the Allies unless it be endowed with almost plenary powers".‡ The subsequent work of the Bonn Assembly cannot, I think, be taken to controvert this judgment.

5. If the question of Germany's political future could be held open for a further period, the French—and at least some of the Germans—believe that there might be a possibility of a development of German

†"In general, Germans are apathetic toward political programs favored by the western powers and western-power efforts to democratize the populace and liberalize the old educational system. . . ." *Political Trends in Western Germany*, CIA, July 22, 1948. [Footnote in the source text.]

‡*Political Trends in Western Germany*, CIA, July 22, 1948. [Footnote in the source text.]



feeling in the other direction. They point out that the present is a moment of extreme flux and uncertainty in German political thinking, and that many of the younger people whose indoctrination in Naziism was less intensive and less lasting than in the case of their elders are showing a certain receptivity to what might be called "the European idea" as an alternative to German nationalism. I am unable to judge the basis for this belief; but if there is anything in it, it is a factor which deserves most careful attention.

6. The present concept of the Western German arrangements has the further disadvantage that it leaves to the three allied governments reserve powers so complicated and extensive that they are not apt to be able to agree on how they should be exercised. The mere attempt to come to an advance understanding on this point has already proved too heavy a strain for the normal negotiating levels and discussions on a higher governmental level will presumably soon have to be held to get us over this stage. But this is only the beginning. Whatever agreements may be reached at this time cannot be expected to alleviate further strain in the future, under the arrangements now in contemplation. The three governments have different positions and interests with respect to Germany, and whatever they may be brought to agree to today in the way of verbiage, these divergent interests are going to continue to come to the fore and make themselves felt in a hundred ways as long as the three governments try to exercise these reserve powers in common. Government by coalition is scarcely less impossible a task among friends than among enemies, unless all but one of the coalition are willing to take a back seat and participate only *pro forma*. This might go for the British; but I do not think we can expect it to go for the French, whose security is too intimately bound up with the problem of Germany to admit of any unquestioning reliance on the wisdom of the United States in German affairs. And our difficulties in this respect will probably only be the greater, in the future, if we now apply ulterior pressures to force the French to agree to some arrangements in principle which they dislike and distrust.

7. The third disadvantage of the arrangements now in contemplation is that the establishment of a German government will reduce greatly the area of flexibility which we will enjoy in our efforts to solve the Berlin situation. The possibility of a deal on currency holds no promise of a solution which would protect the Western Berliners from Soviet control. At best it could represent for us a relatively fuzzy and easy way of abandoning Western Berlin to the Russians. But actually, I doubt that it even holds this much promise. Stalin's omission of this point from his recent propaganda move was significant;<sup>2</sup> and I doubt

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<sup>2</sup> Regarding Stalin's reply to questions submitted by Kingsbury Smith, January 30, 1949, see editorial note, p. 666.

whether this is today a matter of major interest for the Russians. I would hazard the guess that even if we were to show a readiness to accept the neutral plan,<sup>3</sup> we would find the Russians raising many last minute demands and obstacles.

This being the case, the only possibility for getting the blockade broken, aside from a Soviet capitulation so spectacular and humiliating as to be almost unthinkable, would seem to lie in the retention of our freedom of action about Western Germany. Yet once the Western German Government has been established, this freedom of action, as Ambassador Douglas has pointed out, will be gone.

8. In the light of the above, it would seem, at first glance, that either of two opposing alternative courses would seem to be preferable to the middle ground we are now treading. Either we could postpone the implementation of the Western German arrangements, thus gaining the advantages suggested above, and giving no power at all to a Western German Government as such; or we could decide to give a considerably greater area of power to the Germans than is envisaged in the present occupation statute, thus narrowing the area of potential difficulty and friction between the Western allies and the Germans, and also reducing materially the area in which the Western allies themselves will have to agree currently among themselves.

The disadvantages of these two courses are of course as clear as the advantages. The first would leave the Bonn Assembly up in the air and would give, to some extent, an impression of vacillation and indecision on the part of the Western powers. The second would be giving German nationalism its head, although directing it rather to the east than to the west. It might well mean the final ruin of the chances for a constructive integration of the Germans into the life of Western Europe. It would still leave us with a bitter problem in Berlin, and it would increase the tendency on the part of the Germans to deal over our heads with the Russians about the recovery of the Eastern zone.

9. It has occurred to some of us in the Planning Staff, however, that we might conceivably be able to combine these two seemingly opposed courses into a single course which would be more advantageous than either of them or than the course we are now pursuing. This would be by changing the concept of a Western German Government for the time being to that of a provisional Western German administration, while retaining for the occupying powers full sovereign power in theory in Western Germany, along the lines of the arrangement now existing with respect to Austria. This would mean that the German

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<sup>3</sup> For the text of the United Nations Technical Committee Preliminary Report on Berlin Currency and Trade, December 22, 1948, see Department of State *Documents and State Papers*, May 1949, pp. 763-771 or *Germany 1947-1949*, pp. 245-256.

administration would actually run a considerably wider area of German affairs than that envisaged for the Western German Government under the present arrangements, but that final and unlimited power would continue to lie with the Military Governors. The latter would be able to exert that power in positive actions requiring unanimity among the three. Where they did not exert it, the Germans would be free to act. This would mean that the Germans would be able, in almost all matters except those involving military security and the Ruhr controls, to do anything they were not told not to do by the three powers acting in unanimous agreement. §

One of the first objections which will probably be raised to this plan will be that it would be impossible for the United States Government to control German economic life and to assure full and effective utilization of ECA and GARIOA funds. The answer to this objection is that the present suggestion would place this responsibility squarely on the Germans themselves, and not on us, and that the discipline intrinsic in the ERP arrangements would have to be brought to bear on the provisional German administration just as it is brought to bear on the other ERP countries. If, in other words, the Germans failed to make headway with the administration of their own economy, ERP funds would have to be reduced accordingly and the provisional German administration left to account to the German population for the resulting deficiency.

This arrangement, it should be noted, would satisfy the strong desire of the ECA for someone with whom it can deal in German matters other than people across the street from its own headquarters in Washington.

10. Hand in hand with this arrangement should go a complete relaxation of United States pressure toward centralization in Germany. We would let the Germans struggle with this problem themselves, leaving it to the discipline of the ERP arrangements to assure that they do not decentralize to the point of economic chaos and ineffectiveness. If this were done, we would thereby have removed ourselves from the line of fire on the centralization issue, and the package should be considerably easier to sell to the French.

11. This is, of course, only a very rough suggestion of a direction which might be followed, and it would demand the most careful and detailed study before it could be made the basis of a United States position in the forthcoming talks. A preliminary paper spelling out the suggestion in greater detail, and listing certain of its apparent

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§ This was the principle underlying Program A, which was drawn up on the theory that only the action, not the inaction, of the Allied Control Powers should be permitted to inhibit the process of government. [Footnote in the source text. Program A (A Program for Germany), November 12, 1948, is printed in *Foreign Relations*, 1948, vol. II, p. 1325.]

advantages, is attached;<sup>4</sup> but a much more careful analysis would of course be in order before we could work it into a position paper.

I believe, however, that the idea might be worth examination in the Steering Group of the NSC during my absence.<sup>5</sup> It might provide at least a useful tactical alternative, in discussion with the French and British, to acceptance of our present program.

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<sup>4</sup> Not found in Department of State files.

<sup>5</sup> Kennan was leaving for Germany on March 10.

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740.00119 Control (Germany)/3-949

*Memorandum of Conversation, by the Acting Director of the Office of German and Austrian Affairs (Murphy)*

SECRET

[WASHINGTON,] March 9, 1949.

Participants: The Secretary  
The Under Secretary  
Assistant Secretary Dean Rusk  
Mr. Murphy  
Mr. Kennan

Mr. Kennan opened the conversation by reviewing briefly the policy paper regarding Germany, dated March 8th.<sup>1</sup> He referred also to the conversation in the Policy Group of the same date, stating that he deferred to the opinions expressed by those directly concerned with operations in Germany to the effect that it was too late for the U.S. to change its position regarding the establishment of a Western German government. He still felt that there is merit in the recommendation he offered for the creation of a provisional German administration in lieu of a formal governmental structure.

The Secretary said that he was sorry to hear Mr. Kennan say this because he had been almost persuaded by the cogency of Mr. Kennan's argument, except that he did not quite follow the conclusion arrived at or understand how the proposed solution would work. The Secretary indicated that he did not understand either how we ever arrived at the decision to see established a Western German government or State. He wondered whether this had not rather been the brainchild of General Clay and not a governmental decision. Mr. Murphy reviewed the developments leading to the London Agreement of June 1, 1948,<sup>2</sup> suggesting that it was necessary to recapture the atmosphere resulting from the breakdown of the efforts made in the Council of Foreign Ministers to achieve Four-Power Agreement. He pointed out that the London Agreement, which was negotiated over a period of

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<sup>1</sup> *Supra.*

<sup>2</sup> For the text of the Report of the London Conference on Germany, June 1, 1948, see *Foreign Relations*, 1948, vol. II, p. 191.

three months in the spring of 1948, provided the decision to authorize the Germans to establish a proper German government reserving certain powers in the form of the Occupation Statute. In his opinion, this was definitely a governmental decision and not one made locally by an Army commander. He had understood that this met with General Marshall's full concurrence.

The Secretary said that in exploring the German question, it occurred to him that conceivably the President might ask what we would do if the Soviet Union indicated a desire to lift the blockade and to discuss the German problem, providing the establishment of the Western German government would be deferred. Could we then enter into discussions regarding Germany with any hope of success, and if so what would be the subjects we would discuss.

Mr. Murphy referred to the history of our negotiations on a Four-Power basis including the decisions arrived at at Potsdam, mentioning the issues of German economic unity, the operation of political parties on a democratic basis, free trades unions, eventual troop withdrawal, and a peace settlement.

The Secretary expressed concern regarding the prolonged period of tension at Berlin and our desire to find a solution.

There was a brief discussion of Mr. Kennan's forthcoming trip to Germany. The Secretary indicated that he wished to defer decision on German policy until after Mr. Kennan's return and report.

Mr. Murphy asked for the Secretary's view regarding the suggested Three-Power conference on German problems pointing out that the presence in Washington about April 4th, incident to the North Atlantic Pact, of Messrs. Bevin and Schuman would undoubtedly provide an excellent opportunity for private and informal discussions of features of the German problem. He thought that a full-dress Three-Power conference would hardly be necessary under the circumstances as we seem to be making substantial progress in the current London discussions of the occupation statutes and the principles of trizonal fusion.<sup>3</sup> Other conversations are in the course regarding the Humphrey Committee Report on reparations and prohibited and restricted industries.<sup>4</sup> If these turn out satisfactory, there will hardly be sufficient material to justify a full-dress Three Power conference. With this the Secretary seemed to agree, saying that he offhand saw no reason for such a formal meeting. The Secretary indicated that there should be some preparatory work done so that when the time came he would know what definitive positions to take. Presumably there would also

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<sup>3</sup> For documentation on the negotiations on the occupation statute and principles of the trizonal fusion, see pp. 1 ff.

<sup>4</sup> For documentation relating to the negotiations concerning the Humphrey Committee Report and prohibited and restricted industries, see pp. 546 ff.

be discussions on a lower echelon if the British and French representatives came to Washington.

It was also understood that Mr. Kennan would withdraw from the Steering Committee of the National Security Council and that this activity would be undertaken by Mr. Murphy.

Mr. Webb brought up the matter of the relationship between State and Army and expressed a desire to leave no stone unturned to achieve complete harmony between the Department in respect to German occupational problems. The Secretary indicated in that connection that he was not interested immediately in an arrangement for direct communication to the U.S. Military Governor in Germany until he has firmly decided the policy line which he will recommend to the President. At that time he said that he would go to the President for authorization to communicate directly with the Military Governor on policy matters. There was a short discussion of the eventual successor to General Clay. Mr. Webb indicated in that connection some reservations regarding the desirability of the appointment of General Clark rather than some other general officer. He said he had discussed this matter with Secretary Royall.

As a result of this conversation it was understood that:

1. Kennan is to bring back up-to-date information and his personal appraisal of the present situation to form the basis for long-range policy. Since it does appear that we have probably moved so far with the program for the establishment of a Western German government that it is not possible to now consider a provisional German administration in lieu thereof, the basic ideas incorporated in the Kennan policy paper regarding Germany, dated March 8, should be considered in connection with the formation of a Western German government. Kennan will explore the possibility of so handling the Western German government as to orient it toward a European point of view rather than a nationalistic point of view.

2. Mr. Murphy is to replace Mr. Kennan on the Steering Committee of the NSC and in that capacity, as well as his capacity as head of the Office of German and Austrian Affairs, is to have authority and responsibility to settle the immediate operating problems. Questions relating to the transfer of the U. S. Military Government to the responsibility of the State Department would be deferred for the time being. He is to address himself to those problems requiring inter-governmental conferences for solution and will prepare as rapidly as possible material including a tentative agenda which will be useful to the Secretary when he meets with the Foreign Ministers in Washington about April 4. He is to drive ahead toward the establishment of a departmental position on all matters regarding Germany which might be discussed by the Ministers or on the technical level.

3. Mr. Murphy is also to do the preparatory work to determine what we would wish to accomplish at a Council of Foreign Ministers' meeting should one be called in connection with the German problem. Also, he is to prepare an estimate of the Russian position as it might eventuate at such a meeting.

4. In the background of the above work must be ever present the Secretary's desire to find some way to seek a real solution of the Berlin situation, if possible.

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*Editorial Note*

At the Secretary's daily meeting on March 16 the question of a Three-Power meeting on Germany was discussed. Under Secretary Webb suggested that Secretary Acheson discuss Germany with the two Foreign Ministers incident to their visit to the United States to sign the North Atlantic Pact at the end of March. Secretary Acheson agreed with this suggestion. (Summary of Daily Meeting with the Secretary: 740.00119 Control (Germany)/3-1649)

In subsequent conversations with representatives from the British and French Embassies, Murphy suggested this procedure, to which they agreed after consulting their governments. Documentation relating to these conversations is in file 740.00119 Control (Germany)/3-1649 ff.

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Department of Defense Files

*Record of Teletype Conference Between Washington and Berlin*<sup>1</sup>

TOP SECRET EYES ONLY

WASHINGTON, March 17, 1949—5:25 p. m.

FOR CLAY AND WILKINSON

BERLIN, March 17, 1949.

TT2012

Present: *Washington*

Mr. Tracy S. Voorhees, Asst Sec Army

Mr. G. H. Dorr, Former Spec Asst to Sec Stimson, acting as Special Counsel to Asst Sec Army for three power discussions on Germany

Mr. H. F. Sheets, OAS

Col. R. M. Cheseldine, OAS

Lt. Col. C. B. Smith, CAD

*Berlin*

General L. D. Clay, CINCEUR

Mr. L. Wilkinson, Econ Adviser

Subject: PRI and Reparation and reference London cables repeated to Berlin 154, and 155,<sup>2</sup> 16 March both from Douglas and State's reply to Douglas repeated Berlin as 321 on 16 March.<sup>3</sup>

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<sup>1</sup> In the source text in the Department of Defense files all the transmissions from Berlin, bearing the indicator CINCEUR, came before the transmissions from Washington, indicated by DA. This transcript has been rearranged to place the various transmissions in the order in which they most likely occurred.

<sup>2</sup> Same as telegrams 993 and 994, March 16, p. 567 and 569.

<sup>3</sup> Not printed.

## [FROM BERLIN]

CINCEUR 1—For Mr. Voorhees from General Clay. For your background only and not for distribution in present form.

I am becoming more and more disturbed over the negotiations in London with respect to occupation statute and trizonal fusion. We have been through so many changes that it has been almost impossible to follow the deliberations. However, I am quite sure that we are fast arriving at an occupation statute and method of voting controls which will prove completely impracticable in operation. If, in fact, we secured the same type of French cooperation that has existed between United States and United Kingdom representatives, it might be workable. However, our complete historical record indicates that obstructionist tactics are the aim of the French representatives and, if such continues to be the case, it will be virtually impossible to administer Germany. At present, tripartite meetings of Military Governors are a duplicate of quadripartite meetings with Koenig taking the place of Sokolovsky. Robertson and I are able to consider and agree on an agenda of 16 or 17 items in a couple of hours. When we meet with the French, we will spend all morning discussing an agenda of three or four items and seldom reach agreement on any, even though Robertson and I quickly reconcile our views and offer compromises. In the meantime, the situation in Germany is deteriorating; the desire of the Germans for the constitution<sup>4</sup> is becoming noticeably lukewarm. The People's Congress meets in Berlin tomorrow and its representatives for some time have been making overtures to West Germans.<sup>5</sup> It is difficult to expect West Germans to move ahead vigorously when the three governments which have authorized their constitution appear hopelessly deadlocked.

I am inclined to believe that in spite of the delays which it may occasion to the basic law and to formation of West German government that our only hope now of getting proper solution is to start over with a clean slate. I would urge prompt consideration be given to cancelling the London negotiations with a view to reviewing the entire original London agreement on political structure in its proper relationship to other German matters at a top level conference which by all means should be held in Washington. Truly, we are so mixed up now that it is going to seem a travesty on government to give the Germans for trizonal government something less than the Germans in the Bizonal area now have. It will be difficult to meet the popular appeal of the constitution which will most likely be proposed by the People's Congress.

<sup>4</sup> For documentation relating to the drafting of the West German Constitution, see pp. 187 ff.

<sup>5</sup> For documentation relating to the meetings of the third German People's Congress, see telegram 858, May 30, p. 518.



Unfortunately, it also looks as if we are going to have to announce West boundary changes<sup>6</sup> and perhaps the prohibitions and restrictions on industry in the period in which the constitution is either being prepared or is being considered by the German people. While I recognize the necessity for these actions, they will make it difficult to obtain German enthusiasm for a Western Government encouraged constitution which promises democracy at the same time the Western powers say we do not trust you to make this government democratic so we are modifying your boundaries and prohibiting and restricting your industrial capacities. The timing is bad.

It seems to me that we are making major decisions during a period in which we say we are re-examining our German policy and yet these major decisions really make it impossible to re-examine German policy. I believe this re-examination of policy and a clear establishment of our objectives is probably desirable before we have committed ourselves in the matters now under negotiation. After all there are 45 million Germans and we are spending a great sum of money not only for humane reasons but also because we do not wish them to live under economic conditions which will insure their orientation toward the East. However, in neither timing nor in public announcements do we take into consideration that these 45 million Germans may be human beings who love their country. Hence, it seems to me we might well, in starting with a clean slate, be able to direct our efforts to minimize the reactions from the punitive measures which we must take in the interests of security and to maximize the economic aid which we wish to extend to a stabilized and responsible German government. In point of fact, I have great fear of German reaction in the face of occupation statute and the voting methods by which the Military Governors exercise control. The Germans know the effect of veto and would accept a severe occupation statute with majority vote with less misgivings than a better occupation statute requiring unanimous agreement or permitting lengthy appeals to governments. I am quite sure that unless there is a complete change of French administration personnel, we can expect any and every right of appeal will be taken with a deliberate purpose of delaying action and making the working of the German government difficult, if not impossible, thus proving that such a government is not desirable and that separate German states should be created. I assure you this is not fancied thinking on my part.

(*End CINCEUR 1*)

[FROM WASHINGTON]

DA 1—1. Re PRI and Reparations and to phone talk of Murphy with Douglas last week in which Douglas requested and urged that he

<sup>6</sup> For documentation on the changes in the western boundary of Germany, see pp. 436 ff.

be authorized to confer with Bevin and Schuman this week on PRI and Reparation and indicated optimism concerning possibilities of progress.<sup>7</sup>

2. As you know Murphy wanted to approve this and I acquiesced reluctantly only because I could not justify obstructing State in method of negotiation which a senior Ambassador recommended as probably fruitful. Accordingly, Douglas' instructions were limited to negotiations lasting about five days, under our arrangement with Murphy that if agreement not reached then matters would be transferred back here to proposed three-power conversations at time of Atlantic pact.

3. Yesterday, Acheson apparently agreed—we believe with some hesitation—to recommendation of Murphy and others for three-power conversations here concerning German problems immediately preceding signing Atlantic pact. These recommendations were made to Acheson following very strong pressure in our Steering group from me and from Bissell of ECA. Our position was that since State was leaving Army with responsibility for Germany and since Steering group had recommended almost three weeks ago a three-power conference on these subjects which State then agreed to, and since the President and Cabinet had approved Royall's letter of January 10<sup>8</sup> for packaging negotiations, it was up to State to go ahead vigorously with such negotiations or else take over promptly entire German responsibility.

4. I have feeling that our difficulty here has been that Acheson himself has naturally given highest priority of attention to Atlantic pact and has therefore not had time for these other questions; also that since State does not have operating responsibility for Germany as we have, and for Economic recovery of Germany as ECA has, Acheson has not felt the same acute need which we and ECA feel for really satisfactory settlement of these problems on basis consistent with making Germany self-supporting. It is very different for ECA and for us, who face hostile examination of these decisions very soon when we seek our appropriations, than it is for State which seeks itself no appropriations for Germany, and is, therefore, not similarly required to justify policies which may increase load on U.S.

5. Bissell and I, supported strongly by Blum of Forrestal's office, have insisted vigorously that Steering group of NSC committee must perform vital function and cannot be bypassed or partially ignored by State as tendency has been to do in recent weeks. Bissell, Blum and I are insisting strongly that there be a really vigorous all-out negotiation of all these questions effective [*affecting*] Germany at time of At-

<sup>7</sup> No record of this conversation has been found in the Department of State files.

<sup>8</sup> Not printed.

lantic pact's signing, but we feel State very lukewarm about this method of procedure and reluctant to press anywhere near as vigorously as we consider necessary if we are to be left with tolerable position in our German responsibilities. I am also greatly influenced in taking this strong position by your reports that differences between the three powers about setting up German government and other matters that are providing effective material for Communist undermining of German will to form government, and therefore constitute seriously prejudicial psychological factors. I note with interest that Drew Middleton's byline articles in *New York Times* last [week?] and again today based on conversations with the German *Laender* and others state position very much like yours on above question.

6. Against above background, I find today Douglas' cables repeated to you as 154 and 155 and further learn that State made interim reply repeated to USPolAd as 321 which indicates inclination toward approval. Further I find that State desires meeting this afternoon and am told that, except for five-year duration which it wants to reduce, in fact is inclining strongly toward accepting Douglas' proposal, and authorizing him to go to Paris to see Schuman to button it up.

[At this point in the source text Voorhees interrupted the transmission of DA 1 to transmit DA 2, reporting the receipt of another telegram from London on the PRI negotiations. Regarding this telegram see footnote 5 to telegram 994, page 569.]

7. I request full and frank expression of your views as to position I should take, remembering that my familiarity with merits of these individual questions, their effect on German economic recovery, and on psychological factors affecting formation of German government, very inadequate, and that I wish to be very largely guided by your advice. Without any modification of such statement I do feel generally that we cannot let State soften up in manner which leaves us holding responsibility in Germany, under agreements more or less forced on us by State which would make our task difficult, and would further prejudice us in obtaining appropriations.

8. Five-year duration of agreement and various other provisions look to me like such extensive surrender to French as perhaps to cause not only economic but also psychological repercussions in Germany and in our Congress.

9. Another point I do not fully understand but am concerned about is extent to which matters of substance would be left under Douglas Plan for decision to Military Security Board. An important illustration would be machine tools. My understanding is that such Board would vote by majority, which would mean that British and French could refuse licenses by Security Board and so cause damage to German recovery, the extent of which we could hardly estimate now.

It would seem to me that such Security Board ought to be given more specific instructions so that its carrying them out would be largely a matter of good faith action rather than to have Board left with these very broad discretionary powers. Latter would seem to me to constitute a surrender of U.S. control over considerable areas. In this connection I note that proposed Trizonal Agreement relative to U.S. predominant voice has express exception for matters covered by other specific agreements. Accordingly, Security Board action would appear to me to override your predominant voice, and perhaps nullify it on many matters if British and French should gang up on us in use of licensing procedure under Security Board. Further in Douglas' cable I see that ship building is likely to be hamstrung by tying down to 6000 ton ships or leaving size, etc., to "technical" experts which might be the same thing. Such size limit would obviously be so uneconomical that the ships could not be competitive. Our Navy sees no real security implication in larger freighters.

10. If an agreement like this should be explained to the Appropriations Committees, as it would probably have to be, I fear that we would have rough sailing on the appropriation sea.

11. Furthermore, to my benighted mind the business of having Douglas trot over to Paris to ask Mr. Schuman to agree to something like this, thereby indicating that we are very anxious to get such agreement makes very little appeal to me as compared with terminating the discussions in London upon basis that agreed duration of them has expired, and that we propose to take them up as previously planned in package with many other matters at time foreign ministers are here.

12. The above comments are merely to place before you for consideration such ideas as I have here for purpose of obtaining your detailed comments, as I am not certain that I am right on many of them.

13. I am not going to get pushed by State into rush action on these matters, and am glad to find that ECA is inclined to feel somewhat as we do. If you prefer to defer comment therefore, please do so and I will act accordingly.

14. Above is of course exclusively for your and Larry's [Wilkinson] attention to formulate Army position, and not for distribution to USPolAd or Kennan.

*(End DA 1)*

[FROM BERLIN]

CINCEUR 2—Reur DA 1. I am surprised at Murphy's views which seem to have changed materially since he left here as he then favored most strongly overall one package solution. I think that placing licensing in MSB does exactly what you fear. Positive action as issuance of license would require majority report. Moreover, five year limit is much less flexible than period of occupation unless otherwise agreed.

Further my concessions here were made on unlimited ship building and on retention of synthetic rubber and oil except for final processing plants.

I think my CINCEUR 1 really answers your DA 1.

In spite of yours and Murphy's assurance we are trading PRI against reparations. If we do give on PRI it should be for political concessions.

Kennan who sat in tripartite meeting said tripartite administration would never go and felt we should make Bizonia a government.

Crook called today and feels we are getting nowhere.

I think we should refuse to accept Douglas views, stop all negotiations now going on, and start with clean slate really on governmental level.

(End CINCEUR 2)

[FROM WASHINGTON]

DA 3—Can we use substance of CINCEUR 1 without verbatim quotation? It would be helpful with ECA and State. I see no reason for not stating this frankly as being substantially your present view.

However, I would in fact be hesitant to wipe slate clean and start over except as absolutely last resort.

I also do not understand reconciliation between your present view and that stated in our telecon about three weeks ago Sunday<sup>9</sup> when I understood you emphasized need to go ahead. Since then we have made no important concessions on occupation statute or trizonal agreement.

I concur in your view that we could not go along on any arrangement requiring unanimous action by Military Governors but we don't intend to. If we could get State really lay it on the line with British and French at coming meeting here and use our real negotiating power I can't see why the most serious difficulties you mention could not be in substantial degree surmounted. Further you speak of a considered policy on Germany. We have a draft of such policy statement which we will send you soon for comment and which would be foundation for proposed negotiations with British and French here and also to explain our position to Germans.<sup>10</sup> No delay on this account seems to me to be necessary.

I should think that question of wiping slate clean should be deferred until after meeting here shows what real French attitude will be when all these matters are put together.

<sup>9</sup> No record of this telecon was found in the Department of State files.

<sup>10</sup> Presumably Voorhees was referring to a draft policy paper on Germany which was revised and considered by the Steering Group at the end of March. Regarding this draft, see footnote 1 to the paper prepared by Murphy, March 23, p. 118.

[FROM BERLIN]

CINCEUR 3—I strongly oppose Douglas' appeal to Schuman. What are we, Tracy, men or mice? Are we financing a Germany to be the prey of Tom, Dick, and Harry or because we want our influence felt in proportion to our *aid*. We hold the trump cards which need to be played but are holding them to the end where their value will be just one trick in the trump suit. If that is our German policy, then frankly we should recommend to Congress as far as Army is concerned—no funds.

[FROM WASHINGTON]

DA 4—It seems from the Douglas cable just received (Berlin 157) considered with his two prior cables as though he had gone far beyond the terms of reference given to him when we agreed, reluctantly, to permit him to discuss PRI in connection with Humphrey Report. He was told then that he had only the negotiating position previously given to you and we did not expect any results beyond a further clarification of UK and French positions. His last cable seems to indicate that he has offered positions which we should now oppose. Do you agree?

(End DA 4)

DA 5—Re your CINCEUR 2, Bob<sup>11</sup> is experiencing effects of change of climate and pressure from his staff below and I assume from his chief above.

He is apparently trying to get along with them, rather than standing up strongly for his own views.

[FROM BERLIN]

CINCEUR 4—My reasons for speed on occupation statute are no longer valid. British politicking with SPD and French with CDU have put parliamentary council in a tailspin and prompt action there is not promising now. Your one-package discussion is only hope for decent solution.

CINCEUR 5—To sum up: In my opinion in accomplishing our present objectives re Germany, re European recovery, re communism, we are heading for disaster by piecemeal solutions which compromise our objectives.

We should either change objectives or force agreements which will accomplish them.

This requires full use of all our tools to develop tripartite agreement in our objectives and accomplishment thereof to justify our expenditures. It must be done now once for all or we are throwing money away. If it cannot be done, then we should cease financing a losing venture.

(End CINCEUR 5)

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<sup>11</sup> The reference is to Robert Murphy.

[In CINCEUR 6 and 7 Clay gave his regards to Dorr and Sheets and commented on the latest proposals concerning the prohibited and restricted industries.]

CINCEUR 8—Reur DA 3. It is because of my previous recommendation that I sent CINCEUR 1 for you only. I have no objection to your use of it with your discretion. I know I have changed my view which I think is explained in CINCEUR 4. To that, I would add French obstructionist tactics and internal deals with Germans are increasing. I hoped speed in setting up German government would offset other concessions. Holmes' unwillingness to read our understanding of predominant voice particularly upsetting for if it is not so read and accepted, we should not close out.

CINCEUR 9—For you only reur DA 4. Lew<sup>12</sup> is a grand person but he likes to be liked and is always eager beaver to reach agreement in which everyone is happy.

(End CINCEUR 9)

CINCEUR 10—Perhaps starting with clean slate is extreme and may prove unnecessary but I think we should enter into top level conference prepared to do so unless we can get reasonable agreements which make possible accomplishment of objectives.

[FROM WASHINGTON]

DA 5—Your messages not coming through clearly. Since it is so late for you suggest you leave and let staff send your comments later either by telecon if this proves possible or if not by Eyes Only cable to reach us tomorrow morning.

I can make out enough of your replies to find substantial encouragement from fact that we are in general agreement on immediate course to follow.

Many thanks to you both and every good wish.

DA 7—Thanks for clear statements. Nothing further here.

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<sup>12</sup> The reference is to Lewis Douglas.

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George F. Kennan Papers : lf : pp. 31-32

*Notes by the Director of the Policy Planning Staff (Kennan) on a Trip to Germany*

[FRANKFURT, March 21, 1949.]

[Extract]<sup>1</sup>

" . . . He was obviously speaking under instructions, and afraid he might not get it all off his chest.

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<sup>1</sup> This is from a conversation with François-Poncet.

He had been sent to Germany (where he had spent many years before the war) to have a look around and see whether better solutions could not be found than the ones we had been pursuing. It was time, he had concluded, that the military approach gave way to the process of diplomacy and accommodation.

He would not go into personalities—it was not a question of personalities—but the time had passed when generals could solve these matters. This business of Military Government had exhausted its usefulness. It was a terrible thing: irritating and discouraging for the vanquished, corrupting and demoralizing for the victors. For those who participated on the Allied side, it was a schooling in totalitarian practices and administration. It was all right for the immediate tasks of the post-hostilities period: but it was incapable of leading the way to the liquidation of the war and to the tasks of psychological adjustments and reconstruction. The occupation statute one was laboriously grinding out in London was over-complicated, impractical and politically deadening. Mr. Schuman, who knew Germany from the old days, had no enthusiasm for continuing on this line. He felt that the time had come for a sweeping and forward-looking solution to these problems which would give not only hope and inspiration to German political life, but also respite to the Allies from their own wearisome internal differences. He would propose that Military Government be abolished altogether, and that in its place there be the following: each of the three governments would have a civilian commissioner, each with a small staff of advisers, whose task it would be to control the actions of the German authority. Parallel civilian establishments would exist in each of the *Laender*. The total personnel would be only a tiny fraction of the present Military Government establishment in Germany. It would make no effort to govern, itself. It would merely exercise the control function. The troops would remain and would act as a sanction for the ultimate power of the Allies to intervene if things seriously went wrong.

The differences which had arisen among the Allies over the handling of the German problem were absurd and tragic and unnecessary. They would endure, however, so long as we continued with this attempt to govern the western sections of the country by coalition. Our aims were basically the same. Mr. Schuman was a moderate man and a man of good will. We should seize the occasion, therefore, to place the whole German question on a new and higher plane where our difficulties and misunderstandings over little things could be removed."



740.00119 Control (Germany)/3-2249: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

PARIS, March 22, 1949—11 p. m.

1154. For Murphy. Following is text referred to in my 1153, March 22.<sup>1</sup>

"Following is summary of Clay-Schuman interview in Paris March 20, at which Caffery, Riddleberger and Parodi were present.

In welcoming Clay to Paris, Schuman stated he hoped for a frank exchange of views on Germany in endeavor to discover what basic objectives France and US were seeking and how they could best be accomplished. He would, therefore, ask Clay to tell him frankly what his worries were and what difficulties were being encountered in Germany.

General Clay then outlined the principal difficulties which are preventing progress in Germany and which are to be found in the questions of trizonal fusion and its method of application; the French desire to exercise a veto right and appeal to governments; *Laender* boundaries; PRI; Kehl; the necessity of day to day decisions in governing Germany; and our general dissatisfaction with the course of tripartite meetings which, in his opinion, had now become similar to quadripartite meetings with Soviet obstructionism. Clay then made a strong plea to Schuman that now is the time for a rapprochement with Western Germany and the French should take the lead in this effort. The US is spending vast sums of money in an effort promote European recovery and time had come when France, in his opinion, should take lead in bringing Western Germany into Western European system. Germans should not be kicked in face at very time they were struggling to execute what had been decided in London. He hoped that France would make friendly gesture toward Germans who must be given some encouragement and hope for future. In view of Communist danger, it is tragic that since last June three democratic governments of France, UK and US were exposed to Germans as governments which could not agree upon their German policy. It is essential to agree upon our common objectives and put them into effect rapidly and efficiently.

Schuman replied that he was in accord with this reasoning and that he thought French and American objectives were basically parallel.

With respect to occupation statute, Clay recalled that French in present London negotiations<sup>2</sup> seem to be seeking voting procedure

<sup>1</sup> Not printed; in it Caffery expressed his own opinion that the Clay-Schuman talk had helped foster mutual understanding of the French and United States positions on Germany (740.00119 Control (Germany)/3-2249). The meeting had been held on the initiative of Schuman, who at the beginning of March had expressed a desire to meet Clay informally. This idea was supported by the Department of State, and after many false starts it was arranged for Clay to proceed to Paris on March 20. Documentation relating to the arrangements for the talk is in file 740.00119 Control (Germany)/3-849 through 3-2249. For another account of the conversation, see Clay, *Decision in Germany*, pp. 425-427.

<sup>2</sup> For documentation relating to the London negotiations on the occupation statute, principles of trizonal fusion, and Kehl, see pp. 1 ff.

that would effectively negate statute operation in Germany in that a wide variety of subjects could be appealed to governments and action thereby suspended. Schuman agreed that occupation statute was too detailed and said he was astonished at its complexity. There were certain subjects, however, on which French Government felt it could not be placed in a position of having decisions taken by majority vote and he asked specifically whether amendments to federal and *Land* constitutions could be approved only by a unanimous decision. He also thought that certain agreements such as that for Ruhr and PRI were result governmental action and could only be changed by agreement.

Clay agreed that amendments to federal constitution could only be accomplished by unanimity but held that this was not case for *Land* constitutions which must conform to federal constitution and to basic policy. In US Zone, we have already had two years experience with *Land* constitutions, but this is not case in British Zone where they are yet to be drafted. Schuman was surprised at this and said he had not realized that so much remained to be done. He said there were certain subjects contained in *Land* constitutions such as education to which French Government attached greatest importance and he wondered if it would not be possible to prevent constitutional changes in such fields except by unanimous consent. Clay again emphasized that protection in such matters would be found in federal constitution and in power of military governors to disapprove changes that would not conform thereto. Schuman seemed to be impressed by this reasoning. He felt, however, that appeals should be provided for security measures such as Ruhr control. General Clay then stated that in this connection interpretation of what constituted security was most important as otherwise there would be repeated appeals to governments based on security grounds. He further pointed out that in view of reserved powers in security field governments by agreement could have military governments issue corrective legislation if governments became dissatisfied with any measures in field accepted by majority vote of military governors. Schuman agreed this was correct.

Replying to General Clay's observations on operation controls in Germany, Schuman agreed that restrictions on German industry should be essential ones and should be few in number. He entirely comprehended General Clay's point about eventual uselessness of large number unessential and irritating restrictions which no one would be willing to enforce in later years. Like General Clay, doubted whether such restrictions such as those on levelled years [*bevelled gears?*] would hold up over a period of time. Important matter was get agreement between three Western allies on essential restrictions and method of application controls. There might be trouble with UK here but not with France.

In respect of federal constitution, Schuman noted with satisfaction that three military governors had been able to agree on recommendations to guide Germans. He considered this real progress and furthermore that it is now imperative to push ahead rapidly with occupation statute and principles of trizonal fusion. After experience which France had had, French people were understandingly preoccupied with problem of security against Germany and therefore, there were certain restrictions which would be regarded as essential by French Government. Respecting PRI, he thought there were greater differ-

ences between US and UK than between US and France, but his latest information from London indicated that progress was being made.<sup>3</sup> He therefore hoped for rapid solution of this problem. As to occupation statute he asked Clay if perhaps it would not be better to start all over again in attempt obtain simpler document. General Clay thought not because of difficulties involved but pointed out that revision was contemplated within a year. Schuman then suggested that perhaps at time the occupation statute was promulgated Germans might be told that revision was contemplated. His experience with Germans had led him to believe that while we had to keep ourselves well-armed they would respond to concessions made for good behaviour and we could slowly soften some of clauses of statutes. He therefore agreed with suggestion of Clay's that military governors should start on revision immediately after promulgation and should so inform Germans.

On principles of trizonal fusion, Schuman agreed to theory very limited appeal rights and also the high desirability being able give decisions promptly to Germans. He believed that we would soon vitiate controls which we regarded as essential unless we were able act promptly and therefore he concurred in General Clay's analysis of this problem. However, I should point out that Schuman in this conversation was not particularly specific as to what essential controls would be although he agreed that they should be few in number.

Question of *Laender* boundaries was then discussed at length. Clay explained present position on plebiscite and military reasons why US could not give up North Baden. Schuman at once replied he understood these reasons very well.<sup>4</sup> A discussion then took place of tripartite control at *Land* level as well as at federal level. Clay explained that he had proposed tripartite commissions at federal level with appropriate committees and with integrated coal, steel, and import-export groups; tripartite commissions at *Land* levels but with certain overt operations such as information services, restitution, et cetera, remaining unilateral with local observers in each occupation area appointed by the occupying powers of the zone. Schuman indicated that this system would be satisfactory to him. Clay then stated that this could be applied to Wuerttemberg-Baden (either in a bipartite or tripartite manner) either under a fusion or under a restoration of the two states. If this type of control were accepted, Clay would have no objection to making this known to the Germans before voting on the fusion of the two states. He thought it wrong to tell the Germans that if they did not accept fusion, the two states would be restored unless we had agreed upon our system of controls in advance. Schuman said he heartily agreed with this reasoning.

<sup>3</sup> For documentation relating to the London negotiations on the Humphrey Committee Report, reparations, and prohibited and limited industries, see pp. 546 ff.

<sup>4</sup> Under reference here is the French desire to have North Baden transferred to their control in exchange for South Wuerttemberg. This transfer would have united Baden under French control and Wuerttemberg under United States control. Clay could not accept such a transfer because United States military headquarters and its main communications center were in Heidelberg in North Baden. Connected with the problem of transfer was the request by the Ministers-President to hold a plebiscite in Baden, Hohenzollern, and Wuerttemberg concerning their merger into a single state, a proposal which Clay had supported.

With respect to Kehl, Clay contended that the French plan was badly timed particularly now that West boundary changes were about to be announced. He hoped that it was not a matter close to Mr. Schuman's heart. Schuman said that he came from Lorraine and that Kehl was close to the Alsatian heart but with him it was a matter of the head. He then explained the desire of Strasbourg to prevent competition with Kehl particularly respecting transit traffic to and from Switzerland. Clay proposed that Kehl not be resolved now but that it would be taken up at the time the details of trizonal fusion are negotiated in the form of some type of port authority in which the Germans would participate. Clay said that on this he could not speak for his government but he thought that his proposal would receive sympathetic consideration. Schuman also desired to refer to the French Cabinet but likewise thought it might offer a solution.

The interview lasted some three and one half hours and was conducted in the most cordial manner but with great frankness. Schuman remarked that he had read Clay's New York speech<sup>5</sup> carefully and found nothing in it with which he could not agree. Our impression was that Schuman had a real grasp of all the problems involved and seemed to approach them in a comprehensive and conciliatory spirit. General Clay characterized the conversation as being the most satisfactory which he had ever had on Germany with any French official. In saying farewell, Schuman indicated that he would like to keep in touch with General Clay and he would take steps to have someone designated for this purpose who could convey our ideas to him. Signed Riddleberger"

CAFFERY

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<sup>5</sup> Presumably Schuman was referring to Clay's speech on October 21, 1948 at the Alfred E. Smith Memorial Fund dinner in which he reported the morale boost given by the air lift and stated that Western Europe was rapidly approaching sufficient stability to defend itself as a result of ERP.

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740.00119 Control (Germany)/3-2349

*Paper Prepared by the Acting Director of the Office of German and Austrian Affairs (Murphy)*<sup>1</sup>

TOP SECRET

[WASHINGTON, March 23, 1949.]

## US POLICY RESPECTING GERMANY

### BASIC REQUIREMENTS IN GERMANY

1. Since the cessation of hostilities in 1945 the US has sought, and will continue to seek, the establishment in Germany of conditions conducive to a peaceful development of that country and its association

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<sup>1</sup> The source text was attached to a memorandum of transmission from Murphy to Acheson and Webb, March 23, not printed, in which he stated that the paper was still under discussion by the Steering Group of the National Security Council (740.00119 Control (Germany)/3-2349). The first draft of the paper, not printed, was sent to Acheson on March 18 and to Webb on March 19. A copy of it is in file 740.00119 Control (Germany)/3-1949.

with the community of free nations. From the US standpoint the basic requirements for the attainment of these conditions remain essentially the same whether the program is susceptible of application of [to?] all of Germany or whether, by reason of forces beyond US control, the program must be restricted to western Germany.

2. In summary, these basic requirements are as follows:

a. Germany will not be permitted again to become a threat to the peace and security of the world.

b. The US will actively oppose the revival in Germany of Nazism, obnoxious German nationalism, and the development of communist totalitarianism. Without according support to any individual party, the US will encourage activity by all political parties subscribing to the principles of political democracy. It will also encourage free trades unions.

c. The US will promote the extension throughout as much of Germany as is possible of a governmental system derived from the people and subject to their control, operating in accordance with democratic electoral procedures and dedicated to upholding the basic civil and human rights of the individual. While opposed in principle to an excessively centralized government, the US does not regard as of major importance the degree of centralization or decentralization adopted at the present juncture in the organization of German political life as long as the decision is made freely by the German people in accordance with democratic processes.

d. Recognizing that a prosperous Europe requires economic contributions from a productive Germany, the US regards economic recovery in Germany as necessary for recovery throughout all of Europe if a general European community can be created, or, if this cannot be achieved, at least for the recovery of the European nations operating under ERP.

e. The US favors speedy termination of reparations from Germany through removal of capital equipment, in order to make possible prompt return to normal economic relations. The US will press for the adoption to the greatest extent possible of a policy to eliminate only industries which constitute a security hazard and in particular will resist prohibitions and restrictions proposed primarily for reasons of economic competition. In the economic field it will approve security guarantees which are simple and workable and at the same time will have a minimum impact on the normal German economy.

f. As a general principle, the US has advocated the reconstitution of Germany as a free and independent entity and its eventual participation on an equitable basis in the community of nations. To that end, the US has consistently urged the prompt conclusion of a peace settlement for Germany.

### *Germany Within Europe*

3. The US Government recognizes that no approach to the German problem can be adequate which deals only with Germany itself and ignores the question of its relationship to other European nations. In the long run it will not be satisfactory merely to restore Germany as a

sovereign entity among similar sovereign entities in Europe, even though Germany may be saddled with special obligations concerning demilitarization. Some new relationship must be found between Germany and her European neighbors other than that which prevailed before the recent war. The US Government therefore considers that any promising approach to the problem of Germany's future status must address itself not only to the arrangements which are to be made within Germany but also to the conditions which are to govern Germany's relationship to the remainder of the European community.

4. Plainly, Germany cannot be fitted into the European community in a satisfactory manner until there is an adequate framework of general European union into which Germany can be absorbed. The other countries of Europe cannot be expected to cope with the problem of Germany until there is a closer relationship among them than the existing one. If this closer association of the other European countries were not called for by other requirements, it would be called for by their common interests in the handling of the German problem, alone. While the United States considers that the form and pace of the movement toward European union are predominantly matters for the Europeans themselves, it will, as a matter of principle, support and encourage such a movement wherever it can.

5. The tempo and method of the relinquishment of present external governmental authority in Germany and the realization of this objective must be geared to the development of such a structure and such integration. It would be against the interest and the policy of the United States, and an obstacle to this objective, to recreate the prewar completely segregated type of political and economic unity of the German people, ready for use—as it was twice used during the brief seventy-five years of existence—in another devastating attempt by itself to dominate Europe and the world, or in an attempt through its central position and potential strength to regain its 1939 frontiers and position of dominance by playing off the East and West against each other.

6. The United States recognizes from the experience of the past that once such a segregated political and economic unity were recreated, paper limitations on armaments and industry, no matter how necessary it seems now to adopt them, might well once more prove to be ropes of sand and create merely a delusive sense of security. The only enduring security in the future, so far as the German people are a factor in it, must lie in the renewed vitality of certain of their great cultural traditions of the long period prior to their segregated economic and political unity, together with a radically new reciprocal approach by the German people and the other peoples of Europe on a meeting ground of the mutual benefits of a strong common structure of free Europeanism.

7. With regard to the eventual inclusion of Germany into a system of European states, the United States Government considers that the terms of such inclusion should not, in the final analysis, be unequal ones which would impose unilateral handicaps and restrictions upon Germany. This could easily be reconciled with the security interests of other European powers if the general terms of European union are such as would automatically make it impossible or extremely difficult for any member, not only Germany, to embark on a path of unilateral aggression. However, the US Government recognizes that progress toward this end must be gradual and must be governed both by the degree to which the German people themselves take a constructive and cooperative view of their responsibilities as a member of the family of European nations, and by the framework and conditions of association offered by the other European governments.

#### *Franco-German Rapprochement*

8. A most important step in the direction toward European Unionism is the relationship between France and Germany. Stability in Western Europe will be furthered by confident and practical cooperation between Germany, or at least Western Germany if Soviet restraint on Eastern Germany makes this limitation necessary, and France. The efforts to effect Franco-German *rapprochement* after the First World War failed although sincere elements on both sides made the attempt. Bitterness and chauvinism sabotaged those enlightened efforts. That failure should not deter the United States from fostering in every practicable way the idea of close Franco-German collaboration. Many elements in both countries eagerly desire it and it is often asserted that without it there will be no possibility of peace in Europe.

9. Therefore the US should work for reasonable solutions of problems which if handled on a vindictive basis will only create a climate where distrust and resentment militate against friendly Franco-German relations. It should be realized that if this objective is to be accomplished, it will require an extended period of time during which the chances of success will often fluctuate with public reactions to the treatment of current issues.

#### *German Recovery and Security*

10. The United States Government regards the problem of economic recovery in Germany as part and parcel of the problem of general Western European recovery. It will continue to judge problems of aid to Germany and to other European countries solely from the standpoint of that overall objective. It has no intention of favoring any one country over another or of trying to make recovery more rapid in one country than in another through the allocation of aid. On the other hand, it notes that foreign aid is only a marginal factor in the recovery process, and that the main factor is the will and energy with which the

people apply themselves to the task of recovery. The rate of recovery in Germany must therefore rest primarily on the efforts of the Germans themselves. To the extent that they bring about recovery through their own efforts, the United States has no intention of attempting to deny to them the fruits of their effort by attempting to slow down the pace of their recovery. Europe needs production everywhere, and the United States cannot use its influence to delay or hamper the process of recovery.

11. On the other hand the United States Government recognizes and is prepared to accept and face the consequences of this attitude upon the security of Germany's neighboring states. It has no intention of permitting Germany, or any nation, to become again a threat to peace-loving neighbors. Accordingly, it does not propose to accept any arrangement, provisional or permanent, which would permit Germany to become a threat to collective security in violation of the principles enunciated in the United Nations charter. Until the present tense and insecure situation in Europe has been replaced by a satisfactory measure of international confidence and balanced normal relationship, the United States Government does not propose to withdraw from Germany.

12. An additional consideration relating to the security of Germany's neighbors is the possible utilization of Germany by another power for the purposes of aggression. In this respect the United States clearly recognizes the security threat inherent in the industrial potential of an economically recovered Germany. The United States was confronted with a similar consideration, on a much broader scale, when it was in the process of reaching a decision to make the tremendous outlay required from its natural resources to implement the European Recovery Plan. Although the United States recognized at that time that one or more nations affiliated with OEEC were, and for some time to come would continue to be, subject to possible aggression, the United States did not withhold economic aid because of such security consideration. A similar attitude has been adopted by the United States with respect to the possibility that the military potential of the German economy might fall into the hands of an aggressor. From a short-range viewpoint, the vulnerability of Germany to aggression is considered by the United States to be no greater than the vulnerability of the other continental nations of Western Europe. From the long-range viewpoint, the ultimate establishment of a satisfactory military posture by the nations of Western Europe, coupled with economic recovery, will, in the opinion of the United States, diminish materially the possibilities of aggression throughout all Europe, including Germany. Therefore, the United States must adopt the point of view that in general the reestablishment of a viable German economy along



the lines previously stated should not be impeded by restrictions in specific fields of industry, which are based primarily upon the thesis that Germany might be used by another power for purposes of aggression.

13. It is the considered view of the United States Government, however, that provision must be made for the external security of Germany and that the German state, whether unified to include all zones of occupation or composed of only the Western zones, must eventually be considered as a part of the general European security system. The extent of participation in this system would, of course, be limited to those countries who are free of foreign domination and who have evidenced a desire to participate with neighboring states to further the common interest of the group. It is inherent in any such system that the members thereof bear a common, joint responsibility for the security of members within the system. It is not the intention of the United States Government to force upon the members of the European defense system, a proposal that Germany should be permitted to rebuild her war potential or to re-create her armed forces. Bearing in mind the responsibility of the members of a European Defense system, it is the view of the United States Government that a decision on such a proposal must result from the considered judgment of the group. In general, the United States would be against forcing or even permitting any rearmament of Germany unless the principal members of the Western European Defense system should, under some changed conditions not now predictable, reach the conclusion that some degree of rearmament of Germany would promote rather than impede the security of Western Europe as a whole. However, in making this determination, the group must bear in mind that the security interests of the United States are involved. The United States Government will carefully consider the implications on the security interests of the United States of the group's judgment as to Germany's participation.

#### *Obstacles to Four-Power Agreement*

14. In quadripartite negotiations the US has consistently sought to reach agreement for the fulfillment of its basic requirements discussed in the opening sections of this paper. It was believed that the Potsdam Agreement represented a first step in this direction. However, the Soviets quickly proceeded to nullify this program in ACC deliberations and by their unilateral policy in the Soviet zone. They continued with mass reparations removals and the seizure of current output, thus frustrating the attainment of economic unity. They obstructed the adoption for all of Germany of measures necessary to stem economic and financial chaos; they applied ruthlessly communist techniques to their zone ultimately succeeding in establishing a police state and in

fundamentally altering the whole pattern of industrial ownership and land tenure. The US sought repeatedly to redress the situation and bring about observance of the basic principles above through prolonged negotiations at the Council of Foreign Ministers.

15. The chief obstacles which led to failure were:

a. Soviet insistence on uncontrolled exaction of reparations from the eastern zone both by removals of capital equipment as well as deliveries from current production; Soviet failure to adopt a joint export-import program for all of Germany; thus realization of economic unity in Germany was made impossible.

b. Soviet unwillingness to agree to quadripartite supervision of political activities and of elections throughout Germany as a whole and their endeavor to create a highly centralized state susceptible of control by a single party.

c. Soviet virtual rejection of the Byrnes treaty<sup>2</sup> by insistence on prior agreement on extraneous and controversial issues, such as reparations, denazification, land reform, and four power control of the Ruhr.

d. Soviet refusal to examine the question of Germany's eastern frontiers.

### *The London Program*

16. As a result of Soviet obstruction in the ACC and the CFM an intolerable situation developed whereby Germany, lacking unity or a coordinated control, was rapidly being reduced to a state of economic chaos, distress and despair. The US and UK had already taken a first corrective step through the nominal economic fusion of their zones in January 1947, but it was their opinion that a comprehensive constructive program was required in the zones for which the Western nations were responsible in order to commence in the West the fulfillment of the basic principles which could not be applied to all of Germany due to Soviet obstruction. While there were certain differences in French views on methods of proceeding, the French appeared to share the same general objectives as the US and UK. After the breakdown of the London CFM in December 1947 it was decided by the three Foreign Ministers of the Western powers to hold talks in London in order to formulate a constructive and unified program for Western Germany. The talks which were held, with participation of Benelux representatives, from February until June 1948 resulted in six-power agreement on a broad program, the elements of which at present are in various stages of implementation. The major points of the London Agreements are contained in Annex "A."<sup>3</sup>

<sup>2</sup> Under reference here is the draft German Peace Treaty submitted by Secretary Byrnes to the Second Session of the Council of Foreign Ministers, April 29, 1946. For the text of the draft treaty, see *Foreign Relations*, 1946, vol. II, p. 190 ff.

<sup>3</sup> Not printed; the text of the report of the London Conference on Germany is printed in *Foreign Relations*, 1948, vol. II, p. 191.

## PRESENT POSITION

*General*

17. Having sought to no avail a settlement for all of Germany in accordance with basic US principles, the US, in concert with five Western European nations, has proceeded with a constructive program for the economic and political rehabilitation of Western Germany. This program has met with a substantial measure of success, which has been particularly manifest in increased economic production since currency reform. If not squandered through disagreement among the Western allies, the opportunity exists for the establishment of a stable democratic government in Western Germany. Under such circumstances there would be a real prospect for the successful assimilation of Western Germany into Western Europe, first economically and in due course perhaps politically as well. The resistance of the Western European countries to such a development is in fact likely to be less in the case of a manageable portion of Germany rather than with a united Germany of preponderant magnitude and uncertain orientation. As a result of the London program, Western Germany has already been included in the area benefiting from the European Recovery Program and potentially under the protection of the North Atlantic Pact.

18. Because of the split of Germany, for which the Western allies were in no way responsible, they have been obliged to take and retain the initiative with respect to by far the larger part of Germany. Even though the division of Germany may prevent an all-German settlement, developments in Western Germany will continue to exercise an influence on Eastern Germany. It may be expected that the establishment of a stable and orderly democratic political organization in Western Germany with a reasonably prosperous economy, will exert an inevitable magnetic force on Eastern Germany and make even more difficult Soviet control of that area. Furthermore, the attachment of the Western German population to a free and orderly system of government is already causing many Western Germans to question the value of German unity on uncertain terms. In as much as the Western German arrangements embody basic principles of US policy toward Germany, the development of Western Germany does not foreclose possible agreement on all of Germany which, to be acceptable to the US, must incorporate the same essential requirements. As long as the Western German system continues to move forward, the bargaining position of the Western allies is correspondingly strengthened in any negotiations with the Soviets. Successful fruition of our basic principles in Western Germany is the best guarantee that Germany, if it is to be reunited, will be restored along lines compatible with US policy.

*Execution of Western German Arrangements*

19. The Western German arrangements which at present are in various stages of implementation are the result of a Six-Power Agreement concluded June 1948. Unless the other parties are convinced that there are cogent reasons for a modification or deferment of the program, the US must regard itself as formally and publicly committed. Although considerable disagreements, particularly with the French, have arisen on matters with respect to the implementation of the London program, there is no indication that the French Government or any of the other parties desire to disassociate themselves from the London Agreement. In the case of the French, the difficulties appear to result primarily from the desire of the French Government to obtain at this stage all possible advantages and benefits prior to the establishment of a Western German government and full entry into effect of the program.

20. The main obstacles with respect to the Western German arrangements concern at present the occupation statute, the principles of trizonal fusion, the military government organization, approval of the draft German provisional constitution, Kehl, territorial reorganization of the German states and occupation zones, reparations, and prohibited and limited industries.

21. Agreement on the draft occupation statute, with respect to which there are outstanding only a few minor points, has not been reached through failure to agree on collateral issues, e.g., principles of trizonal fusion and Kehl.

22. With respect to the trizonal fusion principles, a satisfactory formula has not yet been found to ensure the predominant voice of the US in German foreign trade and related matters affecting US financial aid. Moreover, disagreement has developed with respect to the voting procedure for the exercise of reserved powers under the occupation statute, particularly because of the French desire to maintain unanimity as a prerequisite in certain fields. Also, negotiations on military government organization have been obstructed by French endeavors to obtain a prior decision on the reconstitution of the original states of Baden and Wuerttemberg and alteration of the occupation zones accordingly so that the French would occupy North Baden instead of South Wuerttemberg. This would involve, however, US abandonment of its important military installations in North Baden.

23. The draft German provisional constitution has not yet been submitted for formal approval. However, the three Military Governors several weeks ago transmitted a statement to the German Parliamentary Council pointing out deviations in the present draft from the

stipulations of the London principles.<sup>4</sup> The German reaction has not yet been received.

24. With respect to reparations and prohibited and restricted industries, at present there appears to be a good prospect of a satisfactory settlement.

25. In view of US support of Western Europe, particularly of the British and French, through US security commitments and US major financial contributions, the US should be prepared to use its negotiating power to seek the resolution of these important matters of principle which will so greatly affect not only the establishment, but the effective operation of the Western German government. It must carefully weigh the undesirability of forcing an unwilling agreement at this critical period in European recovery and coöperation against the fact that at present the French, and to a lesser extent the British, are endeavoring to pursue courses which may undermine our basic objectives in Germany. No fixed rules can be established which can provide a mathematical guide to the degree of pressure that should be applied at any point in our negotiations on these subjects, since this must be judged at the time and under the circumstances. The United States must proceed, however, with resolution to use the full extent of its influence to ensure that the London agreements are carried through in such a manner as to provide a workable and effective organization in Western Germany and at the same time in a manner which will necessitate the minimum of US appropriated funds.

### *The Berlin Situation*<sup>5</sup>

26. As was made clear when Marshal Sokolovsky walked out of the Allied Control Council on March 20, 1948 after reading a prepared statement denouncing the tripartite London talks, the ensuing Berlin crisis has arisen as a result of Soviet endeavors to thwart a constructive program for Western Germany. The immediate cause of the Soviet blockade measures against Berlin was the currency reform program instituted in Western Germany on June 18, 1948. By these blockade measures the Soviets have endeavored to exert pressure on the Western allies in Berlin in order to bring about if possible their withdrawal from Berlin and also through intimidation to force a reconsideration of London program. By maintaining their position in Berlin through the airlift the Western allies have greatly enhanced their political position and prestige in Germany and have succeeded in creating ten-

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<sup>4</sup> For documentation relating to the deliberations of the Bonn Parliamentary Council, including the text of the Military Governors' comments on the draft Basic Law, March 2, see pp. 187 ff.

<sup>5</sup> For documentation on the diplomacy of the Berlin crisis, see pp. 643 ff. and *Foreign Relations*, 1948, vol. II, pp. 867 ff.

sion and pressure in the Soviet zone through their counter-blockade. For the present the airlift continues to be a signal success, since the political morale of the Berlin population is high and it furthermore places the Soviets in the position of being forced to take overt action to drive the Western allies from Berlin. On the other hand it is an irrational and costly enterprise; it would have to be further expanded to restore the Berlin economy to its previous level; it is certainly doubtful that the high morale of the Berlin populace can be indefinitely maintained in the face of serious privations and unemployment. Whatever means must be employed to remain in Berlin, the allies cannot afford to abandon the city under present conditions. Besides the serious setback to the position of the Western powers in Europe that would result from such an abandonment, the fact cannot be overlooked that the courageous attitude of the Berlin population and its voluntary association with the Western allies has reenforced the moral commitment to protect them against unwanted Soviet domination. The Soviets have made it clear in their attitude respecting currency and by their establishment of a hand-picked communist government in their sector what the fate of the city would be should the allies withdraw.

27. There is considerable evidence to support the view that the present situation as regards Berlin is more to the disadvantage of the Soviets than to the US. In addition to the psychological detriment to the Soviet cause throughout Europe, there is no doubt that the Allied counter-blockade is seriously affecting the economic welfare of the Soviet zone and obstructing economic and political absorption of Eastern Germany into the Soviet bloc. The Soviets are now also faced with a humiliating and effective contrast of currency values within Berlin.

28. Regardless of these factors, however, the continuation of the blockade with its attendant airlift represents a continued hazard in terms of the risks of serious incidents and possible resulting crises as well as a dangerous over-extension of air force resources susceptible to destruction in event of a surprise Soviet move. The airlift is as well an extremely costly exercise in terms of deterioration of air force material and, of course, in direct financial outlay. In summary, therefore, it may be stated that the lifting of the blockade still represents a major objective of the United States Government.

29. Assuming that the motives of the Soviets in imposing the blockade were to force the US out of Berlin and to attempt by duress to force a deferment of the Western German program, the question therefore arises whether the US can pay the price of deferment of that program. Deferment of the Western German government is fraught with dangers as it would be difficult to undertake without the danger that the confusion and surrender of initiative accompanying such a course would in actual practice lead to the abandonment of the estab-

lishment of such a government. While the United States could possibly afford to accept a deferment of the Western German government for a short and specific period in exchange for the lifting of the blockade, it should not, due to the dangers involved, sponsor such a course.

30. The United States can and should sponsor the position that since the actual establishment of the Western German government is still several months in the future, ample time remains for a CFM meeting on Germany as a whole prior to the establishment of such a government, provided the blockade is lifted. A possible *quid pro quo*, of greater importance now than formerly would be the lifting of the Western countermeasures.

31. If the Soviets are still unwilling to accept the above *quid pro quo*, the US should be ready to consider abandoning its position of refusal "to negotiate under duress," at least to the extent of being willing to discuss immediate Berlin problems, although the US could not agree to a Council of Foreign Ministers being held while the blockade continued. This change in position could be justified through utilizing the good offices of the President of the Security Council, since the US has already operated on the principle that discussions through this medium do not violate our principle. The US should also be ready to act in accordance with a Security Council resolution calling upon the Western powers and the Soviet Union to resume direct negotiations, possibly under continuing Security Council auspices. The US could explain publicly, if this was considered desirable, the changed conditions which made entering into such discussions acceptable while the blockade remained. This argument could follow the line that the Soviet blockade had failed in its purpose to drive the Western nations from Berlin due to the success of the airlift, etc., and that their position was such in Berlin that the feeling of duress was no longer upon them.

32. The Western Allies have not exhausted the full possibilities of their efforts to solve the Berlin Crisis in the United Nations. These possibilities should be fully and resolutely exploited, but in such a manner as not to give any indication of undue eagerness for a solution which would only tend to tighten the Soviet position, which otherwise seems to be one of increasing eagerness. In event of continued failure to arrive at a settlement, the United States should consider ways and means of decreasing the importance of Berlin with a view of possible withdrawal at some later date under conditions which would fulfill, to the greatest extent possible, our obligations to the population of Western Berlin.

*Position Regarding Possible Meeting of the Council of Foreign Ministers*

33. In their zone the Soviets have kept approximately equal pace with the Western German program by laying the groundwork through

a communist-dominated "People's Council" for the eventual setting up of an Eastern German government claiming to have authority over all of Germany.<sup>6</sup> Both the Western nations and the Soviets respectively have declared their programs to be applicable to all of Germany. As is well known, the London agreement envisaged that the Eastern zone states would be free to subscribe to the Western German constitution as soon as circumstances permit it.

34. The Western allies are faced with a difficult choice. There is little hope of obtaining Soviet agreement to the type of program which in the US view is the only one that could be safely applied throughout Germany. While the announced Soviet program as contained principally in the Warsaw communiqué of June 1948<sup>7</sup> is disarmingly innocuous in its advocacy of a "democratic" government, the conclusion of a peace treaty to be followed by the withdrawal of occupation forces, it is patently suspect in its ambiguity. It is difficult to believe, given the differences which have developed between the Eastern and Western zones, that agreement could be reached on such vital specific matters as the following: a unified currency, property relationships including land reform, reparations, Ruhr control, the supply of foreign aid necessary for German's recovery, etc. Even if compromise solutions were obtained, they would be open to the risk of forcing the Western powers to abandon the initiative they have acquired with respect to by far the larger part of Germany. Furthermore, in view of French views respecting a unified Germany, it is questionable whether the French would agree to according a future all-German government the powers and authority it would have to possess to combat economic deterioration and to resist communist assaults from within and without.

35. From the US standpoint the following appears to be the preferable course of action:

a. To proceed with the implementation of the Western German program, recognizing it will not be completed for several months, during which period the Soviets at any time can arrange for a CFM through a lifting of the Berlin blockade;

b. To offer in a CFM the appropriate essentials of the Western German program as a pattern for all of Germany;

c. In the event of non-agreement, to seek in the CFM a *modus vivendi* with the Soviets under which the separate parts of Germany can co-exist and profit from mutual exchange, Berlin being included in such an arrangement which would make possible the continued four-

<sup>6</sup> For documentation relating to the establishment of the East German Government, see pp. 505 ff.

<sup>7</sup> For the text of the Warsaw Communiqué of the Foreign Ministers of the Soviet Union, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania, and Hungary, June 24, 1948, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307.



power occupation of the city, the reciprocal lifting of transport restrictions, and trade between Berlin and the different parts of Germany.<sup>8</sup>

[Annex]

*Paper Prepared in the Department of State*<sup>9</sup>

TOP SECRET

[WASHINGTON, undated.]

#### THE PROBLEM

To analyze the possibilities and implications of German and Western European integration.

#### DISCUSSION

The natural and necessary development of Germany, particularly with the establishment of a provisional German government, is toward the revival of a political entity with increasing attributes of sovereignty. It would be neither desirable nor practicable to base long-run policy upon suppression and continuing detailed control of Germany. Our policy should be toward developing a Germany which could be trusted to be a democratic, responsible but not dominating member of society. A revived Germany could take one of three courses: alignment with the Eastern bloc, a segregated self-contained unit, or alignment with Western Europe. It is not necessary to argue the disadvantages of a Germany which was a member of the Eastern Soviet-dominated bloc.

#### *Dangers of a Segregated Germany:*

A segregated Germany, which developed in a manner unrelated to Western Europe would constitute a danger to Western Europe and our objectives. Economically, the interrelationship of Germany and the rest of Western Europe is so close and Germany's economic potential so great that if it were again to pursue a policy of seeking only its own economic well-being and the greatest degree of autarchy, it might well dominate Western Europe. Further, the maintenance of a recovered Western European economy would be much more difficult and perhaps even impossible. Politically, a segregated Germany would

<sup>8</sup> The comments of three officers of the Department of State on this paper have been found. Jessup and the Acting Director of the Policy Planning Staff, George Butler, each submitted memoranda, March 24, neither printed, that suggested minor clarifications and revisions in specific paragraphs. (740.00119 Control (Germany)/3-2349 and 2449) Wayne Jackson submitted his comments to Hickerson, March 25, not printed, stating that the idea of German integration in Europe, presented in the section "Germany Within Europe," was ignored in the other parts of the paper. (740.00119 Control (Germany)/3-2549)

<sup>9</sup> The source text was not attached to the copy of the policy paper which Murphy sent to Acheson and Webb on March 23, but appeared as Annex B to another copy of that paper among the United States position papers used in preparation for the discussions with Bevin and Schuman.

be under irresistible temptation to seek, through its central geographic position and potential strength, to achieve dominance in Europe, playing off the East against the West. Furthermore, a segregated Germany would have a great tendency to revert to extreme authoritarian rule, due not only to the historically proved vulnerability of Germans to such a rule but also to the persuasiveness of the argument that, caught between East and West, a high degree of government power would be required to steer the course necessary to achieve the greatest good for Germany.

Experience has shown that if a segregated, centrally organized Germany were created, imposed limitations on armaments, industrial production and the use of resources might well prove to be impractical and create merely a delusive sense of security. Although the permanent, enforced suppression of Germany is not practicable and could only result in encouraging the most undesirable forces and motivations, a segregated Germany would provide a fertile field for the rebirth of aggressive German nationalism and permit a rapprochement with the Soviet bloc. The fear of these developments constitutes the heart of the German problem.

*Close Association With Western Europe:*

Since a Germany separate from Western Europe and with freedom of action presents the dangers described above, the most fruitful long-run approach seems to be to try so to integrate the economic and strategic interests of Germany with those of its Western neighbors as to diminish the incentives and opportunities for separate disruptive action. The economic interdependence of these countries, both as suppliers and purchasers of goods lays a basis for such a close economic association. Further, such a close association would bring advantages both to Germany and to the other Western nations quite aside from promoting a solution of the German problem. (See Appendix A.) The grouping would, however, have to be large enough to contain adequate counterbalances to German potential power, otherwise such a grouping would be dominated by Germany.

To the extent that German interests are merged into the larger interests of Western Europe, there will be less tendency for Germany to make an accommodation with the East or to develop a segregated independent position of power in which to play off West against East. A greater contact with the theory and practice of free Western democracy will encourage the development of that political, social and personal philosophy in Germany. A Germany that is a part of the Western European community, though in a context which would not result in German dominance of the group, would decrease the security pre-occupations of the Western powers, including the U.S., and promote the safety of our troops in Germany. Any decrease in the possi-

bility that Germany will align itself with the Soviet bloc benefits the strategic position of the North Atlantic Pact powers.

*Institutional Requirements:*

If Germany is to fit into a Western European community, such a community must exist, and must be adequate to handle the German problem. The development of collective action and a joint approach to regional and world problems has been an important aspect of American policy in recent years. This has been particularly true in relation to Europe, where we have fostered various institutions and arrangements based on the concept of the necessity for mutual aid and a common approach to common problems. The two most important steps in this direction have been ERP, including the formation of the OEEC, and the North Atlantic Treaty. The ECE represents an earlier attempt to act through a constituent part of UN.

It is doubtful whether the OEEC is an adequate framework within which to achieve really close integration. It is not yet clear whether it will survive in any significant form after American ERP aid ends. To date it has been principally a forum for negotiation between members and while, as recovery proceeds, OEEC may develop effective power of its own in the economic field, that development cannot be assumed. Furthermore, the membership is probably broader than would be necessary to deal with the German problem. A smaller grouping which would nevertheless continue in the framework of OEEC, as does Benelux would seem more practicable.

The Brussels Pact (except in the military field) and the Council of Europe seem also to be developing along the lines of creating mechanics for consultation rather than providing a means for a more binding association.

Without the creation of the institutions necessary to ensure that separate national interests are subordinated to the best interests of the community, an adequate means for incorporating Germany will not exist and the objectives with respect to Germany outlined above cannot be attained. It is also doubtful whether our other objectives in Western Europe, apart from those arising out of the German problem, can be obtained in the absence of the creation of adequate community institutions.

*Opening Approach:*

The most practicable approach toward establishing a community into which Germany will fit seems to be along the line of fostering the development of close economic interrelationship. Not only has the idea of closer economic association developed further than other forms, but the economic interdependence of Germany and Western Europe is more widely recognized. It seems politically unfeasible and unrealistic

to start along the line of including Germany in the framework of the Brussels or North Atlantic Pacts, whose principal significance is military—unfeasible because of the strong and justified Western European fears of German rearmament, unrealistic in view of our declared policy of preventing German rearmament.

*Membership:*

What is the minimum area which it is essential to include in a community which would achieve the economic and political ends sought? This cannot be approached purely in economic terms. Adequate counterbalances to German potential power are necessary, politically as well as economically. Aside from necessary security controls, Germany must be treated as a coordinate responsible member of such a grouping. France, Benelux, Italy, Austria and as many as possible of the Scandinavian countries seem the very minimum to counterbalance Germany. Iceland, Greece, Turkey, Portugal and Ireland are of considerably lesser importance in an economic sense. Switzerland cannot be expected to abandon neutrality; Spain is now politically unacceptable, as are the satellites.

The U.K. presents the most difficult problem. The U.K. and Commonwealth and the sterling area are of major economic importance to the European community as a source of raw materials and food. Also the sterling area might play an important role as the basis of an expanded currency area. The U.K. might well be needed to counterbalance Germany in any community. The U.K., however, has wider affiliations with the rest of the world than do the continental countries. Its full merger into a larger area set-up with power might be possible and desirable only if that larger area included all the North Atlantic Treaty powers—a distant objective but one which the Roberts Committee advocates. It might be necessary to work out a special relationship between the British Commonwealth and a closely-knit European community.

The U.S. role in this matter should not be one of passive encouragement. So long as we are occupying Germany, and particularly in view of our insistence on a controlling voice in German foreign economic matters, we have a direct responsibility for action in Europe. Furthermore, any movement toward strengthening Europe and resolving the German problem would further the objectives of the North Atlantic Pact. Such a movement will need all the impetus that can be given it, including also the administering of our part of ERP toward that end.

GENERAL PROBLEMS

*Geographical Area of Germany:*

In the above discussion, reference has been made to "Germany." It is necessary to consider what is meant by this. If we mean all Germany,

including the Soviet Zone, a pre-requisite is a settlement with the Soviets which would result in a unified Germany free to move towards very close relations with the West. Is it realistic to believe that such a settlement could be soon achieved, since such a solution would in fact mean a retreat of the Soviets to the Polish border? Is not the most that could be expected of a unified Germany a situation in which Germany was segregated in theory from both East and West, but would be in fact a field of contention between East and West?

If we proceed with the Western Zones alone on the assumption that Germany will be split indefinitely, would the natural attraction between the two parts counteract the orientation of Western Germany to the West? Or would the gravitational pull on the Eastern Zone of a reviving Western Germany be so strong as to be to our net advantage? What would be the effect of the closer association of Western Germany with Western Europe on our remaining in Berlin? And if we remained, what would be the relation of Berlin to the Western Community?

### *Specific Techniques:*

Among the specific techniques which would have to be explored as means for achieving closer economic association are currency arrangements (including common currency, complete or partial interconvertibility, pooling of foreign exchange earnings), customs union (total or limited), coordination or integration of trade negotiations with other countries, abolition or relaxation of barriers to movement of people, coordinated investment policy, et cetera. The examination of these techniques will necessarily require consideration of the degree to which it would be necessary for members of the group to adopt coordinated or a single policy on prices and wages, social services, taxation, banking and credit, subsidies, rationing, allocations, foreign exchange and trade controls, exchange rates, cartel policy, et cetera. These matters would inevitably bring to the fore divergencies in economic, social and political philosophy, e.g., private ownership vs. nationalization, the controlled economy vs. the economy regulated by the price mechanism and private initiative. It is probable that any realistic analysis of these problems would lead to the conclusion that the delegation of very considerable powers to a central authority would be necessary. This raises the most difficult matter of timetable. It is far from clear, however, that progress could not be made gradually and that immediate steps could not be taken which would start on the road.

### SUGGESTED ACTION

Even such a sketchy analysis of the various economic adjustments which might lead towards the establishment of a closely-knit Western economic community indicates that they would require a number of changes in internal policies and practices in all countries concerned.

The experience of working out the Benelux union shows this. If one approaches the problem through trying to resolve the difficulties before agreeing that the community is to be established, it is doubtful if the basic decision would ever be made. It is probable that Benelux would never have come into being if it had not first been decided that the union should be created, and then the means for carrying out that decision worked out. In other words, it seems that the decision in principle has to be made first, and that it is essentially a political decision, with the economic implementation following. This does not mean that the decision can be made blindly; it should be made only after preliminary study of its implications. It does mean, however, that unless the end is postulated and agreed, there will not be the impetus and necessity essential for working out the means.

It is, therefore, suggested that the matter of approaching the German problem by the route of Western European integration be approached first on the broad political, defense and economic fronts. If the desirability of proceeding along that line is agreed, there should be established working groups, both national and international, to study and make recommendations on:

- (a) The economic arrangements necessary to implement such a program, and their probable positive and negative results;
- (b) The political arrangements implied by the economic steps;
- (c) The minimum number of countries which would have to be included to make the program workable (with a particular study of the British and sterling area relationship);
- (d) The feasibility of developing the necessary political support for such a program;
- (e) The tactics and possible time schedules appropriate to working out the program.

[Appendix A]

*Paper Prepared in the Department of State*

TOP SECRET

[WASHINGTON, undated.]

ECONOMIC BENEFITS OF WESTERN EUROPEAN INTEGRATION

Close association of the Western European countries would be of economic benefit not only to Germany but to those countries. This principle is one of the recognized bases of ERP. The Western European economy is dependent on exporting manufactured goods and services in order to pay for necessary imports of raw materials and food. The loss of overseas investments, the impediments to the recovery and development of trade with Eastern Europe, and the increased industrialization of non-European areas make the competitive position of Western Europe more difficult and have produced an abnormal dependence on supplies from dollar sources.

The solution of this problem could be approached through seeking protected markets, restrictive trade agreements or by increasing competitive position by greatly improved productivity. Protected markets in overseas dependencies or affiliates are diminishing as the centrifugal force of the desire for political independence grows. Restrictive agreements are inconsistent with expanding world trade, economic development and rising standards of living. In many cases, the national units in Western Europe are too small to provide markets big enough to permit those production techniques necessary for highest productivity. Separate national interests and autarchic policies cause or threaten protectionist actions which inhibit the development of European industry in the places and on the scale which would apply if there were guaranteed free movement of goods, capital, earnings and people in a larger European area. In such a free movement area, Western Europe could not only raise its own standard of living but also achieve the essential improvement of its competitive status in world trade. Germany's inclusion in such an area would aid materially in achieving these economic ends for Germany and for the rest of Western Europe.

A close coordination and perhaps an integration of Western European economic relations with Eastern Europe may become necessary for wholly different reasons. If, as appears not unlikely, the Soviet bloc will, either through the mechanism of the CMEA or otherwise, tend to develop unification of economic relations with the West, no European country will be alone in a strong enough bargaining position to deal with such a bloc. Thus a degree of economic unification in the West may be forced.

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### *Editorial Note*

On March 29, Kennan reported on his trip to Germany at Secretary Acheson's daily meeting. He stressed that the situation had become critical, that the Germans must be won over to positive voluntary participation in the development of Western Europe, and that they should not be allowed to drag their feet and place a dangerous strain on the Western allies. The United States must help those Germans who showed pro-Western attitudes, regardless of whether it completely agreed with their ideas. To avoid a repetition of the last post-war period, the United States should make concessions while it still could help its friends, rather than starting with a harsh program and then letting relaxation appear to be the result of German demands.

In terms of policy, this meant that the United States should not press its federalization policy on the Basic Law, and should take this opportunity to end military government which was inelastic and insensitive, caused friction among the allies, and produced an unfavor-

able impact on the Germans. As to four-power control of Germany, Kennan proposed three guiding principles: no military government, an Austrian system of control, and continued military garrisons.

A copy of the notes from which Kennan spoke is in file 740.00119 Control (Germany)/3-2949. For another account of his trip, see Kennan, *Memoirs*, pages 429-442. The draft of a letter, dated March 29, not printed, and marked "Not used GFK" to Acheson also reporting Kennan's impressions of Germany is among the Kennan papers at Princeton.

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862A.01/3-2949

*Memorandum by the Acting Special Assistant in the Office of German and Austrian Affairs (Beam) to the Acting Director (Murphy)*

SECRET

[WASHINGTON,] March 29, 1949.

The views stated by Mr. Kennan this morning<sup>1</sup> have a great deal of validity and since we will be dealing with the Foreign Ministers we will have a chance to take a broader approach than has been possible in the discussions between the Military Governors and in other meetings, such as that which is at present being held in London on the occupation statute.<sup>2</sup> It must be recognized that the new approach will be a bold step since it will mean a radical revision of agreements we have already tentatively made, but the Secretary will doubtless be able to handle the situation, particularly as he can point out that he has come into the picture with a fresh viewpoint and can suggest a reconsideration of some of the previous positions. The two main issues which should be attacked from a new point of view are the Bonn Constitution and the Occupation Statute.

*Bonn Constitution.* As drafted by the Germans, the Bonn Constitution represents an exceedingly delicate balance between the opposing views of the CDU-CSU and SPD. The Military Governors have transmitted certain suggested amendments and the Bonn Committee of Seven have submitted counter proposals for the amendment of the constitution.<sup>3</sup> Since these counter proposals apparently represent the maximum of agreement that can be obtained between the CDU-CSU and SPD, it would seem we would make a serious mistake in not approving the constitution with the German amendments. As Mr. Kennan points out, we would thereby assume responsibility for difficulties of operation in the constitution and furthermore we would risk upsetting

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<sup>1</sup> Regarding Kennan's views, see editorial note, *supra*.

<sup>2</sup> For documentation relating to the London negotiations on the occupation statute, principles of trizonal fusion, and Kehl, see pp. 1 ff.

<sup>3</sup> Regarding the suggested amendments of the Military Governors, see telegram 183, March 2, from Frankfurt, p. 217. For the texts of the counterproposals of the Committee of Seven on March 10 and 17, see *Documents on the German Federal Constitution*, pp. 110-113, or Litchfield, *Governing Postwar Germany*, pp. 569-576.



the balance between the German parties, with the probability that the SPD would refuse cooperation. Accordingly, it is recommended we ask the French to accept the constitution with the new German amendments.

*Occupation Statute.* As the Department and also the Army Department in joint instructions<sup>4</sup> pointed out several months ago, the present occupation statute is an iniquitous document and one which may destroy the possibility of cooperation between the German government and Military Government. It must be recognized that our present position papers are drafted on the assumption that we will accept the occupation statute in its present form but will try to obtain revision within about a year's time. Since the occupation statute reserves so many direct powers to the Allies, we are pressing for the majority vote principle in all matters except exercise of the US predominant voice and amendments to the constitution (the latter to be approved unanimously). If we decide to proceed on the present basis, we should also try to persuade Mr. Schuman to agree to approval of constitutional amendments by majority vote.

If we have any success in convincing Bevin and Schuman that the present occupation statute should be scrapped, it is suggested that the following course be proposed. The three Ministers should decide that the Germans at the present juncture simply be furnished with a brief list of the fields of powers which the Allies must reserve to themselves. Such a list preferably should be drawn up by the Ministers themselves or the Military Governors should be requested to draft this list on instructions from the three Ministers. Thereafter the list should be transmitted to the Germans so that they may complete their final work on the constitution. It would be desirable that in forwarding the list to the Germans the Military Governors inform them that they will discuss with them the arrangements and procedures for the exercise of these reserve powers. On the other hand, it would be possible, as was done in the case of Military Government approval of the state constitutions in the US zone, to consult now with the Parliamentary Council concerning the powers the Allies agreed to reserve and the procedures for the exercise of these powers; thereafter when giving approval to the constitution, the Military Governors would transmit a formal letter defining the reserve powers and the procedures for their implementation. As to the question of unanimous or majority vote, German legislation in non-reserved fields should go into effect unless unanimously disapproved by the Military Governors; with respect to Military Government action in the reserve fields, the majority rule should apply, except as regards economic matters affecting the amount of the US appropriation, where the US should continue to have a predominant voice.

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<sup>4</sup> *Ante*, p. 1.

*Trizonal Fusion Principles.* In connection with the above, the US should press for the adoption of the principles of trizonal fusion it has proposed with more emphasis on the reduction of Military Government personnel, and possibly a transfer to civilian authority at the top.

*Program for a CFM.* Adoption of the more liberal measures envisaged above, *vis-à-vis* a Western German government, would make it easier for us to propose that our Western German program be applied throughout all of Germany. This is an argument in favor of these more liberal steps. Otherwise, if we were to propose Program A <sup>5</sup> in a CFM, such a measure would represent a drastic breaking with the present Western program and it is almost inconceivable that it would be acceptable to the French. If the guarantees in Program A for international supervision of free elections and the police as well as the safeguards of civil liberties could be obtained in a CFM, Program A would be politically practicable, although it would leave unsolved many difficulties in other fields, particularly the economic.

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<sup>5</sup> The text of "Program A" (A Program for Germany), November 12, 1948, is printed in *Foreign Relations*, 1948, vol. II, p. 1325.

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740.00119 Control (Germany)/3-3149

*Paper Prepared by the Acting Director of the Office of German and Austrian Affairs (Murphy)* <sup>1</sup>

SECRET

[WASHINGTON,] March 30, 1949.

# TENTATIVE OUTLINE OF APPROACH IN THE DISCUSSIONS WITH THE BRITISH AND FRENCH FOREIGN MINISTERS ON GERMANY

I. The Foreign Ministers of the United Kingdom and France are tentatively scheduled to discuss with the Secretary of State German problems on April 6 and 7. The Secretary of State will have brief opening talks with each of the Foreign Ministers before that period on a variety of subjects which will undoubtedly include some general reference to the German problem.

II. It is anticipated that the following subjects respecting Germany will be discussed in the order indicated:

(a) Relations with the USSR concerning Germany. General discussion of relations with the Soviets on the German problem will be the first item of discussion. The talks will undoubtedly center about the Berlin situation and the possibility of a meeting of the Council of

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<sup>1</sup> The paper was submitted to President Truman by the Secretary of State on March 31 with the German policy papers printed *infra*. Acheson went over the approach with the President who approved it. (Memorandum of conversation with the President, not printed, 811.001 Truman, H.S./3-3149)

Foreign Ministers. The current situation vis-à-vis the Berlin problem as indicated to the President on March 29 will be discussed with Mr. Bevin and Mr. Schuman with the object of obtaining their agreement to the US course of action already known to the President.<sup>2</sup> The course of action to be followed by the three Western Powers in a possible CFM would not be discussed in detail at this stage but deferred until after the exploration of the various issues among the three Western powers on the method of proceeding in Western Germany.

(b) Discussion of the General Concept of Military Government and Occupation. The United States considers that an attempt should be made to bring about a radical change in the nature and operation of Military Government at the time of the establishment of a Western German government. The present approach commits the occupation authorities to assuming too great a degree of responsibility for the administration of Western Germany, thus running the risk of increasing rather than minimizing present differences between the United States, British and French, which in turn would hamper the successful operation of a German government. There should be a radical reduction of Military Government personnel and supervision of the Germans should be exercised only at the higher levels of federal and state government. Future arrangements should look toward the abolition of Military Government as such and the substitution of a small Allied control body, headed by civilian commissioners.

Mr. George Kennan was recently informed by Mr. Schuman,<sup>3</sup> and to a lesser but still appreciative extent by British officials, that they were willing to accept this changed concept of occupation. This would be contrary to past positions of the French and British. If Mr. Schuman and Mr. Bevin agree to such a changed concept, the United States should accept this new approach and be prepared to adopt measures to that end without delay.

Such a changed concept would aim at a considerably simpler occupation statute defining the reserved powers of the Western Allies. It would in effect remove the occupation authorities from administering any direct governmental responsibilities except in a very few matters connected with security, reparations, decartelization, etc. It would also allow a simple and workable arrangement for the exercise of these reserved powers. This approach should automatically erase many of the more complicated problems of present dispute among the three Western powers.

(c) If Mr. Bevin and Mr. Schuman do not agree to this changed concept of occupation, the discussion would turn to a resolution of the matters now in dispute which affect the establishment or effective operation of a Western German government. Under this approach it will be necessary to accept as a basis of discussion documents which have been under negotiation on the various matters for several months, since any intermediate course between that outlined above and the one now under discussion with the British and French could only lead to long and laborious negotiations which would involve great delay to the

<sup>2</sup> For documentation on the Jessup-Malik conversations and the Foreign Ministers' discussion of them, see pp. 694 ff.

<sup>3</sup> Presumably a reference to Kennan's conversation with François-Poncet in Frankfurt on March 21. Regarding this conversation, see p. 113.

establishment of the Western German government. It will, therefore, be necessary to resolve the outstanding issues in the following subjects:

(1) *Occupation Statute*. There is virtual agreement on the present text<sup>4</sup> but approval is conditional upon agreement on the principles of trizonal fusion.

(2) *Principles of Trizonal Fusion*. The principal outstanding issue is language providing for the exercise by the United States of a preponderant voice in the control of German economic and trade developments which might affect the amount of the assistance which the US provides in largest part.

(3) *Western German Constitution*. The issue is whether the Western Allies should approve certain German counter-proposals submitted to Military Government in reply to the latter's objections that the draft constitution provided for too high a degree of centralization.

(4) *Prohibited and Restricted Industries* (if final agreement is not reached in current London discussions)<sup>5</sup>. The differences will probably relate to the duration of the restrictions on industry and to the extent to which the Germans will be permitted to engage in ship-building.

(5) *Reparations* (if final agreement is not reached in current London discussions). Disagreement would probably relate to the retention of one critical plant in the steel industry.

### III. Procedure in a meeting of the Council of Foreign Ministers:

After consideration of the above subjects, discussion will turn to the position which should be adopted by the three Western powers in a possible meeting of the Four-Power Council of Foreign Ministers on Germany.

<sup>4</sup> For documentation relating to the London negotiations on the occupation statute, principles of trizonal fusion, and the status of Kehl, including the texts of the draft agreements, see pp. 1 ff.

<sup>5</sup> For documentation relating to the London negotiations on prohibited and restricted industries and reparations, including the texts of the final agreements referred to the three Western governments, see pp. 546 ff.

740.00119 Control (Germany)/3-3149

#### *Memorandum by the Secretary of State to the President*

SECRET

WASHINGTON, March 31, 1949.

#### MEMORANDUM FOR THE PRESIDENT

Subject: German Policy Papers

I submit herewith for your consideration a paper drafted following consultation between the Department of State and the Department of the Army, which deals with:

I. U.S. Policy respecting Germany.

II. Steps already taken by the US pursuant to that Policy protecting French and British Security.

III. Matters calling for Prompt Decision at Top Level.

IV. United States proposals to be advanced in such discussions.

I have not thought it necessary to include the appendices which represent detailed position papers prepared for the forthcoming discussions with Mr. Bevin and Mr. Schuman.<sup>1</sup>

DEAN ACHESON

[Annex]

*Paper Prepared in the Department of State*<sup>2</sup>

SECRET

[WASHINGTON, March 31, 1949.]

### I. U.S. POLICY RESPECTING GERMANY

1. The objectives of the policy of the United States toward the German people are inextricably interwoven with its interest in, and policy toward, the other peoples of Europe. The basic considerations are the same whether they can extend to all of Germany or must be restricted to Western Germany.

2. The immediate emphasis of that interest, in the present situation, is (a) on the preservation of a climate of freedom for the free peoples in Europe, (b) on the efforts of such peoples to maintain a common understanding and to create a new common structure which will make possible soundly functioning economic and political relationships among themselves and with the other countries of the world, and (c) on their efforts collectively to maintain a posture of defense of their liberties.

3. As means to these ends, it is the policy of the United States (a) to give temporary economic assistance to such free peoples to aid in

<sup>1</sup> None printed; the Department of State prepared twenty-three position papers for the discussions with Bevin and Schuman, dealing with the matters under discussion in London, the Berlin situation, and various economic questions. Also included among the position papers were Murphy's paper on United States policy toward Germany (p. 118 ff.) and another of the German policy papers under reference in this memorandum. The position papers and the two additional documents are in CFM Files: Lot M-88: Box 140: Position Papers.

<sup>2</sup> The source text is a revision of a similar paper, not printed, submitted to the Steering Group of the National Security Council Subcommittee on Germany on March 28 by Voorhees. The differences between the two papers are indicated in the footnotes. In his cover memorandum Voorhees stated that his paper was intended to summarize information on the London negotiations and various papers prepared by the Departments of State and Army, and could be submitted to other governments, unlike Murphy's paper of March 23 (p. 118) which was designed for briefing United States officials on Germany. (740.00119 Control (Germany)/3-2849) At the meeting with President Truman, March 31, Acheson left Part I of the source text for the President's approval, and went over the tentative outline (*supra*). (Memorandum of conversation with the President, March 31, not printed, 811.001 Truman, H.S./3-3149.)

their efforts for recovery and reconstruction and in their efforts to establish a common structure of new economic and political relationships, (b) to participate with them in their and our common defense through the regional Atlantic Pact as well as in the overall activities of the United Nations—all for the effective preservation of peace.

4. In this setting, it is the ultimate objective of the United States in its policy respecting the German people that they, or as large a part of them as may prove practicable, be integrated into such new common structure of the free peoples of Europe to share in due time as equals in its obligations, its economic benefits and its security. We recognize both that the form and pace of the development of such a structure are predominantly matters for the Europeans themselves and that the ultimate effective integration into that structure of the German people will be dependent upon reciprocal willingness and upon belief in the long range economic benefits and the greater security which would inure to all through mutual participation therein. The United States, through its own security interests and through governmental responsibilities in Germany has a natural interest in the form and development of such a structure.

5. Even if this closer association of the other European countries were not called for by their other needs, it would be requisite because of their common interest in the handling of the German problem. The most constructive, if not the only method for the solution of that problem, lies in the creation of such a common structure and the ultimate integration of the German people into it on a mutually beneficial basis.

6. There is a fundamental desirability in setting in motion in Germany a governmental system dedicated to uphold the basic civil and human rights of the individual in which the German people function in accordance with democratic procedures. It is, therefore, the policy of the United States to carry out the determinations arrived at by the three occupying powers in the London Agreement for the development of such a governmental system in Germany. The tempo and method of the further relinquishment of present external governmental authority in Germany must be geared, however, to the development of the common structure of the free peoples of Europe and the objective of the integration of the initial German governmental system with that structure. It would be against the interest and policy of the United States, and an obstacle to this objective, to recreate the prewar completely uncontrolled, segregated and aggressively nationalistic type of political and economic unity of the German people which had existed for seventy-five years, and had twice been used in this century in attempts to dominate Europe and the world. To do so would also create the danger of an attempt through Germany's central position

and potential strength to regain its 1939 frontiers and position of dominance by playing off the East and West against each other.

7. The United States recognizes from the experience of the past that once such an uncontrolled and segregated political and economic entity were to be recreated, paper limitations on armaments and industry, no matter how necessary it seems now to adopt them, might well once more prove to be ropes of sand and create merely a delusion of security. The only enduring security in the future, so far as the German people are a factor in it, must lie in the renewed vitality of certain of their great cultural traditions prior to the recent period of their economic and political unity, together with a radically new reciprocal approach by the German people and the other peoples of Europe on a meeting ground of the mutual benefits of a strong common structure of free Europeanism.

8. The United States Government recognizes that the economic needs of Europe, as well as the obligations of the occupying powers as the present final governing authority over the German people, imperatively require measures for economic reconstruction among the German people. But the United States also recognizes that this must not be pursued now or in the future as a wholly independent German program. Instead, it must be in step with, and geared to, the inter-related economic possibilities and programs of the other OEEC countries and to prospective markets within these countries themselves and the world generally. On the other hand, it is essential that there be recognition of the need of the German people for a degree of participation in the overall Western European economic program which will enable them along with others to become self-supporting, with opportunities for initiative and with incentives for them to cast their lot with the common free European effort. A main factor in economic recovery is the will and energy with which a people applies itself to the task. Recovery in Germany must rest primarily on the efforts of the Germans themselves. It would be against the policy of the United States to deny to them the reasonable fruits of such efforts as are of a nature to inure to the benefit of Western Europe as a whole.

9. The United States recognizes a certain danger to its own security and that of Germany's neighbors inherent in the industrial potential and facilities of an economically recovered Germany through their possible capture and utilization by another power for the purposes of aggression. The United States was confronted with similar considerations as to all Western European industrial recovery when it decided to make a tremendous outlay of its national resources for the European Recovery Plan. It then recognized that certain of these nations were similarly subject to possible aggression, and, therefore, that their industrial potential, expanded by the European Recovery Program

might be turned contrary to their will against the United States. From a very short range viewpoint, the vulnerability of Western Germany to aggression is considered by the United States to be no greater than the vulnerability of other nations of Western Europe, and from the longer range viewpoint, the ultimate establishment of a satisfactory military posture by such nations, coupled with their economic recovery and that of the free part of Germany, will in the opinion of the United States diminish materially the possibilities of aggression throughout all Europe, including Germany.

10. The United States recognizes that particular economic and political programs of the Western Powers and the U.S. affecting the German people should now and hereafter be influenced by considerations of security, both short and long range. With such considerations European peoples as well as our own are vitally concerned. The United States expects to bear a part in the maintenance of forces in areas in the Western German Zones, so long as necessary to safeguard the decisions arrived at as to Germany, in the interest of its own and Western European security, and also for the security of the German people or such segments of them as it becomes possible to integrate into a free European structure. In this connection the United States Government has given an assurance it will not withdraw its occupation forces without consultation with its major Western Allies and until the peace of Europe is secured.

11. The United States recognizes that as the German people, or a large part of them, may later become a firm part of such a structure of free European nations, it may become reasonable for them to contribute to the armed security of that structure, but only if there should be a strong prevailing sentiment within the membership of the group that such contribution shall have become necessary and desirable.

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It is against this general background of policy that the United States has participated with the occupying powers of the Western Zones in steps already in progress with relation to Germany, and will approach the particular matters in the further development of these steps and others which now call for their decision.

## II. THE UNITED STATES HAS ALREADY GONE FAR IN APPLYING ITS BASIC POLICY IN A WAY WHICH JUSTIFIES FULL CONFIDENCE ON THE PART OF WESTERN EUROPEAN NATIONS AS TO PROTECTION OF THEIR SECURITY VIS-À-VIS GERMANY

1. The United States has put general security considerations first:

a. By the Atlantic Pact.

b. By its proposed action as to assistance with arms.



c. By maintaining and proposing to continue to maintain indefinitely its armed forces in Germany so long as necessary to effectuate its policy and decisions reached as to Germany.

d. By the creation of a Military Security Board.

e. By joining in and maintaining certain fundamental prohibitions, restrictions and controls with respect to German industry, including the security aspects inherent in the proposed Ruhr Control Authority Agreement.

f. It is also noted that the above statement of policy itself contains a most important specific security provision in the statement that, until the present insecure situation in Europe has been replaced by a satisfactory measure of international confidence and balanced normal relationship, the United States Government does not propose to withdraw from Germany, thus maintaining the protection to Western Europe inherent in the presence of United States occupation troops.

2. The United States has emphasized that the German economy be integrated into and treated as part of the general Western European economy:

a. By its ECA contributions and policies.

b. By the economic aspects of its proposed participation in the Ruhr Authority Agreement.

### III. TO CARRY OUT THE ABOVE POLICIES, DECISIONS AT TOP-LEVEL AND ACTION ON THE FOLLOWING MATTERS ARE NECESSARY IMMEDIATELY

1. We must:

a. Carry into effect the London Agreement to set up a Federal Government in Western Germany.

b. Set up an effective administration by the Western occupying powers to exercise their reserved powers and their joint responsibilities in Germany under that plan.

c. Take stock of the Berlin situation and possible proposals for a four zone government, particularly as bearing on the implementation of the London Agreement.

2. The first necessary step is the immediate clearing away of obstacles to keeping our mutual commitments, and our joint commitment to the German people, for the prompt establishment of a German Federal Government in Western Germany.

Such commitments were made between the occupying powers in the London Agreement almost a year ago.

They were made to the *Laender* authorities and the German people July 1, 1948.

The present obstacles to keeping these commitments are:

a. Failure of the three occupying powers to reach, in current London conferences, final agreement on one provision of the Occupation Statute as to inclusion of a German in the membership of The Administrative Court of Appeal set up to review observance by the occupying powers of the exercise of their reserved powers.

*Comment:*

The Occupation Statute must be formulated and published by the time the proposed Federal Constitution framed by the Constitutional Convention is submitted for ratification. Further, we have committed ourselves to communicate our draft to the Convention before it completes its labors. Lack of it is now a factor retarding German agreement on the Constitution.

As is set forth in a separate annex some consideration is now being given to a radical simplification of the Occupation Statute and a far less complicated relationship of the Occupying Powers to the new German Authority. If this new approach is accepted by the Conference of Foreign Secretaries, many of the present obstacles to agreement might be removed.<sup>3</sup>

b. Failure of the occupying powers to reach, in current London conferences, accord on certain major provisions of a trizonal agreement as to:

- (1) The method of exercise by the occupying authorities of the reserved powers; i.e., as to which of those powers shall require unanimity in the exercise thereof; as to those in which the U.S. shall have a dominant voice; and as to those which shall be exercised by a majority decision.

*Comment:*

Reaching a three power accord on this and certain other underlying provisions of the Trizonal Agreement is a condition precedent to the proclamation of the Occupation Statute. The United States, of course, cannot agree to an Occupation Statute without assurance of a reasonable three power arrangement for the exercise of the rights reserved thereunder. This is also necessary for the information of the Germans as it will affect their understanding and probably their reception of the Occupation Statute.

The United States' interest in the immediate decision as to these points is fundamental, because as a practical matter it is providing through the Army and ECA appropriations for the German deficit of approximately a billion dollars per year. It is unrealistic to assume that this sum will be appropriated unless the Congress is assured that a workable arrangement exists under which the German Government can function efficiently and the reserved powers can be exercised in a manner which will accomplish the United States' policy as to Germany above stated without unduly burdening the United States to make up avoidable German deficits. While the German problem has, of course, many [facets] other than the financial deficit, it is still the fact that the success of the military occupation of Western Germany and, more broadly, the success of the European Recovery Program, depends upon such appropriations in order to make possible a balanced and successful effort.

Present divergencies of views on the above points are such that they should be readily resolvable in a top-level discussion.

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<sup>3</sup> This paragraph and the separate annex (printed as sub-annex below) were not in the draft submitted by Voorhees.

(2) Agreement as to the general outline of a tripartite organization which, when decisions to exercise the reserved powers have been reached as above stated, would administer them.

*Comment:*

This would require some central staff at Trizonal Headquarters and also small staffs at *Land* level, but with assistance from the Military Governors in the respective zones in the execution of decisions. Present divergencies of views are not such that they should not be readily resolvable at top level.

c. Certain questions as to the draft of the proposed Federal Constitution by the Convention which have arisen by reason of a comment by the Military Governors and in the consideration of that comment by the Convention, which may require top level consideration of the occupying powers.<sup>4</sup>

*Comment:*

The Military Governors have given to the Convention certain comments on the tentative draft of the Constitution submitted to them by the Convention. These comments would require the exclusion at present of the Western Sectors of Berlin from the membership of the Federation; certain provisions as to the financial powers of the Federal Government and of the *Laender*; and certain provisions to insure that the *Laender* would retain substantial governmental powers and that the Federal Government would only exercise the powers that were necessary to deal with matters affecting more than one *Land*, and so necessary for an effective Federal Government. This comment represents a compromise between the extreme views on centralization among the British and de-centralization among the French. It may prove something of an "apple of discord" among the Germans themselves, and they have presented a counter-proposal, the acceptance of which will require top level reconciliation of views and decision. An authoritative text of the proposal of the Convention is not yet at hand, but top level consideration of the principles involved is important at this time if later delay is not to occur.

d. One or another of the occupying powers have insisted that certain matters be cleared up by prior to [*or*] coincident intergovernmental agreement before the Occupation Statute can be proclaimed. These are:

(1) Certain alterations in the lists of plants scheduled for removal from the trizonal area as reparations; i.e., the so-called "Humphrey List".

*Comment:*

Negotiations in London as to this matter have resulted in substantial agreement, but this needs to be confirmed at the governmental level.

(2) Revision of the present lists of prohibited and restricted industries and provisions for a date for review and possible extension or modification of such provisions.

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<sup>4</sup> For documentation relating to the drafting of the West German constitution, including the text of the Military Governors comments on March 2, see pp. 187 ff.

*Comment:*

Agreement on this matter has been substantially arrived at in the conferences in London but awaits final joint, top level action. Insofar as any differences have not been ironed out, it seems that they could be readily resolved, but only resolved by top level conferences.

(3) The French desire that certain arrangements be made for the Port of Kehl.

*Comment:*

Certain informal explorations in this matter have been going on and which indicate that solution at a top level conference should not be too difficult.

(4) The French desire a rearrangement of the borders of the *Land* of Baden to include North Baden, now in the American Zone, and suggest the union of South Wurttemberg, now in the French Zone, with the *Land* of Wurttemberg, now in the American Zone.

*Comment:*

This question is complicated by the presence of important American military installations in North Baden, but informal conversations indicate that agreement in a top level conference should not be too difficult.

2. [3] While we believe that the above statement of United States policy as to Germany will be reassuring to the other powers, and hope that they will agree with much, if not all of it, we recognize that it is not necessary to ask them at this time to subscribe to it. However, in order to set up a West German Government upon an effective basis, and to exercise the reserved powers in a manner which will make possible the success of the new government, the United States does need assurance that all three powers will join unreservedly in the completion of this effort. Beyond the particular issues lies the need for the spirit and will of each of the powers to make a success of this common enterprise. It would be disastrous to set up a government subject to the extensive reserved powers which the occupation authorities retain under the occupation statute with an aspect of disunity among them.<sup>5</sup>

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<sup>5</sup> This paragraph read as follows in the draft submitted by Voorhees:

"2. The intelligent exercise of reserve powers over the German Government in the trizonal area requires agreement among the occupying powers at this time as to the objectives to be borne in mind in the exercise of these powers. Are the objectives of the United States, as outlined in the statement of policy above, also objectives of the other two occupying powers? If not, in what respect are there differences and how should they be reconciled so that unified, firm and far sighted exercise of those reserve powers can be made?"

*Comment:*

It would seem that it would be disastrous to set up a trizonal government with reserve powers, with the occupying powers having no common objective in their exercise, and affording the aspect of disunity or lack of any clear conception of what they are aiming at."

3. [4] It is vital that account of stock be taken of the Berlin situation, including airlift and economic and political position and the relationship of the Western Sectors to the Eastern and to the Western and Eastern Zones. Plans, if possible, with respect to these elements of the situation need to be formulated at top level by the three occupying powers and in any event any decisions that might affect the carrying out of the London Agreement should now be arrived at.

4. [5] This applies also as to the attitude to be taken at forthcoming United Nations Assembly and possible Council of Foreign Ministers (CFM) with respect to setting up of a German Government for all four zones or acceptance of present split of governmental and economic activities between Western and Eastern Zones.

#### IV. PROPOSALS AS TO THE ABOVE ISSUES <sup>6</sup>

The United States proposes that the objective of setting up a democratic Federal government for Western Germany, as agreed to in the London conference, be unreservedly supported by all three powers.<sup>7</sup>

2. *Occupation Statute*: The Statute should be formally agreed upon, with the only point now open being resolved as follows:

a. Court: For reasons of German morale there should be a German member.

3. *Trizonal Agreement*: This should be finally agreed to coincident with the Occupation Statute, with the points remaining open being resolved as follows:

a. Method of determination as to exercise of reserved powers: This should be:

(1) Unanimity on exercise of approval of amendments to the Federal Constitution.

*Comment*: This is not controversial as far as it goes, but Mr. Schuman has raised the question of unanimity for approval of any *Land* Constitution or its amendment. The United States' position is against this because such protection is adequately supplied in the general provisions of the Federal Constitution.

(2) The United States, as under the Bizonal Agreement, should have, in view of its contributions, a weighted vote and resultant dominant voice in matters of and affecting foreign trade and foreign exchange. (The detail of a U.S. proposal and present status of the negotiations is set forth in Appendix A.)<sup>8</sup>

<sup>6</sup> Part IV of the paper was dated March 30, 1949.

<sup>7</sup> This paragraph was not in the draft submitted by Voorhees.

<sup>8</sup> There was no Appendix A attached to the source text or to the draft submitted by Voorhees. However, a paper entitled "Principles of Trizonal Fusion," (not printed) which reflected the situation as of March 29, was one of the position papers prepared for the discussions with Bevin and Schuman. A copy of this proposal, which seems to be the paper under reference here, is in the CFM Files: Lot M-88: Box 140: Position Papers.

(3) In the exercise of all other reserved powers the decisions of the Military Governors should be by majority vote. There should be certain appeals to the three governments, but the majority decision of the Military Governors should stand unless there is unanimous reversal or unless, as to matters affecting demilitarization and disarmament, two governments agree on further consideration. The text of the U.S. proposals is in footnote.\*

b. Tripartite organization for administration of the decisions for exercising the reserved powers. This should be :

(1) By the Military Governors acting jointly through a central tripartite staff and agencies selected by them, with a minor central tripartite staff and agencies, as found necessary, in the *Laender*, and with the carrying out of strictly local functions and field observers under the direction of the individual Military Governors in their respective zones.

4. *Reparations—Humphrey Report*: The United States proposes the final approval of the results of the London negotiations with the decision of any points which have been left open. (We have not as yet the final results of these negotiations.)

5. *Prohibited and Restricted Industries*: The United States proposes the final approval of the result of the London negotiations on this subject with the decision of any points which have been left open. (We have not as yet the final results of these negotiations.)

6. *Port of Kehl*: The United States proposes that a plan for the Port Authority for Kehl, with German participation, be worked out, as set forth in Appendix B.<sup>9</sup> But the Occupation Statute, the Trizonal Agree-

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\*United States proposals to date :

A Military Governor who considers that a majority decision concerning demilitarization and disarmament modifies or is not in conformity with inter-governmental agreements regarding Germany, may appeal to his government. Such an appeal shall serve to suspend action for not more than 30 days from date on which decision is made unless two governments indicate that grounds justify further consideration. In such cases, three governments will instruct their respective Military Governors further to suspend action pending agreement among governments.

A Military Governor who considers that a majority decision involving any other matter reserved by Article II, paragraph 2, of Occupation Statute is not in conformity with basic tripartite policy regarding Germany or on grounds that amendment to *Land* Constitution violates basic law may require suspension of action while he makes appeal to his government. An appeal in this case shall serve to suspend action only for a limited period of time, which shall not exceed 30 days from date on which majority decision of Military Governors is made, and shall not prevent action in case government agreement is not reached. [Footnote in the source text.]

<sup>9</sup> There was no Appendix B attached to the source text or to the draft submitted by Voorhees. However, a paper entitled "Kehl," not printed, was one of the papers prepared for the discussions with Bevin and Schuman. A copy of this proposal, which seems to be the paper under reference here, is in the CFM Files : Lot M-88 : Box 140 : Position Papers.

ment and the establishment of the Federal German Government should not be delayed to await the working out of such a plan.

7. *Wurttemberg-Baden Boundary Revision*: The United States proposes that this question be handled as follows:

a. That the Minister Presidents be authorized to conduct a plebiscite on unification of Wurttemberg-Baden and Hohenzollern as originally proposed.

b. That, if the proposed unification is approved, a bipartite or tripartite military government be established for the whole of the combined areas.

c. That, if the proposed unification is rejected, a further plebiscite regarding the reestablishment of the former states of Baden and Wurttemberg be conducted as proposed by the majority report of the Minister Presidents.<sup>10</sup>

d. That, if the latter proposal is approved, a bipartite or tripartite military government be established for each of the reunited areas.<sup>11</sup>

#### 8. The Berlin situation and the Four Zone Government:

a. The United States proposes that the London Agreement commitment for a Western German government not be postponed or suspended for the purpose of negotiating as to lifting of the Berlin blockade or the establishment of a four zone German government.

b. The United States proposes that the possibilities be constantly explored of securing a lifting of the Russian Berlin land blockade and our own counter blockade; also of the establishment of workable economic and political relationships between the Western and Eastern Sectors of Berlin, and more broadly between the Western and Eastern Zones.

c. It is the view of the United States that no practicable arrangement for a four zone German government can now be envisaged, and that a three zone government at least has one advantage in that it presents less difficulties in securing integration into a new Western European economic and political structure.

9. The United States also proposes that in the present meeting the other powers examine with the United States the objectives set forth in the above statement of policy as to Germany with a view to determining how far they are in accord therewith.<sup>12</sup>

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<sup>10</sup> Presumably a reference to the recommendations of the Ministers President on October 1, 1948, the text of which is printed in *Foreign Relations*, 1948, vol. II, p. 427.

<sup>11</sup> Following subparagraph *d* in the draft submitted by Voorhees was a paragraph which read:

"7. *Basic objectives in the light of which the reserved powers should be exercised*: The United States proposes that the objectives set out in its policy statement respecting Germany be considered with a view to determining whether they could be made a fundamental guide in the exercise of the reserved powers."

<sup>12</sup> This paragraph was not in the draft submitted by Voorhees.

[Subannex]

*Paper Prepared in the Department of State*

SECRET

[WASHINGTON,] March 30, 1949.

OUTLINE OF NEW APPROACH IN MILITARY GOVERNMENT—WESTERN  
GERMAN GOVERNMENT RELATIONSHIP

The US has consistently pressed for a broad approach in the negotiation of the occupation statute to the end that the powers reserved to Military Government be limited to the necessary minimum and that a workable arrangement for the exercise of such powers be devised which would obviate the obstructive use of the single veto. In order to obtain British and particularly French agreement the US negotiators have been forced to make a number of concessions leading to the formulation of a restrictive and complicated occupation statute with confusing lines of authority. Besides producing a strongly negative reaction on the Western German authorities, the present draft<sup>13</sup> is likely to frustrate the successful operation of the provisional government and to lead to interminable disputes not only with the Germans but also between the Allies.

Mr. Schuman and his representative in Germany, Mr. François-Poncet, have expressed similar apprehensions to Mr. Kennan and have stated the need for a radically different and more liberal basis, thus seemingly reversing the previous French position.<sup>14</sup> Certain British officials have taken much the same line. In the forthcoming talks with the British and French Foreign Secretaries the US will explore the possibility of obtaining acceptance of a more practical and simpler Military Government-German relationship conforming to the US original concept, particularly with respect to an occupation statute and the exercise of reserved powers to be laid down in the principles of trizonal fusion.

*Occupation Statute.* A document considerably simpler than the present draft occupation statute is desirable. Its purpose would be to enumerate briefly the minimum powers which the occupation authorities must reserve for reasons of security and for safeguarding the basic objectives of the occupation, such as the completion of reparations, decartelization, observance of international obligations, etc. German legislation and constitutional amendments would enter into effect unless unanimously disapproved within a certain period and the reserved powers would be exercised by majority vote of the Allies. The

<sup>13</sup> The text of the draft occupation statute was transmitted in telegram 1338, April 2, p. 62.

<sup>14</sup> Regarding Kennan's discussions in Germany with the French, see Kennan notes, March 21, p. 113.



arrangement should be of such a nature as to assure the German authorities that, apart from the essential controls retained by the Allies, they would be furnished the responsibility and authority to undertake the normal functions of government and administration. If the British and French agree with this concept, it would be suggested (a) either a shortened and simplified occupation statute be substituted and be transmitted to the German Parliamentary Council as called for by the London Agreement; or (b) in lieu of an occupation statute and the proposed High Court to be set up thereunder, which could lead to never-ending litigation between the Allies and the Germans, the three Military Governors simply enumerate the reserved powers in their letter of formal approval of the constitution, stating they will discuss the manner of application with the competent German representatives.

*Principles of Trizonal Fusion.* In accordance with the new approach a revision would be attempted of the present draft principles of trizonal fusion. This would aim at a drastic reduction of Military Government personnel in Western Germany and procedures confining the exercise of Military Government control to the top German federal and state levels, on a uniform tripartite basis, again on the majority vote principle. Since the objective would be to create a normally functioning German government system with primary responsibility for the Western German economy, the US could afford not to insist on a preponderant Military Government control in German trade and economic questions, but could rely on customary ERP procedures to ensure the effective use of its financial assistance.

*Approval of the German Constitution.* A consequence of the new approach should be that the three Foreign Secretaries in their examination of the German constitution would consider carefully the delicate balance of German political forces represented in that document and should be aware that insistence upon changes beyond those now proposed by the Germans will incur the risk of placing on the Allies themselves the onus for future difficulties encountered in the working of the constitution.

C. MEETINGS OF THE FOREIGN MINISTERS OF THE UNITED STATES, FRANCE, AND THE UNITED KINGDOM AT WASHINGTON, APRIL 6-8, 1949<sup>1</sup>

740.00119 Control (Germany)/3-3149

*Memorandum of Conversation, by the Secretary of State*<sup>2</sup>

TOP SECRET

[WASHINGTON,] March 31, 1949.

Participants: The Secretary

Others Present:

Mr. Bevin  
Sir Oliver Franks  
Dr. Jessup  
Mr. Murphy

Mr. Beam  
Mr. Barclay

GERMANY

[Here follows a discussion of the Jessup-Malik conversations on Berlin. Regarding these conversations, see pages 694-751.]

I hoped we could clear up many German problems in our talks with Mr. Schuman. After the conversations with Schuman and François-Poncet in Paris, Mr. Kennan had the feeling the French may go a considerable way toward an improvement in Military Government relationships with the Germans. We might be able to move toward the Austrian example under which the Allies would exercise very few powers and the German government would have wide freedom of action unless its decisions were unanimously disapproved. Such an arrangement would greatly reduce friction in such matters as the US preponderant voice in financial questions, and it would furnish us with a strong basis on which to deal with the Soviets.

Mr. Bevin said the French will be strongly influenced by the Pact<sup>3</sup> and can be expected to continue with the improvement manifest since ERP. Schuman has an entirely different point of view toward the Germans and is trying to bury past enmities. Mr. Bevin thought we should move carefully. While we would like to end the blockade, the airlift is a great joint US-UK venture and he would not like to let this venture go by the board without considering the consequences. Mr. Bevin said he will think this over and will let me know later.

Mr. Bevin said he had been considering another approach. The Soviets may wish to negotiate a settlement so that they can get out of Europe and go home. Recently they have been unhappy in their contacts with Western Europe. Maybe we should tell them we are ready to discuss in a CFM all European questions, such as Austria, Trieste, our rights under the Balkan treaties, etc. Given our solidarity under

<sup>1</sup> For a personal account of these meetings, see Acheson, *Present at the Creation*, pp. 286-290.

<sup>2</sup> The memorandum was prepared by Beam.

<sup>3</sup> Documentation relating to the negotiation and signing of the North Atlantic Pact is printed in volume IV.

the Atlantic Pact we would be in a good position to enter into negotiations and the Soviets might seize the opportunity to clear up Europe. We should make it clear our quarrel with the Soviets relates to all of Europe and not only Germany. Mr. Bevin continued that if the Soviets withdraw from Europe, they will want us to do so also, but this would frighten the European population. I mentioned the possibility of a sort of peripheral withdrawal from Germany which would ease the Berlin situation.

Mr. Bevin said he had thought about this a year ago, particularly when the French were putting pressure on him, urging that the Western Allies abandon Berlin. He had never seriously considered this possibility.

I agreed with Mr. Bevin that we cannot leave Berlin under present conditions because of the disastrous effect on Europe and our obligations to the Berlin populace. The President had approved this position.

Mr. Bevin continued that if we take the initiative for negotiations, this would be a Soviet victory. It would have a weakening propaganda effect, particularly in India and among the Eastern peoples. We should not beg the Soviets for negotiations, although there was no objection to their taking place by mutual arrangement. They must take the first action, otherwise they score.

I mentioned Dr. Jessup's suggestion that the President of the Security Council address a letter to the parties of the dispute, proposing that the Soviets lift the blockade and that a CFM meeting be held thereafter. It would be a proper form of good offices, since the Security Council has hitherto attempted mediation.

Mr. Bevin said he would like to think about this suggestion.

Mr. Bevin then dealt with several specific German questions. He said that the powers over financial matters which the US claimed under the trizonal fusion agreement went too far. They gave the US Military Governor power of veto over state legislation and made him the dictator over his colleagues. While he had been willing to accept the bizonal agreement formula, the new US proposal would not be acceptable to the Cabinet or House of Commons. Mr. Bevin complained that US Military Government by supporting private ownership in the coal and steel industries was prejudicing a future German decision on the ownership question. This action might antagonize the German Social Democrats and turn them into "Nenni Socialists."

Mr. Murphy explained that while the bizonal agreement formula on the US preponderant vote had worked well with the British, the US felt that a further guarantee was needed under trizonal fusion, particularly because of the French. He said we had no information regarding British complaints in the matter of the coal and steel industries but we would look into this question. Mr. Murphy also ex-

pressed concern that appeals to the governments under the trizonal fusion agreement might hold up effective German action.

I mentioned that if we succeed with a new and broader approach for Military Government many of these difficulties will disappear. If Mr. Schuman does not accept this concept we can go back to the present basis, although I have grave doubts about the complicated 38 [28?] paragraphs of the occupation statute<sup>4</sup> and about the risk that the appeal to governments may bog down German government operations.

In reply to Mr. Murphy's question, Mr. Bevin agreed that the bizonal fusion agreement, which expires today, should be extended for three months without change. If [He] said that if Mr. Schuman can be persuaded to take a broader line regarding Military Government and if he can carry it before his Parliament, the British would agree to the suggested new approach.

[In the remaining sections of the memorandum the Ministers discussed briefly the ratification of the Atlantic Pact, Western Union, Greece, the Italian Colonies, Austria, the Middle East, a draft speech by President Truman regarding Turkey, Iran, and Greece, and matters that Bevin wanted to discuss in the forthcoming talks. Documentation relating to these subjects is in Volumes IV and VI.]

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<sup>4</sup> Presumably this was a reference to the draft transmitted in telegram 1338, April 2, p. 62.

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740.00119 Control (Germany)/4-149

*Memorandum of Conversation, by the Secretary of State<sup>1</sup>*

TOP SECRET

WASHINGTON, April 1, 1949.

Participants: The Secretary of State  
Mr. Schuman  
Mr. Henri Bonnet  
Dr. Jessup  
Mr. Murphy  
Mr. Beam

[The first section of this memorandum in which the Ministers discussed the North Atlantic Pact is scheduled for inclusion in Volume IV.]

GERMANY

[In their discussion of the German question the Ministers first considered the Jessup-Malik conversations. Regarding these conversations, see pages 694-751.]

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<sup>1</sup> The memorandum was prepared by Beam; the meeting convened at 10 a. m.

Referring to specific German problems, I told Mr. Schuman I had been much impressed by his conversations with Mr. Kennan. It appeared Mr. Schuman also agreed with us that a simple approach was needed to get away from the complexities of Military Government. We should aim at something along the Austrian lines. Responsibility would be put in German hands and Military Government would reserve powers to stop objectionable action. The Germans should be allowed to take initiative under Allied control. In theory, we would reserve all powers but we would notify the Germans of the limited and specified fields in which we would take direct action. Many difficulties, such as predominant US financial control, might be removed by this new approach.

Mr. Schuman agreed in principle. It was time to proceed from the first stage of direct Allied responsibility to the second stage of Allied control. We should give the Germans maximum responsibility, at the same time maintaining the right to intervene in such matters as security, denazification, etc. It was also time to move away from Military Government toward an organization more civilian in character. Military affairs would still remain with the Military Commanders, but we should try to establish a more normal type of diplomatic relationship with a German government. He considered it essential to perfect three-power agreement on Germany, particularly if we become engaged in four-power discussions. This should be easy since some of the main obstacles, like the question of the limitation of industries, have now been removed.

I expressed gratification with Mr. Schuman's views and said it would be a great help in four-power discussions if the Western countries had already determined a common pattern for Germany. The Russians would find it less easy to obstruct and delay everything.

Mr. Murphy referred to two outstanding points connected with the proposals of trizonal fusion, namely, the appeal of decisions to the governments and the matter of the US financial contribution. Mr. Schuman said he saw no difficulty regarding a formula on finance. Mr. Schuman suggested we agree that controls be exercised at the top structure of the German government and that there be a tripartite Military Government organization, otherwise everything would be too complicated. He said we might have difficulties with the British on this point.

Mr. Schuman thought it would be easy to settle the Wurttemberg-Baden boundaries. He agreed that the German Ministers-President should proceed with the suggested plebiscite in the states before the

setting up of a German government. The only question to be asked in the plebiscite would be the fusion of the two states, but the population should also know what would happen if they rejected this arrangement, namely, that the two states would be reconstituted as before. In any event there should be a tripartite control agency for the area. There should be no trouble about the US military establishments in North Baden and he was determined this should be worked out. He suggested we lay down fairly definite principles, otherwise troubles will recommence with the Military Governors.

Mr. Murphy said we wished a shorter and simpler occupation statute and suggested this be worked out here on the expert level. Mr. Schuman said Mr. Laloy of his personal staff would arrive this week-end. He said rapid agreement was all the more necessary, particularly because of its effect on the Germans who would soon become aware of, and would exploit Allied disagreements. He was determined we should not lose time.

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740.00119 Control (Germany)/4-149

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] April 1, 1949.

Participants: The Secretary of State  
 Mr. Bevin  
 Mr. Schuman  
 The British Ambassador  
 The French Ambassador  
 Mr. Murphy  
 Dr. Jessup

Others present:  
 Mr. Couve de Murville  
 Mr. Bérard  
 Mr. Barclay  
 Mr. Beam

I recapitulated what I told Mr. Bevin and Mr. Schuman separately<sup>2</sup> concerning our suggested new approach regarding an Occupation Statute and Military Government relationships in Western Germany. I said that a more practicable arrangement along the Austrian model would resolve many problems and put us in a stronger position as against the Soviets. We should agree to go through with a logical, firm plan, even if the Soviets refused to accept it.

Mr. Bevin asked what would become of the Occupation Statute, the Military Security Board and the Ruhr Authority under this new approach. We should set up the Ruhr Authority immediately since this would be one of the first things the Soviets would try to get into. We should also go ahead with the Military Security Board. Was it sug-

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<sup>1</sup> The memorandum was prepared by Beam; the meeting convened at 2:30 p. m.

<sup>2</sup> Memoranda of these conversations are printed *supra*.

gested that we amend the Occupation Statute? Mr. Schuman concurred that the Ruhr Agreement should be signed now.

Mr. Murphy said we wanted to see everything tied together and would be ready to sign the Ruhr Agreement after agreement was complete on all other matters. In the meantime the text of the agreement stood as it was, as did also the Military Security Board.

I explained there was nothing revolutionary in our new concept, but we wished to simplify the vast machinery of Military Government, so that it would not be necessary for it to continue to be the government of Germany. We wish to see the following principles established: (1) the western Allies would reserve the right to revoke any powers accorded to the Germans; (2) in the meantime the German government should go ahead and govern unless we decide to stop its actions; (3) we would specify certain areas in which the Western powers may take direct action. The Germans would be responsible for running their own economy; if they were spendthrift they would get no more money.

Mr. Bevin and Mr. Schuman hoped they could be furnished with US written proposals this evening and will be glad to consider them. A British expert would arrive within a day or so. It was not necessary to bring the Military Governors here.

I expressed the hope that we would shortly achieve complete agreement.

With reference to the German constitution, Mr. Bevin said his Cabinet had approved it. Mr. Schuman said he did not like the counter-proposals submitted by the Germans in reply to the Military Governors' objections to the constitution.<sup>3</sup> He did not regard these counter-proposals as official and he would wait until he had received the official text. As regards the possibility of bringing Berlin into the federation as a twelfth state, Mr. Schuman said he agreed with General Clay that for the present the pertinent provisions of the Bonn constitution should remain suspended and that Berlin should be regarded as being juridically under four-power jurisdiction.<sup>4</sup>

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<sup>3</sup> For documentation relating to the drafting of the West German Constitution, including the objections of the Military Governors, March 2, see pp. 187 ff. For the texts of the counterproposals of the Committee of Seven on March 10 and 17, see *Documents on the German Federal Constitution*, pp. 110-113 or Litchfield, *Governing Postwar Germany*, pp. 569-576.

<sup>4</sup> At this same meeting the Foreign Ministers discussed the Jessup-Malik conversations concerning Berlin. A memorandum of their discussion is printed on p. 709.

740.00119 Control (Germany)/4-649

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[WASHINGTON,] April 6, 1949.

## PARTICIPANTS

The Secretary of State	Mr. Bevin	Mr. Schuman
Mr. Murphy	The British Ambassador	The French Ambassador
Dr. Jessup	Mr. Steel	Mr. Couve de Murville
Mr. Kennan	Mr. Dean	Mr. Bérard
Mr. Beam	Mr. Barclay	Mr. Laloy

## PAPER ON GENERAL PRINCIPLES

I read the document relating to the principles governing the exercise of powers and responsibilities of the US, UK and French Governments following the establishment of a German federal republic.<sup>2</sup>

Mr. Bevin said that we must be careful, in whatever we present to the Germans, to make it clear we are establishing a legal basis for the future relationships, since the Germans had requested a legal occupation statute. Furthermore, the instrument should not be too irreconcilable with four-power decisions. I confirmed that we were dealing with a statement of principles, that we intended to retain sovereignty in Germany as well as the legal basis of our occupation.

The various paragraphs of the statement of principles were then discussed, the chief points being the following:

*Paragraph 4.*<sup>3</sup> Mr. Bevin said that the UK aid furnished Germany must also be taken into account. While the US aid would come under the ECA system, provision must be made for an arrangement making a similar adjustment in the UK-European inter-payments scheme

<sup>1</sup> The memorandum was prepared by Beam. A transcript of proceedings in file 740.00119 Control (Germany)/4-649 indicates that the meeting convened at 11 a. m. in room 5106 of the Department of State.

<sup>2</sup> Not printed. Apparently drafts of the paper on general principles, the letter approving the Basic Law, and the agreement as to tripartite controls, discussed by the Ministers on April 6 and 7, were prepared at a meeting of their representatives on April 5, no record of which has been found. However, attached to a copy of the papers signed by the Ministers on April 8 were drafts of these three papers and an agenda for the meetings, none printed, all undated. (740.00119 Control (Germany)/4-849) These drafts which correspond exactly to the texts read by Secretary Acheson at the various meetings as indicated in the transcripts of proceedings have been used to supply the texts of the various other paragraphs not included in the transcripts. Another draft of the paper on general principles was taken to the April 5 meeting by Kennan, not printed. (740.00119 Control (Germany)/4-549) Apparently it was used as the framework from which the representatives worked since it corresponds closely to the draft read by Acheson.

<sup>3</sup> According to the transcript of proceedings and the updated draft, this paragraph read:

"4. Upon the coming into being of the German Federal Republic, the responsibility for supervision of the utilization of funds made available by the United States Government to the German economy for the purpose of relief as well as recovery should rest with the Economic Cooperation Administration."



with respect to the British contribution. Accordingly, he entered a caveat regarding this paragraph.

Mr. Schuman referred to the need of obtaining the agreement of the OEEC countries for direct German participation, since Germany was now represented by the Military Governors. I said the present arrangement would continue until a German government is established, following which the matter would be taken up with other governments.

Mr. Bevin said that for budgetary purposes, he would suggest a study be made of when the new arrangements would come into effect.

*Paragraph 5.*<sup>4</sup> Mr. Bevin objected to the transfer to a civilian high commissioner of all functions of Military Government, saying this would put him in an embarrassing position with respect to General Robertson. Mr. Schuman said that while he preferred a civilian administration, the Potsdam Agreement provided for the exercise of power by general officers, and he suggested that the functions now exercised by the Military Governors be separated between those relating to political military affairs and those relating to civil affairs which would be the concern of a high commissioner. I agreed and said we would so re-draft paragraph 5.

#### MILITARY GOVERNORS' LETTER APPROVING BASIC LAW

Minor drafting changes were suggested in the various paragraphs:

*Paragraph 6.*<sup>5</sup> Dr. Jessup raised the point whether this reserved necessary power to revoke or amend the government arrangements in the event of four-power agreement on a government for all of Germany. It was agreed that in order to cover this point a phrase along the following lines should be added to the next to the last sentence: "Or to ensure compliance with their international obligations." Mr. Bevin suggested the addition of another phrase "as circumstances so require," but it was agreed to drop this proposal since, according to Mr. Schuman, this would entail too great a restriction of German responsibility.

With reference to the draft letter generally, Mr. Bevin said that while he had obtained Cabinet approval only for acceptance of the old occupation statute,<sup>6</sup> he nevertheless personally would give ap-

<sup>4</sup> According to the transcript of proceedings and the undated draft, this paragraph read:

"With the establishment of the German Federal Republic and the termination of military government, the Office of Military Governor should be abolished and each of the allied establishments in Germany, aside from occupation forces, should come under the direction of a civilian high commissioner. The three high commissioners together should constitute the Allied Control Commission."

<sup>5</sup> The transcript of proceedings did not indicate the text of this paragraph, but according to the undated draft, it read:

"6. It is the hope and expectation of the three Governments that the occupation authorities will not have occasion to take action in fields other than those specifically reserved above. The occupation authorities, however, reserve the right, acting under instructions of their Governments, to resume, in whole or in part, the exercise of full authority if they consider that to do so is essential to security or to preserve democratic government in Germany. Before so doing, they will formally advise the appropriate German authorities of their decision and of the reasons therefor."

<sup>6</sup> The text of the draft occupation statute under reference here was transmitted in telegram 1338, p. 62.

proval to the new proposed letter and would initial it, thus accepting it subject to Cabinet decision. He was willing to recommend its approval by the Cabinet.

Mr. Schuman said he had full authority to approve.

I said that if agreement is obtained here, I would inform the President and get his authority to approve, thus giving US acceptance. I continued, it was our definite intention to clean up everything here respecting Western Germany, including the Ruhr, future ECA arrangements, etc. Mr. Bevin wished to be sure our decisions would represent definitive governmental understandings, with no risk that the troublesome issues settled would be reopened. I said this was our intent, and Mr. Schuman agreed.

Referring to Annex A of the London Agreement,<sup>7</sup> Mr. Schuman suggested we inform the Benelux Ambassadors here concerning our work. It was agreed this would be done after general agreement was reached among us. Mr. Schuman also suggested the Germans be informed, before they take a final decision on the Basic Law, regarding the principles in the draft letter of approval of the Military Governors and that they be told that the terms of the occupation statute have been rendered considerably easier. It was agreed that when the document is approved it be transmitted to the Military Governors to communicate to the Germans. Mr. Bevin also said we would wish to report our work in a communiqué.

#### BASIC LAW

Mr. Bevin expressed great anxiety that we might be too intolerant of the federal powers over finance which the Parliamentary Council might propose. Mentioning that the German states were unequal in their resources, he claimed that the federal government must have certain powers to meet emergency economic conditions and to extend the necessary social services. He referred to the interest of the trade unions in these questions, saying we would want them on our side, and he hoped we would take a liberal attitude toward the work of the Parliamentary Council in order that the constitution will obtain ratification. Mr. Schuman said the Parliamentary Council apparently was not clear regarding this issue and that we should hold them to the Military Governors' recommendations, as we had tactfully done in the message the three Foreign Secretaries had sent on April 4.<sup>8</sup> We should not impose an Allied veto, we should be reasonable, but should ask the Germans to take due consideration of our recommendations.

Referring again to the British Government's interest that the Basic Law be acceptable to the Germans, Mr. Bevin said that if the French Government could assist him in this regard, it would be helpful in his efforts to obtain Cabinet approval for the new approach represented in the draft letter from the Military Governors approving the constitution.

<sup>7</sup> The Report of the London Conference on Germany, June 1, 1948, is printed in *Foreign Relations*, 1948, vol. II, p. 191.

<sup>8</sup> For the text of this message, see editorial note, p. 236.

A drafting committee was established to amend the text cited above and to report to the meeting at 4:30 this afternoon.

740.00119 Control (Germany)/4-649

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[WASHINGTON,] April 6, 1949.

PARTICIPANTS

The Secretary of State	Mr. Bevin	Mr. Schuman
Mr. Murphy	The British Ambassador	The French Ambassador
Dr. Jessup	Mr. Steel	Mr. Couve de Murville
Mr. Kennan	Mr. Dean	Mr. Bérard
Mr. Beam	Mr. Barclay	Mr. Laloy

PAPER ON AGREEMENT AS TO TRIPARTITE CONTROLS

I read to the Ministers the paper on the above subject<sup>2</sup> and the following are the important points which arose from the discussion:

*Paragraph 1.* [According to the transcript of proceedings the preamble and first paragraph read:

"The Governments of the United Kingdom, France and the United States agree, prior to the promulgation of an Occupation Statute, to enter into a trizonal fusion agreement. To this end, there shall be established a board composed of representatives of each of the three occupying powers who will formulate an agreed detailed plan for the establishment of tripartite control machinery for Western Germany, including the Western sectors of Berlin, which will become effective at the time of the establishment of a provisional government. The following provisions agreed by the Governments of the United Kingdom, the United States, and France shall be incorporated therein:

1. A tripartite Commission composed of one civilian representative of each occupying power, together with the necessary tripartite staff organization, shall be the supreme Allied agency of control."]

At Mr. Schuman's suggestion it was agreed that the reference to the Western sectors of Berlin be deleted from this paragraph, since Berlin was a special problem apart from the Western zones. A separate paper

<sup>1</sup> The memorandum was prepared by Beam. A transcript of proceedings in file 740.00119 Control (Germany)/4-649 indicates that the meeting took place from 4:50 to 7:00 p. m.

<sup>2</sup> Not printed. The bracketed insertions which follow have been provided by the editors to indicate the text of this draft according to the transcript of proceedings or the undated draft text referred to in footnote 2 of the memorandum of conversation, *supra*. Among the position papers prepared by the Department of State is another draft paper on tripartite controls, dated March 31, not printed. Presumably this draft was taken to the meeting on April 5 by the United States representatives, since it corresponds to that read by Secretary Acheson. (CFM Files: Lot M-88: Box 140: Position Papers)

would be drafted applying the same principles to the control of Berlin.<sup>3</sup>

*Paragraph 2.* [According to the transcript of proceedings the second paragraph read:

"2. The nature and extent of controls exercised by the Tripartite Control Commission shall be in harmony with the Letter of Approval of the Basic Law."]

The phrase "and international agreements" was added.

*Paragraph 3.* [According to the transcript of proceedings the third paragraph read:

"3. In order to permit Western Germany to exercise increased responsibilities over domestic affairs and to reduce the burden of occupation costs, staff personnel and occupation troops shall be only those needed for security."]

The reference to occupation troops was deleted and it was agreed it should be stated that staff personnel should be kept to a minimum.

It was agreed that the question of the numbers of occupation forces should be dealt with in another connection. Mr. Kennan made the general observation that he hoped we would have an understanding that the impact of the occupation troops on the population should be limited to the greatest possible degree.

*Paragraph 4.* [According to the transcript of proceedings the fourth paragraph read:

"4. In the exercise of the powers reserved to the Occupation Authorities to approve amendments to the federal constitution, the decisions of the Occupation Authorities shall require unanimous agreement."]

Mr. Schuman desired a provision to be added that decisions by majority vote approving amendments to the state constitutions should include the vote of the representative of the occupying power in whose zone the particular state was included.

*Paragraph 5.* [According to the transcript of proceedings the fifth paragraph read:

"5. Prior to the conclusion of a bilateral ECA agreement between the United States and the Federal German Government, in cases in which the exercise of, or failure to exercise, the powers reserved under paragraph 5(g) and 5(h) of the Letter of Approval of the Basic Law shall increase the need for assistance from the United States appropriated funds, there shall be a system of weighted voting. Under such system the representatives of the Occupation Authorities will have a voting strength proportionate to the funds made available to Germany

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<sup>3</sup> For the text of the agreed minute on Berlin, see p. 183.

by their respective governments, except that no action taken hereunder shall be contrary to any inter-governmental agreement among the signatories. This provision shall not, however, reduce the present United States predominant voice in JEIA and JFEA while these organizations, or any successor organization to them, continue in existence and are charged with the performance of any of their present functions.”]

Mr. Bevin thought that the reference to 5(*h*) should be omitted, since he did not wish to extend the JEIA weighted vote formula to other purposes. I agreed we should omit the reference in this paper to 5(*h*) of the Letter of Approval but should keep it in the latter document. I explained that until the ECA procedure is established, 5(*g*) and (*h*) in the Letter of Approval should be operative. Thereafter the provisions in (*h*) could be deleted, but we should retain (*g*) in order to have at hand a sanction in case the Germans did not observe the ECA bilateral agreement with the US; we would exercise the weighted vote under (*g*) after consulting with our other Allies. It was accordingly agreed to delete the reference in the agreement as to tripartite controls to paragraph 5(*h*) in the Letter of Approval, but to keep in the latter document both paragraph 5(*g*) and (*h*).<sup>4</sup>

*Paragraph 6.* [According to the transcript of proceedings the sixth paragraph read:

“On all other matters action shall be by majority vote.”]

Mr. Schuman said he accepted this paragraph subject to suggested amendments in paragraphs 7 and 8.

*Paragraph 7.* [According to the transcript of proceedings the seventh paragraph read:

“7. An Occupation Authority which considers that a majority decision concerning demilitarization and disarmament is not in conformity with inter-governmental agreements regarding Germany, may appeal to his government. Such appeal shall suspend action for no more than twenty-one days from the date of the decision and for such further period or periods as any two of the governments may agree upon, provided that any such further extension is so agreed upon before the existing suspension expires.”]

Mr. Schuman suggested the following substitute language: “If one of the occupation authorities considers that a decision taken by majority vote in the reserved fields covered by paragraphs 5 (*a*), (*b*),

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<sup>4</sup> Paragraphs 5 (*g*) and (*h*) dealt with control of foreign trade and exchange and control over internal matters to ensure the use of funds, food and other supplies in a manner that would not increase unnecessarily the need for external assistance to Germany.

(c) or (e)<sup>5</sup> contradicts or modifies agreements concluded between the three Governments, or is in contradiction to the fundamental principles of tripartite policy in Germany, he has the right to appeal the aforesaid decision to his Government. This appeal will have suspensory effect pending agreement between the three Governments."

Mr. Schuman justified the change by stating that the language in the US draft in effect gave the Germans more power in the reserved fields than in other matters and he thought it was essential to provide some guarantee for the government voting in the minority with respect to such important decisions.

I asked Mr. Schuman to think of his proposal in terms of application to the Soviets, should there be Four-Power agreement. The Soviets would be able to obstruct effective action by the German government, and I felt the fields Mr. Schuman had mentioned were much too broad and provided no clear definition. I said I was willing to consider certain specific fields, such as disarmament questions, in which France had a special interest. It was agreed to defer decision until tomorrow's meeting.

*Paragraph 9.* [The transcript of proceedings did not indicate the text of this paragraph, but according to the undated draft, it read:

"9. All powers of the Tripartite Control Commission shall be uniformly exercised in accordance with tripartite policies and directives. To this end, zonal boundaries and administration shall be eliminated, except to the extent required to limit garrison areas for occupation troops and to provide the administrative support thereof. Control shall be exercised exclusively by organizations of the Tripartite Control Commission extending down to and including *Land* levels. Nothing in this paragraph shall be construed to limit the functions of bodies established pursuant to inter-governmental agreement."]

Mr. Bevin suggested omission of the word "exclusively" and expressed strong objection to tripartite control staffs at the *Land* level. He said that while he agreed the zone commander should carry out policy determined by the Tripartite High Commission, the zone commander must be responsible for day-to-day operations and had special tasks with regard to his occupation troops. The principle of tripartite staffs would offer the Soviets unlimited opportunities of interference should there be Four-Power control. In the various zones relations with the Ministers-President were [not?] good and he feared that there would be endless trouble with the Germans who would be only too eager to play off against each other members of tripartite staffs in the

<sup>5</sup> The reserved fields covered by paragraphs 5 (a), (b), (c) and (e) were: disarmament and demilitarization; controls in regard to the Ruhr, restitution, reparations, decartelization, deconcentration, foreign interests and claims against Germany; foreign affairs; and protection, prestige, and security of Allied forces, dependents, employees, and representatives.

*Laender*. Mr. Bevin would agree to their being a special tripartite group at the federal capital who would examine *Laender* laws to see that they conform with joint Allied policies, but he opposed any suggestion that there should be tripartite administration in the *Laender*. This would be much too cumbersome and would lead to unwarranted interference. Should difficulties arise in the *Laender*, the High Commission could send out a commission of inquiry, but he strongly opposed the permanent establishment of tripartite staffs at the local level.

Mr. Schuman said that a great deal of policy was made at the *Laender* level and that it was logical that tripartite control be extended to the *Laender*. Furthermore, there would be certain forms of federal administration in each *Land* which required control. He favored disappearance of the zone boundaries, the logical result being that there be uniform tripartite control throughout Western Germany. The *Laender* staffs could be kept very small and in all need not include more than twenty officials.

The British Ambassador suggested one tripartite committee might be set up in the capital to review *Laender* legislation or there might be one per zone which would perform this function but would not engage in policy determination, which would be the task of the High Commission.

I said we wished to ensure uniformity and in any event be certain that authority emanates from the High Commission. I suggested the High Commission might possibly have a small group of consultants or agents in each *Land* who could report to the Commission.

This general question was left over until tomorrow for decision.

#### BASIC LAW

I read from a telegraphic report from General Clay on the latest developments in the Parliamentary Council.<sup>6</sup> I furthermore furnished the Ministers with a general set of criteria which we thought should be observed by the Germans in the final drafting of the constitution.<sup>7</sup>

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<sup>6</sup> According to the transcript of proceedings, Secretary Acheson reported on a meeting of the Executive Committee of the Bonn Parliamentary Council at which the response to the Military Governors was further considered. For further documentation relating to the drafting of the Basic Law, see pp. 187 ff.

<sup>7</sup> According to the transcript of proceedings, Secretary Acheson suggested that the Western sectors of Berlin should not be included in the initial establishment of the West German Government, that both the Federal Government and the *Laender* should have the right to tax in their respective fields, and that requests for modifications of the priority powers of the Federal Government should receive sympathetic consideration.

740.00119 Control (Germany)/4-749

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[WASHINGTON,] April 8, 1949.

## PARTICIPANTS

U.S. DELEGATION	BRITISH DELEGATION	FRENCH DELEGATION
The Secretary of State	Mr. Bevin	Mr. Schuman
Mr. Murphy	The British Ambassador	The French Ambassador
Dr. Jessup	Mr. Steel	Mr. Couve de Murville
Mr. Kennan	Mr. Dean	Mr. Bérard
Mr. Beam	Mr. Barclay	Mr. Laloy

The Ministers continued discussions on the paper concerning tripartite controls.

With respect to French concern over the appeals procedure in para 7,<sup>2</sup> I said we recognized French interest in such important matters as disarmament and demilitarization, but there was another factor which was that we should not accept too rigid a procedure which could bind us in dealing with the Soviets, should there be four power agreement. The Russians can act quickly and we should not adopt methods of control which would hold up necessary German government action.

Mr. Schuman said he would try to make a distinction between the types of reserve powers under which appeal could be taken to the governments. First, there might be decisions by a majority of the High Commission altering inter-governmental agreements; these should be suspended indefinitely until there was unanimous government agreement. Secondly, there might be majority decisions having a bearing on the implementation of inter-governmental agreements; these should also be appealed and be subject to indefinite suspension. Thirdly, there should be majority decisions connected with day-to-day operations but involving important policy questions; these should also be subject to appeal but suspension should be only temporary.

Mr. Schuman said these matters were connected with the form of control in the *Laender* and argued for his proposal for Tripartite Commissions at the local level.

I said we must be clear as to where supreme authority resides. The High Commission should speak in the *Laender* through one individual but at the same time it must be adequately informed. I suggested that the High Commissioner in each zone have representatives from the other High Commissioners as observers.

<sup>1</sup> The memorandum was prepared by Beam. A transcript of proceedings in file 740.00119 Control (Germany)/4-749 indicates that the meeting convened at 11:15 a. m., April 7.

<sup>2</sup> For the text of this paragraph, see the memorandum of conversation, *supra*.



Mr. Bevin agreed that the High Commissioner should have supreme authority and that the local control officials in the *Laender* should be the servants of the Commission. He had no objection to there being in each *Land* observers from the other occupying powers.

### BASIC LAW

Mr. Bevin distributed the text of a message he wished to send to the Parliamentary Council dealing with the question of taxation for purposes of social services.<sup>3</sup>

Mr. Schuman thought it unwise to submit new proposals to the Parliamentary Council and thought the previous message from the Foreign Ministers was quite sufficient which reminded them of the terms of the London Agreement.<sup>4</sup>

I explained our concept of grants-in-aid to the states. We considered that under a federal system the states should have independent powers of taxation but there was no objection to federal grants-in-aid being made to the individual states, provided such federal grants were not taken out of the state budgets but derived from the federal budget. Such grants were administered by the states themselves but under federal regulations.

Mr. Schuman said he had no objection to the procedure in principle.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> For documentation relating to the deliberations of the Bonn Parliamentary Council, including the text of the Foreign Ministers communication to the Parliamentary Council on April 4, see pp. 187 ff.

740.00119 Control (Germany)/4-749

### *Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[WASHINGTON,] April 11, 1949.

### PARTICIPANTS

U.S. DELEGATION	BRITISH DELEGATION	FRENCH DELEGATION
The Secretary of State	Mr. Bevin	Mr. Schuman
Mr. Murphy	The British Ambassador	The French Ambassador
Dr. Jessup	Mr. Steel	Mr. Couve de Murville
Mr. Kennan	Mr. Dean	Mr. Bérard
Mr. Beam	Mr. Barclay	Mr. Laloy

The Ministers reviewed various revised drafts of the pertinent papers.<sup>2</sup>

<sup>1</sup> The memorandum was prepared by Beam. A transcript of proceedings in file 740.00119 Control (Germany)/4-749 indicates that the meeting took place from 3:15 to 5:30 p. m., April 7.

<sup>2</sup> None of the revised drafts was found in the Department of State files.

GENERAL PRINCIPLES<sup>3</sup>

It was agreed this paper should be regarded as an agreed minute concerning our basic policy and procedure.

LETTER OF APPROVAL OF THE BASIC LAW (OCCUPATION STATUTE)<sup>4</sup>

Certain minor amendments were accepted. It was agreed that the document previously entitled Letter of Approval of the Basic Law should now be re-worked to constitute an Occupation Statute, since the London Agreements had promised the Germans that they would be furnished with an Occupation Statute before the basic law was approved. The drafting committee was charged with re-drafting the paper in the form of an Occupation Statute which would retain the principal provisions of the "Letter of Approval of the Basic Law."

AGREEMENT AS TO TRIPARTITE CONTROLS<sup>5</sup>

Various drafts were suggested for para 7 and approval was given to a draft with three subheadings, *a*, *b* and *c* as finally incorporated in the agreed document.

In accepting the draft reluctantly, Mr. Schuman expressed concern that appeals under para 7(*a*) might never lead to suspension of majority decisions, in view of the question of interpretation. Mr. Bevin and I assured him that our two governments would be most reasonable in evaluating the grounds on which a minority objection to a majority decision was made, and that we would be entirely objective in determining whether a majority decision altered a governmental agreement.

With reference to para 9, it was decided that each High Commissioner will delegate an observer to *Land* Commissioners for purposes of consultation.

## BASIC LAW

It was agreed that a message be sent to the Parliamentary Council urging them to complete the basic law. It was decided a further message should be sent to the Military Governors furnishing them guidance regarding the basic law to be communicated to the Germans at an appropriate time, and in any event, before opinion in the Council should crystallize.<sup>6</sup>

<sup>3</sup> For the text of the agreed memorandum regarding the Principles Governing Exercise of Powers and Responsibilities of US-UK-French Governments following Establishment of German Republic, see p. 178.

<sup>4</sup> For the text of the Occupation Statute defining the powers to be retained by the occupation authorities, see p. 179.

<sup>5</sup> For the text of the agreement as to Tripartite Controls, see p. 181.

<sup>6</sup> For the texts of the message to the Military Governors from the Foreign Ministers of the United States, United Kingdom, and France and the message to the Bonn Parliamentary Council from the Foreign Ministers of the United States, United Kingdom, and France, see pp. 185 and 186.

## MISCELLANEOUS DECISIONS

It was agreed:

That there should be an agreed minute on property claims.<sup>7</sup>

That there should be an agreed minute regarding the application to Berlin of the agreement as to controls.<sup>8</sup>

That formal approval should be given agreements on dismantling and prohibited and restricted industries, and that the Ruhr Agreement should be signed as soon as possible in London.<sup>9</sup>

That the Benelux countries should be informed of the conclusions of the discussions.

That a communiqué should be issued.<sup>10</sup>

That the plebiscite taken in Wuerttemberg-Baden regarding state boundaries be deferred until after the establishment of a German government, and that the status of the Port of Kehl be settled.<sup>11</sup>

(This was done in a separate discussion between the U.S. and French).

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<sup>7</sup> For the text of the agreed minute on claims respecting Germany, see p. 183.

<sup>8</sup> For the text of the agreed minute respecting Berlin, see p. 183.

<sup>9</sup> For information on the agreements reached at London on March 31 concerning dismantling and prohibited and restricted industries, see editorial note, p. 591. For the text of the draft Agreement for the Establishment of an International Authority for the Ruhr, December 1948, see *Foreign Relations*, 1948, vol. II, p. 581; for the final text, signed at London on April 28, 1949, see 3 UST 5212.

<sup>10</sup> For the text of the communiqué released to the press April 8, see *Germany 1947-1949*, pp. 88-89 or *Ruhm von Oppen, Documents on Germany*, pp. 374-375.

<sup>11</sup> For the texts of the agreed minute on Wuerttemberg-Baden plebiscite and the agreement regarding Kehl, see p. 184.

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740.00119 Control (Germany)/4-749

*Memorandum of Conversation, by the Chief of Protocol (Woodward)*

RESTRICTED

[WASHINGTON,] April 7, 1949.

Participants: The President; The British Foreign Minister, Mr. Bevin; The French Foreign Minister, Mr. Schuman; The Secretary of State, Mr. Acheson; The Under Secretary of State, Mr. Webb; The British Ambassador, Sir Oliver Franks; The French Ambassador, Mr. Bonnet; The Chief of Protocol, Mr. Woodward.

At half past five this afternoon the Foreign Ministers of Britain and France called at the Blair House to say goodbye to the President. The Secretary of State and Messrs. Webb and Woodward were present with the President. The Foreign Ministers were accompanied by the British and French Ambassadors.

Mr. Bevin declared that he, Mr. Acheson and Mr. Schuman had just concluded a highly successful and gratifying series of meetings at which they had reached complete accord on Germany. He said that it was remarkable that in two days he and his French and American colleagues had been able to come to this agreement after years of no agreement. Never had there been such concord between France and Britain. All suspicion had been wiped out and relationships now between the two countries were better than they had been even during the war.

Mr. Schuman, whose limited command of English curtailed his ability to express himself at much length, agreed with Mr. Bevin and seemed to be equally highly pleased with the outcome of the negotiations.

Mr. Acheson praised the cooperative spirit which had animated his two colleagues during these conversations.

The President responded by saying that he was happy to get this good news, and that it was the best thing that had been done in his administration. It carried forward our efforts for peace in the world and prosperity, the only things we wanted.

Mr. Bevin continued that it would certainly make the organization of the Council of Europe easier and said that he wanted talks on the constitution of the Council to start the first week in May. Mr. Schuman nodded assent.

Messrs. Bevin and Schuman both then mentioned the ECA and thanked the President for the United States making it possible for Europe to recover, adding that Britain and France were now well along on this road to recovery. The British Foreign Minister added that the desire to recover had always been there since the war, but conferences with France and conversations with other Britons [*Europeans?*] were fruitless until American aid was forthcoming. The will to recover was there but not the wherewithal.

The President replied that the European Recovery Program had been one of the most important decisions he had had to take; whether to send the program to the Congress or not. He was at the bottom of the political heap at the time. A good many of his advisers counseled him that the Congress would never stand for the bill. He had decided to go ahead anyway.

Another hard decision had been the earlier one on Greece and Turkey.<sup>1</sup>

Mr. Acheson stated that in his opinion the decision on Greece and Turkey was the turning point. The Secretary recalled that he had

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<sup>1</sup> For documentation relating to the decision to send United States economic and military aid to Greece and Turkey (The Truman Doctrine), see *Foreign Relations*, 1947, vol. v, pp. 1 ff.

been Acting Secretary at the time, and when the President had decided to take a strong attitude on Turkey, after Turkey had been threatened by the Soviet Union, it was the signal for the administration to go ahead.

Mr. Bevin continued to the effect that history would show that America's saving European culture and civilization was a great thing and well worthwhile. It would not only repay us eventually financially, but we would be recompensed in more important ways. Mr. Schuman endorsed his colleague's statement.

The conversation then took a more general trend with the President and Mr. Bevin exchanging political anecdotes.

The conversation lasted fifty-five minutes and was conducted throughout in the most friendly terms.

During the visit a young group of tourists went by the Blair House shouting, "We want Dewey." The President and others, not knowing exactly what was going on outside, were concerned that it might have been an Anti-Bevin demonstration. No reference was made to the disturbance during the conversation.

Upon Mr. Acheson's suggestion, it was agreed that a statement should be given to the press that the Foreign Ministers had called upon the President to bring him up to date on their recent conversations and to say good-bye.

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#### D. DOCUMENTS AGREED TO BY THE FOREIGN MINISTERS

740.00119 Control (Germany)/4-849

*Memorandum by the Secretary of State to President Truman*

SECRET

WASHINGTON, April 8, 1949.

#### MEMORANDUM FOR THE PRESIDENT

Subject: Negotiations on Germany

With reference to the daily reports I have made to you regarding our conversations with Mr. Bevin and Mr. Schuman on the subject of Germany, I take pleasure in attaching copies of the Agreements which were signed today.<sup>1</sup> Among these, the agreed Memorandum regarding the principles governing the exercise of powers and responsibilities of the United States, United Kingdom and France following the establishment of the German Federal Republic is not intended for publication. The Occupation Statute defines the powers to be retained by the occupation authorities and will be communicated through the Military Governors to the German authorities who are now in process of fram-

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<sup>1</sup> *Infra.*

ing a provisional constitution for Western Germany. We also agreed on a system of Tripartite Controls which we hope will provide a satisfactory basis for mutual cooperation of the three Powers in occupation of the Western Zones of Germany.

The establishment of the Western German Government, which will probably be called the German Federal Republic, will mark a change in Allied organization necessary to carry out occupation responsibilities. At such time Military Government will be terminated and the controls exercised by the United States, United Kingdom and France will be mainly supervisory. Each of the Allied establishments in Germany will come under the direction of a High Commissioner. The occupation forces, of course, will be in charge of military commanders. The three High Commissioners together will constitute an Allied High Commission which will be the supreme agency of control in Western Germany. It was also agreed that in order to permit the German Federal Republic to exercise increased responsibility for domestic affairs and to reduce the burden of occupation costs, personnel would be kept at a minimum. German Government Authorities will be at liberty to take administrative and legislative action, and such action will have validity if not disapproved by Allied Authorities. There will, of course, be certain limited fields in which the Allies will reserve the right to take direct action themselves, or to direct German Authorities to take action.

It was also agreed that a major objective of the three Allied Governments is to encourage and facilitate the closest integration, on a mutually beneficial basis, of the German people under a democratic federal state within the framework of a European Association. It was understood that after its establishment, the German Federal Republic will negotiate a separate bilateral ECA Agreement with the United States participating as a member in the Organization for European Economic Cooperation, thus becoming a responsible partner in the European Recovery Program.

I would like to add a brief word of appreciation of the wholehearted cooperation which has been given by the Economic Cooperation Administration and the Department of the Army. Mr. Hoffman and members of his staff, and Mr. Royall and Mr. Voorhees of Army were both kind enough to be present at today's signing of these Agreements.

I am convinced that the success of these negotiations on German affairs has been greatly facilitated by the conclusion of the North Atlantic Treaty. Without it, I doubt that we could have come to a successful conclusion of these Agreements at this time.

DEAN ACHESON

740.00119 Control (Germany)/4-849

*List of Papers Agreed by the Foreign Ministers of France, the United Kingdom, and the United States*

SECRET

## AGREEMENTS ON GERMANY

The Foreign Ministers of France, the United Kingdom and the United States of America, having met in Washington, have reached agreement on the documents listed below:<sup>1</sup>

A. Agreed Memorandum regarding the Principles Governing Exercise of Powers and Responsibilities of US-UK-French Governments following Establishment of German Federal Republic.

B. Occupation Statute Defining the Powers To Be Retained by the Occupation Authorities.

C. Agreement as to Tripartite Controls.

D. Agreed Minute respecting Berlin.

E. Agreed Minute on Claims against Germany.

F. Agreed Minute on Wuerttemberg-Baden Plebiscite.

G. Agreement regarding Kehl.

H. Message to the Military Governors from the Foreign Ministers of the US, UK and France.

I. Message to the Bonn Parliamentary Council from the Foreign Ministers of the US, UK and France.

The Foreign Ministers confirmed and approved the agreements made on plant dismantling, prohibited and restricted industries, and the establishment of the Ruhr Authority, all of which were recently negotiated in London.<sup>2</sup>

ROBERT SCHUMAN  
*Minister for Foreign Affairs  
of the French Republic*

ERNEST BEVIN  
*Secretary of State  
for Foreign Affairs  
United Kingdom*

DEAN ACHESON  
*Secretary of State  
of the  
United States of America*

April 8, 1949, WASHINGTON.

<sup>1</sup> A photograph of the three Foreign Ministers following the signing of the agreements on Germany will be found following page 642.

<sup>2</sup> For reference to these agreements, see p. 173, footnote 9.

[Paper A]

## AGREED MEMORANDUM REGARDING THE PRINCIPLES GOVERNING THE EXERCISE OF POWERS AND RESPONSIBILITIES OF US-UK-FRENCH GOVERNMENTS FOLLOWING ESTABLISHMENT OF GERMAN FEDERAL REPUBLIC

SECRET FINAL TEXT

[WASHINGTON, April 8, 1949.]

1. The Governments of the United States, United Kingdom, and France retain the supreme authority assumed by them under the Declaration signed at Berlin on June 5, 1945,<sup>3</sup> including the right to revoke or alter any legislative or administrative decisions in the three Western zones of Germany.

2. The German governing authorities, whether Federal or *Land*, shall be at liberty to take administrative and legislative action, and such action will have validity if not vetoed by the Allied Authority. This means that military government will disappear, and that the function of the Allies shall be mainly supervisory.

3. There will be certain limited fields in which the Allies will reserve the right to take direct action themselves, including the issuance of orders to German officials at both the Federal and local levels. However, these fields will be restricted to a minimum; and aside from security matters, the exercise of direct powers by the Allies should be regarded as temporary and self-liquidating in nature.

4. Upon the coming into being of the German Federal Republic, the responsibility for supervision of the utilization of funds made available by the Government of the United States to the German economy for purposes of relief as well as of recovery shall rest with the Economic Cooperation Administration. It is understood that the German Federal Republic should become a party to the Convention for the European Economic Cooperation and execute a bilateral agreement with the Government of the United States. Such contributions as the Government of the United Kingdom agrees to make shall be through the intra-European payments agreement.

5. With the establishment of the German Federal Republic and the termination of military government, the functions of the Allied authorities shall be divided, military functions being exercised by a Commander-in-Chief, and all other functions by a High Commissioner. Each of the Allied establishments in Germany, aside from occupation

<sup>3</sup> For the text of the Declaration regarding the Defeat of Germany and the Assumption of Supreme Authority with respect to Germany by the Governments of the United Kingdom, the United States, the Soviet Union, and France, see *Ruhm von Oppen, Documents on Germany*, pp. 29-35, or Department of State, *Treaties and Other International Acts Series (TIAS) No. 1520*.



forces, shall come under the direction of the High Commissioner. The three High Commissioners together will constitute the Allied High Commission.

6. It is the aim of the three governments to restrict to a minimum the size of the staffs maintained within Germany for the above purposes.

7. It is a major objective of the three Allied Governments to encourage and facilitate the closest integration, on a mutually beneficial basis, of the German people under a democratic federal state within the framework of a European association.

[Paper B]

OCCUPATION STATUTE DEFINING THE POWERS TO BE RETAINED BY THE  
OCCUPATION AUTHORITIES

RESTRICTED FINAL TEXT

[WASHINGTON, April 8, 1949.]

In the exercise of the supreme authority which is retained by the Governments of France, the United States and the United Kingdom,

We, General Pierre Koenig, Military Governor and Commander-in-Chief of the French Zone of Germany,

General Lucius D. Clay, Military Governor and Commander-in-Chief of the United States Zone of Germany, and

General Sir Brian Hubert Robertson, Military Governor and Commander-in-Chief of the British Zone of Germany,

Do **HEREBY JOINTLY PROCLAIM THE FOLLOWING OCCUPATION STATUTE:**

1. During the period in which it is necessary that the occupation continue, the Governments of France, the United States and the United Kingdom desire and intend that the German people shall enjoy self-government to the maximum possible degree consistent with such occupation. The Federal State and the participating *Laender* shall have, subject only to the limitations in this Instrument, full legislative, executive and judicial powers in accordance with the Basic Law and with their respective constitutions.

2. In order to ensure the accomplishment of the basic purposes of the occupation, powers in the following fields are specifically reserved, including the right to request and verify information and statistics needed by the occupation authorities:

(a) disarmament and demilitarization, including related fields of scientific research, prohibitions and restrictions on industry, and civil aviation;

(b) controls in regard to the Ruhr, restitution, reparations, decartelization, deconcentration, non-discrimination in trade matters, foreign interests in Germany and claims against Germany;

- (c) foreign affairs, including international agreements made by or on behalf of Germany;
- (d) displaced persons and the admission of refugees;
- (e) protection, prestige, and security of Allied forces, dependents, employees, and representatives, their immunities and satisfaction of occupation costs and their other requirements;
- (f) respect for the Basic Law and the *Land* constitutions;
- (g) control over foreign trade and exchange;
- (h) control over internal action, only to the minimum extent necessary to ensure use of funds, food and other supplies in such manner as to reduce to a minimum the need for external assistance to Germany;
- (i) control of the care and treatment in German prisons of persons charged before or sentenced by the courts or tribunals of the occupying powers or occupation authorities; over the carrying out of sentences imposed on them; and over questions of amnesty, pardon or release in relation to them.

3. It is the hope and expectation of the Governments of France, the United States and the United Kingdom that the occupation authorities will not have occasion to take action in fields other than those specifically reserved above. The occupation authorities, however, reserve the right, acting under instructions of their Governments, to resume, in whole or in part, the exercise of full authority if they consider that to do so is essential to security or to preserve democratic government in Germany or in pursuance of the international obligations of their governments. Before so doing, they will formally advise the appropriate German authorities of their decision and of the reasons therefor.

4. The German Federal Government and the governments of the *Laender* shall have the power, after due notification to the occupation authorities, to legislate and act in the fields reserved to these authorities, except as the occupation authorities otherwise specifically direct, or as such legislation or action would be inconsistent with decisions or actions taken by the occupation authorities themselves.

5. Any amendment of the Basic Law will require the express approval of the occupation authorities before becoming effective. *Land* constitutions, amendments thereof, all other legislation, and any agreements made between the Federal State and foreign governments, will become effective twenty-one days after its official receipt by the occupation authorities unless previously disapproved by them, provisionally or finally. The occupation authorities will not disapprove legislation unless in their opinion it is inconsistent with the Basic Law, a *Land* Constitution, legislation or other directives of the occupation authorities themselves or the provisions of this Instrument, or unless it constitutes a grave threat to the basic purposes of the occupation.

6. Subject only to the requirements of their security, the occupation authorities guarantee that all agencies of the occupation will respect the civil rights of every person to be protected against arbitrary arrest, search or seizure; to be represented by counsel; to be admitted to bail as circumstances warrant; to communicate with relatives; and to have a fair and prompt trial.

7. Legislation of the occupation authorities enacted before the effective date of the Basic Law shall remain in force until repealed or

amended by the occupation authorities in accordance with the following provisions:

- (a) legislation inconsistent with the foregoing will be repealed or amended to make it consistent herewith;
- (b) legislation based upon the reserved powers, referred to in paragraph 2 above, will be codified;
- (c) legislation not referred to in (a) and (b) will be repealed by the occupation authorities on request from appropriate German authorities.

8. Any action shall be deemed to be the act of the occupation authorities under the powers herein reserved, and effective as such under this Instrument, when taken or evidenced in any manner provided by any agreement between them. The occupation authorities may in their discretion effectuate their decisions either directly or through instructions to the appropriate German authorities.

9. After 12 months and in any event within 18 months of the effective date of this Instrument the occupying powers will undertake a review of its provisions in the light of experience with its operation and with a view to extending the jurisdiction of the German authorities in the legislative, executive and judicial fields.

[Paper C]

#### AGREEMENT AS TO TRIPARTITE CONTROLS

SECRET

[WASHINGTON, April 8, 1949.]

FINAL TEXT

The Governments of the United Kingdom, France and the United States agree to enter into a trizonal fusion agreement prior to the entry into effect of the Occupation Statute. The representatives of the three occupying powers will make the necessary arrangements to establish tripartite control machinery for the Western zones of Germany, which will become effective at the time of the establishment of a provisional German government. The following provisions agreed by the Governments of the United Kingdom, France and the United States shall form the basis of those arrangements:

1. An Allied High Commission composed of one High Commissioner of each occupying power or his representative shall be the supreme Allied agency of control.

2. The nature and extent of controls exercised by the Allied High Commission shall be in harmony with the Occupation Statute and international agreements.

3. In order to permit the German Federal Republic to exercise increased responsibilities over domestic affairs and to reduce the burden of occupation costs, staff personnel shall be kept to a minimum.

4. In the exercise of the powers reserved to the Occupation Authorities to approve amendments to the Federal Constitution, the decisions of the Allied High Commission shall require unanimous agreement.

5. In cases in which the exercise of, or failure to exercise, the powers reserved under paragraph 2(g) of the Occupation Statute would increase the need for assistance from United States Government appropriated funds, there shall be a system of weighted voting. Under such system the representatives of the Occupation Authorities will have a voting strength proportionate to the funds made available to Germany by their respective governments. This provision shall not, however, reduce the present United States predominant voice in JEIA and JFEA while these organizations, or any successor organization to them, continue in existence and are charged with the performance of any of their present functions. No action taken hereunder shall be contrary to any inter-governmental agreement among the signatories or to the principles of non-discrimination.

6. On all other matters action shall be by majority vote.

7. (a) If a majority decision alters or modifies any inter-governmental agreement which relates to any of the subjects listed in paragraph 2(a) and 2(b) of the Occupation Statute, any dissenting High Commissioner may appeal to his Government. This appeal shall serve to suspend the decision pending agreement between the three governments.

(b) If a High Commissioner considers that a majority decision conflicts with any inter-governmental agreement which relates to any of the subjects in paragraph 2(a) and 2(b) of the Occupation Statute or with the fundamental principles for the conduct of Germany's external relations or with matters essential to the security, prestige, and requirements of the occupying forces, he may appeal to his Government. Such an appeal shall serve to suspend action for 30 days, and thereafter unless two of the Governments indicate that the grounds do not justify further suspension.

(c) If such appeal is from an action of the Allied High Commission either declining to disapprove or deciding to disapprove German legislation, such legislation shall be provisionally disapproved for the duration of the appeal period.

8. A High Commissioner who considers that a decision made by less than unanimous vote involving any other matter reserved by the Occupation Statute is not in conformity with basic tripartite policies regarding Germany or that a *Land* constitution, or an amendment thereto, violates the Basic Law, may appeal to his government. An appeal in this case shall serve to suspend action for a period not to exceed twenty-one days from the date of the decision unless all three governments agree otherwise. If such appeal is from an action of the Allied High Commission either declining to disapprove or deciding to disapprove German legislation, such legislation shall be provisionally disapproved for the duration of the appeal period.

9. All powers of the Allied High Commission shall be uniformly exercised in accordance with tripartite policies and directives. To this end in each *Land* the Allied High Commission shall be represented by a single *Land* Commissioner who shall be solely responsible to it for all tripartite affairs. In each *Land* the *Land* Commissioner shall be a

national of the Allied Power in whose zone the *Land* is situated. Outside his own zone each High Commissioner will delegate an observer to each of the *Land* Commissioners for purposes of consultation and information. Nothing in this paragraph shall be construed to limit the functions of bodies established pursuant to inter-governmental agreement.

10. To the greatest extent possible, all directives and other instruments of control shall be addressed to the federal and/or *Land* authorities.

11. The Trizonal Fusion Agreement will continue in force until altered by agreement among the governments.

[Paper D]

#### AGREED MINUTE RESPECTING BERLIN

SECRET

[WASHINGTON, April 8, 1949.]

FINAL TEXT

It was agreed that the provisions of the Agreement as to Tripartite Controls shall be applied as far as practicable to the Western sectors of Berlin.<sup>4</sup>

[Paper E]

#### AGREED MINUTE ON CLAIMS AGAINST GERMANY

SECRET

[WASHINGTON, April 8, 1949.]

FINAL TEXT

The governments of France, the United Kingdom and the United States will proceed, in consultation with other governments concerned, to develop proposals for the settlement of financial claims against Germany, claims arising out of the war which remain unsettled, claims with respect to Allied property in Germany, and other questions of an economic or legal character arising out of the existence of a state of war between Germany and the Allied Powers. There should also be appropriate consultations with the German Federal Republic. Prior

<sup>4</sup> Following the agreement on the occupation statute for Western Germany, the three Western Military Governors discussed a separate statute for the Western sectors of Berlin, which would assume the same principles as far as practicable. This statement of principles governing the relationships between the Allied Kommandatura and Greater Berlin, promulgated by the Western Military Governors on May 14, is printed in *Germany 1947-1949*, pp. 324-326. Documentation relating to its negotiation is in file 740.00119 Control (Germany)/4-849 through 5-1449.

At the same time the internal procedures of the Allied Kommandatura were revised to conform to the agreement on tripartite controls. The text of the new procedures, agreed on May 14, was transmitted in telegram 729, May 14, from Berlin, not printed (740.00119 Control (Germany)/5-1449).

A photograph of the signing of the new Berlin statutes will be found following page 642.

to the relinquishment of reserved powers in the field of foreign exchange, the three governments will give consideration to the desirability of obtaining from the German Federal Government formal recognition of such claims.

[Paper F]

AGREED MINUTE ON WUERTTEMBERG-BADEN PLEBISCITE

SECRET

[WASHINGTON, April 8, 1949.]

FINAL TEXT

It was agreed that the status quo in Wuerttemberg and Baden would be maintained for the time being and that the plebiscite recommended by the German Ministers President would be postponed in the interest of avoiding any possible delay in the establishment of the German Federal Government.

It was further agreed that the question of the Wuerttemberg-Baden *Land* boundaries would be reexamined after the establishment of the German Federal Government.

[Paper G]

AGREEMENT REGARDING KEHL

SECRET

[WASHINGTON, April 8, 1949.]

FINAL TEXT

The French control authorities with the assistance of the Strasbourg French authorities will maintain under existing conditions jurisdiction over the Kehl port zone until establishment of the German Federal Government and conclusion of negotiations between the French and German Authorities with respect to a joint port administration for Kehl.

It was agreed, on a proposal of the French Government, that the city of Kehl would gradually be returned to German administration. It was foreseen that the French temporarily domiciled in Kehl might remain during a four-year period required for the preparation of additional housing in Strasbourg. Around one-third of the French inhabitants will be able to leave Kehl within several months, and the remainder progressively thereafter as housing becomes available.

The final decision with respect to the Kehl port zone will be made in the peace settlement. If the port authority develops harmoniously, the US and UK will be willing at the time of the peace settlement to bring an attitude of good will toward the establishment of a permanent joint authority.

## [Paper H]

MESSAGE TO THE MILITARY GOVERNORS FROM THE FOREIGN MINISTERS  
OF THE US, UK AND FRANCE

CONFIDENTIAL

[WASHINGTON, April 8, 1949.]

To the Military Governors:

For your guidance the Foreign Ministers of the US, UK and France transmit their views on the Basic Law. It is left to the Military Governors to determine the time they may consider it appropriate to communicate these views to the Parliamentary Council, but the Foreign Ministers wish that they be transmitted before opinion in the Parliamentary Council has crystallized, in order that the views given below may be reflected in the Basic Law.

"(a) The Foreign Ministers are not able to agree at this time that Berlin should be included as a *Land* in the initial organization of the German Federal Republic.

(b) In the financial field any provisions put forward by the Parliamentary Council in the direction of securing financial independence and adequate strength for both the *Laender* and Federal Governments in operating in their respective fields will receive sympathetic consideration.

(c) On the question of Article 36 (Article 95 (c)) they will also give sympathetic consideration to any formula which

(i) eliminates from the federal powers those matters definitely excluded by the London agreement.

(ii) assures to the *Laender* sufficient powers to enable them to be independent and vigorous governmental bodies.

(iii) assures to the Federal Government sufficient powers in the important fields of government to enable them to deal effectively with those fields in which the interests of more than one *Land* are substantially and necessarily involved.

(d) Finally, the Foreign Ministers request that the Military Governors indicate to the Parliamentary Council, at an appropriate time, that they are ready to contemplate a suggestion for a right of the Federal State to supplement, from its own revenues, appropriations made by the *Laender* from revenues from their own taxes levied and collected by them, by grants for education, health and welfare purposes, subject in each case to specific approval of the Bundesrat."<sup>5</sup>

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<sup>5</sup> A paper in the Department of State files, apparently prepared in the Department of the Army, dated April 6, not printed, traces the development of the Basic Law and the Military Governors' respective positions on it through the end of March. In this paper it was suggested that two courses of action could be taken: the Foreign Ministers could change their policy which required a federal structure for Germany and accept the German proposals or adhere to the position of the Military Governors which required further changes by the Germans. If the second alternative were taken the Military Governors would either decline further discussion with the Germans or propose further discussions with the

Footnote continued on following page.

[Paper I]

MESSAGE TO THE BONN PARLIMENTARY COUNCIL FROM THE FOREIGN  
MINISTERS OF THE US, UK AND FRANCE

RESTRICTED

[WASHINGTON, April 8, 1949.]

To the Military Governors:

The Foreign Ministers of the US, UK and France request you to transmit to the Parliamentary Council at Bonn the following message on their behalf:

"The Foreign Ministers have considered the problem of a Federal German Republic in all its aspects in Washington and have come to a number of important decisions of policy in regard thereto. They have decided that, in general, the German authorities shall be at liberty to take administrative and legislative action, and that such action will have validity if not vetoed by Allied authorities. There will be certain limited fields in which the Allies will reserve the right to take direct action themselves and which are set out in the Occupation Statute, a copy of which is attached hereto.<sup>6</sup>

With the establishment of the German Federal Republic, Military Government as such will terminate and the functions of the Allied Authorities will be divided—control functions being exercised by a High Commissioner and Military functions by a Commander-in-Chief. The three High Commissioners together will constitute an Allied High Commission, and it is the aim of the three governments to restrict to a minimum the size of the supervisory staffs attached to their respective High Commissioners.

The Foreign Ministers further affirm that it is a major objective of the three Allied Governments to encourage and facilitate the closest integration on a mutually beneficial basis of the German people under a democratic Federal State within the framework of a European association.

Nevertheless, before the far-reaching developments which they contemplate can be put in hand, it is essential that an agreement should be reached by the Parliamentary Council upon a Basic Law for the German Federal Republic."

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Footnote continued from preceding page.

idea of clarifying the Military Governors' position. The paper proposed that if the latter step were taken a proposal should be made by the Military Governors to indicate their views and gave the text of such a statement. The content of this proposal reflects exactly the ideas and wording of sub-paragraphs *a, b, c i-iii*, of Paper H, although its drafting form is different. (740.00119 Control (Germany)/4-649)

<sup>6</sup> *Ante*, p. 179.



## II. THE ESTABLISHMENT OF THE FEDERAL REPUBLIC OF GERMANY<sup>1</sup>

### A. NEGOTIATIONS CULMINATING IN THE PROMULGATION OF THE BASIC LAW FOR THE FEDERAL REPUBLIC OF GERMANY, MAY 23, 1949

862.00/1-649 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Acting Secretary of State*

CONFIDENTIAL

FRANKFURT, January 6, 1949—5 p. m.

14. Council of Elders of Parliamentary Council announced yesterday that realizing overall political situation demands completion basic law, all political parties will cooperate fully to that end. This action ends possibility major open conflict between SPD and CDU on issue of Adenauer (Frankfurt's 341, December 21<sup>2</sup>). Contrary to some press reports, indications now are that Ruhr question also will not provoke serious SPD-CDU conflict. Main committee expected to discuss Ruhr at session tomorrow, but merely for the record.

Apparently leaders of principal parties at Bonn have reached decision major effort should be made to complete basic law earliest possible date. SPD Party conference in Hanover January 4 reportedly discussed pros and cons of raising issue lack of confidence in Adenauer as President Parliamentary Council, and decided against it. Communist effort promoted [*to promote?*] discord and disrupt work of council on issue Adenauer and Ruhr evidently having opposite effect.

Sent Department, repeated Berlin 2, London 2, Paris 2.

**MURPHY**

<sup>1</sup> For previous documentation, see *Foreign Relations*, 1948, vol. II, pp. 375 ff.

<sup>2</sup> Not printed; in it Murphy reported that the SPD had made public a sharply worded letter to Adenauer which attacked his motives and good faith in raising the questions of financial, cultural, and legislative powers at meetings with the Military Governors on December 16 and 17, 1948. Adenauer had replied in a press interview defending his activities as clarifying the problems of the Parliamentary Council. Murphy stated that even if this incident did not develop further, the widening breach between the SPD and CDU seriously threatened the work of the Parliamentary Council since the provisional constitution, to be effective, would need the support of a substantial majority of the delegates and the German people. (862.00/12-2149)

862.011/1-2249 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Acting Secretary of State*

RESTRICTED

FRANKFURT, January 22, 1949—8 a. m.

61. Main Committee Parliamentary Council has completed second reading draft provisional constitution with relatively minor changes. Principal controversial issues, notably question of tax control and financial administration, still await final solution. Party factions will meet next week in effort to reach compromise agreements and thereafter draft will be submitted to third reading.

Representatives all party groups at Bonn except Communists discussed yesterday case of KPD leader Max Reimann, now under indictment by British Military authorities for inciting resistance to Occupation Powers. Adenauer will discuss case with British Military Governor of North Rhine-Westphalia. General opinion expressed that regardless outcome of case Reimann can no longer participate in work of Parliamentary Council.

To Department as 61, repeated Berlin as 19.

MURPHY

862.00/1-2649 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

SECRET

BERLIN, January 26, 1949—9 p. m.

133. Since my A-12 January 5,<sup>1</sup> there have been further developments re Berlin's status in future Federal German Republic. US-licensed *Tagesspiegel* of January 22 quotes Jakob Kaiser, Berlin's CDU representative at Bonn, as reporting agreement between SPD and CDU/CSU on full and equal Berlin representation and suggesting possibility Berlin having status of Twelfth *Land* in Republic. Article 45 of basic law as approved in second reading by main committee merely gives Berlin right to send deputies to Bundestag and Bundesrat.

In view growing German, and particularly Berlin, interest in this question and tendency by political parties in Bonn and Berlin to commit themselves publicly on it, I believe Tripartite Military Govern-

<sup>1</sup> Not printed; it reported that the new Berlin SPD party program demanded voting representation for Berlin in the organs of the future Western German government. Further indications of the importance which the Berlin public attached to this question was the seconding of these views by the CDU official organ, *Der Tag*, on January 4. (862.00/1-549)

ment attitude should be established without delay. Failure to do so will merely increase German resentment if subsequently Military Governors countermand German decision granting Berlin representation. Another strong reason for prompt decision is necessity for studying complex relationship which would result from incorporation Berlin in Western German State, such as status under Occupation Statute, type of Military Government control, jurisdiction of Military Security Board, etc. These aspects have so far only been studied in very general terms and we doubt that Germans have considered in detail the many ramifications of their proposal.

Prior to tripartite consideration of such problems an agreed policy decision must be reached by three Military Governors. General Koenig has already stated that French Government opposes political affiliation Berlin to Western Germany. British and US positions are not yet formulated but British Political Division has referred problem to London. General British view here appears to favor Berlin representation in Bundestag and Bundesrat but with recognition that Berlin's situation raises numerous problems regarding Occupation Statute, Military Government control and relationship of Berlin city government to federal and *Laender* governments in West which cannot be met by simple incorporation Berlin on same basis as Western *Laender*.

In view high importance placed on representation Berlin in Western German Government by Western-oriented political parties here and apparently now in Bonn as well, I feel our position should be to concede Parliamentary Council right to decide this question independently although with full recognition of and warning to German authorities of problems involved in such relationship and necessity for working out satisfactory solutions. Cumulative effect on German official and public opinion of Ruhr Statute and Military Security Board Directive,<sup>2</sup> coupled with inevitable reaction which will follow announcement of Occupation Statute terms,<sup>3</sup> should be considered in this connection. I believe that nullification of a free German decision regarding Berlin would not only have unfortunate political effects here but would also add further support to the increasingly expressed German view that US policy in Germany is coming to be shaped by desire to meet French views.<sup>4</sup>

<sup>2</sup> For documentation on the establishment of the International Authority for the Ruhr and the Military Security Board, see *Foreign Relations*, 1948, vol. II, chapter II, parts B and D.

<sup>3</sup> For documentation on the London negotiations concerning the occupation statute for Germany, see pp. 1 ff.

<sup>4</sup> At this point in the outgoing copy of this telegram in the Berlin post file, Murphy had crossed out the following: "more than by consideration of German or even general European interests. On positive side I feel that number of political benefits would flow from decision to give Germans free hand in this problem subject to qualifications mentioned above."

I would appreciate Department's views.

Sent Department 133, repeated London as 63, Paris 53, pouched Moscow.

MURPHY

740.00119 Control (Germany)/2-449: Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

RESTRICTED

FRANKFURT, February 4, 1949—5 p. m.

94. During past two weeks main committee of Parliamentary Council has marked time while political party delegations sought reach compromise on basic issues financial administration and powers upper chamber (Frankfurt's 61 January 22<sup>1</sup>). After initial lack progress select committee five delegates continued discussions this week. Compromise now worked out reported acceptable all parties except KPD and assuring their support basic law. CSU leaders Ehard and Mueller in Bonn for discussions this week and reported satisfied.

Basically compromise involves relatively slight changes to assure Bundesrat greater powers and amend article 122 B to place distribution or assignment tax proceeds to *Laender* on provisional basis for two or three years. Argument supporting latter change is impossibility now foresee tax revenues or governmental expenditures.

Committee of five also proposes inclusion western sectors Berlin on *Land* basis with equal rights and privileges other *Laender* (reference Berlin's 175 February 3<sup>2</sup>).

Committee will prepare final proposals over week end for consideration party delegations next Tuesday. If approved as now anticipated main committee will then proceed with third reading Basic Law and incorporate proposed changes.

Special committee now visiting various cities proposed for future capital will submit report next week. Press report Frankfurt rejected as possible site apparently unfounded.

Ruhr agreement and now Stalin's remarks<sup>3</sup> have impressed delegates with urgency quick completion Basic Law and early establishment German government, as best means assure effective representation and protection German interests.

Adenauer has addressed letter to British Military Governor North Rhine Westphalia in name Parliamentary Council requesting release Communist leader Reimann, to permit him participate in its work.

<sup>1</sup> *Ante*, p. 188.

<sup>2</sup> Not printed.

<sup>3</sup> Regarding Stalin's interview with INS correspondent Kingsbury Smith, see editorial note, p. 666.

KPD has approved this action. General reaction that trial and imprisonment Reimann of great propaganda value to Communists and represents serious political blunder.

Sent Department 94, repeated Berlin 27, London 13, Paris 10.

MURPHY

862.00/2-449 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

SECRET

BERLIN, February 4, 1949—9 p. m.

183. Talk with French political officer yesterday indicated at least part of French objection to Berlin's participation in West German government (mytel 175, February 3, repeated London 79, Paris 65<sup>1</sup>) stems from view that Berlin as former German capital signified strong centralism and if included in West government now might again develop centralist tendencies.

In our opinion this danger less great than irredentism which would be aroused were Berlin excluded. Exclusion would also play into hands essentially nationalist Soviet propaganda which presents Soviets as champions German unity.

Furthermore Berlin leaders, although not without own brand of nationalism, have at least learned through post-war experiences here to look beyond immediate horizons and visualize Germany more within international framework than do west Germans who often appear mired in local nationalism. Berliners struggle against Communist encroachment has also awakened in them some real understanding of what democratic government means in terms actual application. Their influence at Bonn in these respects has been helpful even though they participated only as "observers."

Fact must moreover be realized that several Berlin political leaders (notably Reuter), who are rapidly emerging as potential national leaders, will inevitably play important role in future Germany even if they are limited for present to local scene. And nothing would be more likely to develop in them most undesirable form of anti-western nationalism than refusal now to permit them what they consider undeniable right to share West German government.

Should Department agree Berlin's participation advisable and wish approach French, above views may be helpful.

Sent Department 183, repeated London 84, Paris 68.

MURPHY

<sup>1</sup> Not printed.

862.011/2-749 : Telegram

*The Secretary of State to the United States Political Adviser for  
Germany (Murphy), at Berlin*

SECRET

WASHINGTON, February 7, 1949—7 p. m.

151. Personal for Riddleberger. No distribution outside of Department.

In Deptel 1546, Aug 28,<sup>1</sup> Dept concurred in Mil Govrs position that Berlin reps shld not vote at Bonn Parliamentary Council although they might otherwise participate in deliberations. While we recognize paramount role played by Berlin population and democratically elected municipal administration and realize advantages of association democratic elements of Berlin with Western Ger Govt, nevertheless believe basic considerations obtaining last Aug still apply, making ill-advised full voting participation of Berlin delegates in West Ger provisional Govt.

Western Allied position at Berlin is based on fundamental rights embodied in Four-Power agreements. Although these rights are not respected by Soviets, nevertheless it wld seem unwise to permit Berlin reps formal association with West Ger Govt of such nature as to contradict conception on which Allied affirmation of rights at Berlin is based. Incorporation of Berlin, i.e. Western sectors, as *Land* in Western Ger state under present air-lift circumstances, does not make good sense to us, and wld greatly complicate any solution of Berlin problem. Its inclusion in Western Ger state wld involve so many special complications of administrative and governmental nature that mistake to burden new Western Ger Govt with whole weight of Berlin issue.

Circumstance that city has been effectively split by Soviet action would appear make particularly artificial incorporation Western sectors as *Land* in Western Ger Govt.

We believe that Berlin reps shld be associated with Western Ger Govt but cannot see how they can properly enjoy other than non-voting status. Although it wld have been preferable for Gers themselves propose solution along non-voting lines, we believe Mil Govt will have to insist on such solution. (Urtels 133 Jan 26; 175, Feb 3; 183, Feb 4.<sup>2</sup>)

ACHESON

<sup>1</sup> *Foreign Relations*, 1948, vol. II, p. 416.

<sup>2</sup> Telegrams 133 and 175 not printed; 183, *supra*.

740.00119 Control (Germany)/2-949: Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Secretary of State*

SECRET

BERLIN, February 9, 1949—8 p. m.

214. At their urgent request General Bapst and De Noblet of French military government called this afternoon to present a message from Koenig to following effect:

General Koenig wished to make a personal proposal that the three Western commanders-in-chief should make a joint démarche through their liaison officers at Bonn to inform parliamentary council that Western commanders would show a certain hesitation in approving a document which contemplated the transformation of Berlin into a *Land*. For his part General Koenig expressed view that moment was badly chosen for taking a position on this twelfth *Land* when Berlin was cut in two.

In conversation that followed, De Noblet indicated unmistakably that Koenig's request had the full support of French Government<sup>1</sup> which for reasons of a juridical character had grave doubts on the association of Berlin with the Western German government. He emphasized that the action contemplated at Bonn would undermine our rights in Berlin as set forth in quadripartite agreements. He furthermore was apprehensive at such an association because of the fears it might arouse of a revived Prussia with Berlin as the capital. Both Bapst and De Noblet concluded by reiterating that French Government attached greatest importance to this question and hoped that Clay would agree to make the démarche they proposed. They are approaching Robertson with the same proposal tonight. I told French representatives that I would pass their proposal to Clay at once, but it was my impression that he would prefer to consult his Government before agreeing to such a plan.

In discussing this proposal with General Clay tonight, he said that he would cable his recommendation to Army Department tomorrow. His recommendation will probably be to refuse the proposed démarche and not to take action on this question until entire constitution is reviewed by three military governors. Clay told me incidentally that in a conversation with Robertson today, prior to French proposal, that latter having just returned from London was not at all convinced that Germans should be bluntly told that Berlin could not be formally associated with the Western German government. Robertson was much

<sup>1</sup> In telegram 568, February 10, from Paris, not printed, Caffery confirmed that Koenig's proposal had the full support of the French Government. The Foreign Ministry considered the status of Berlin a capital point which would probably be taken up at governmental level if Koenig's démarche was unsuccessful. (740.00119 Control (Germany)/2-1049)

more inclined to look for a way out, which could not be construed as a severe rebuff to the Berliners.

Redeptel 151, February 7,<sup>2</sup> Clay cabled his views on this general question to Army (CC 7700, February 9<sup>3</sup>).

Sent Department 214, repeated London 96, Paris 78.

RIDDLEBERGER

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<sup>2</sup> *Supra.*

<sup>3</sup> Not found in Department of State files.

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### *Editorial Note*

On February 10 the Information Office of the Soviet Military Administration issued an official statement regarding the decision of the Bonn Parliamentary Council to integrate Berlin as a twelfth *Land* in the West German state, which said *inter alia*:

"... that this decision, in the opinion of the Soviet command, constitutes only another proof of the adventurous policy of the 'Parliamentary Council' at Bonn, a policy not to be taken seriously; by means of such provocative tricks that Council is trying to divert the attention of the German population from the fact that the Western occupation authorities are following a policy of splitting Germany, that a West-German separate state is being established, that the Ruhr area is being severed from Germany, that arrangements for peace with Germany are being undermined and that the occupation regime is being prolonged for an indefinite time."

Riddleberger reported the text of the statement in telegram 227, February 11, from Berlin, not printed, and noted that this was the first official Soviet recognition of the Parliamentary Council's decision regarding Berlin (740.00119 Control (Germany)/2-1149). The full text of the statement, as printed in *Taegliche Rundschau*, February 11, is printed in *Berlin: Quellen and Dokumente*, Hlbd. 2, page 2036.

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CFM Files : Lot M-88 : Box 180 : GNSC Documents

*Paper Prepared in the Division of Research for Europe of the Office of Intelligence Research*<sup>1</sup>

SECRET

[WASHINGTON,] February 10, 1949.

DRE SP-2

### EFFECTS OF POSTPONEMENT OF THE WESTERN GERMAN STATE

Postponement of the establishment of the Western German state envisaged by present tripartite commitments must be assumed to be

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<sup>1</sup> Attached to the source text was a memorandum by Bradley Patterson, February 21, not printed, which indicated that this paper was being circulated to members of the Subcommittee on Germany of the National Security Council as GNSC D-2/9.



linked with the holding of a Four-Power conference on Germany. It must further be presumed that postponement would have the effect of stopping the present discussions at Bonn, the elections and referenda to follow the promulgation of that constitution, and the organization of the legislature and government under it. On the Allied side, it is assumed that postponement would involve the ending of the current negotiations on the occupation statute. The carrying on of any of these German or Allied functions after the announcement of postponement would almost certainly involve Soviet allegations of breach of faith. Should the drafting of the German constitution and the negotiations among the Western Allies be completed before the postponement was announced, then only the promulgation and implementation of these instruments would be affected.

Postponement would also mean that the present bizonal German and Allied institutions would remain in operation and that consideration of tighter integration of the French and Anglo-American Zones would have to be deferred. The only agencies now common to all three zones are the JEIA and the Allied Banking Control.

On the economic side the direct effect of a six-months maximum postponement would be negligible. Economic affairs in the bizonal area would continue to be administered by the German bureaucracy and its Allied supervisors and ERP aid would go on according to present schedule. Were the lifting of the Berlin blockade and the elimination of trade barriers between Eastern and Western Germany a preliminary to the assumed Four-Power conference, economic difficulties in all parts of Germany would be eased, but a postponement of a maximum of six months would be likely to have only slight long-range effect in Western Germany.

Although the direct effects of a short postponement are demonstrably small, the indirect effects would be substantial unless the announcement of the postponement were to clearly and unequivocally indicate the intent of the Western Allies to maintain their position in Western Germany should the conference be unproductive and to indicate precisely that a unified German regime would not be considered unless its democratic character were guaranteed.

Without such assurances damage to American prestige and that of the West generally would be so great in Germany as to jeopardize the whole Allied position. The announcement of the postponement would shake German confidence in the stability of Western policy and would lead to a serious deterioration of economic and fiscal control and to increasing distrust in the stability of the new currency. This in turn would discourage savings and long-term investment, increase the tendency to hoard goods, reduce controlled deliveries of foodstuffs and increase black marketing, and put further pressure on prices, wages,

and the exchange rate, with the possibility of an inflationary spiral of major proportions. Increased tax evasion would create budgetary deficits that would add to the inflationary pressure.

On the political side there would be equal difficulty. Western Germany has been gradually prepared for the acceptance of a Western German state. Leading political figures, government officials, the press, the public generally, has become convinced over the months and years since the end of the war that Western German unification is preferable to a unification of all Germany under Soviet domination. The large majority in Western Germany have come to the view that the Soviet authorities will only participate in an all-German government which they can control.

It is assumed that postponement of the establishment of the Western German state would be in the interest of American policy if thereby the democratic organization of all Germany might be assured or if the Eastern occupation zone could be removed from Soviet control. The risk involved in postponement is small enough if there is evidence that either of these objectives can be obtained through a Four-Power conference and if it is understood by all that the policy of the Western Allies is so firm that they will never consent to an all-German state which is also not all-democratic, that the Western Allies remain steadfast in their intent to protect Western Germany from outside aggression and that the postponement represents not an abandonment of Western Germany but a willingness to extend its principle to all of Germany.

That Communist circles would herald postponement as a triumph of Soviet diplomacy and power is obvious. The approach of the Western Allies to the preliminaries of postponement (for example—the Berlin blockade) and the strength of will indicated in the announcement of the postponement can do much to counteract this propaganda line. Strongly developed, the postponement announcement might even be of considerable value in bolstering up the morale of anti-Soviet elements in the Eastern Zone, but primary emphasis must be given to reaction in Western Germany. It might be appropriate, should the constitutional document and the occupation statute be completed, to schedule the official promulgation of these instruments with specific effective dates if no agreement develops from the proposed conference. In this connection, it may be advantageous for this purpose to complete constitution and occupation statute before negotiations for a conference are begun.

740.00119 Control (Germany)/2-1149: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

FRANKFURT, February 11, 1949—6 p. m.

111. Frankfurt's 94 February 4, 5 p. m.<sup>1</sup> Main committee Parliamentary Council yesterday completed third and final reading basic law on basis proposed by interparty five man committee. Present text maintains basic provisions federal control taxes and fiscal administration, with changes to require *Laender* concurrence appointment local administrative personnel and to give Upper House equal powers on legislation involving assessment and establishment taxes. Upper House also given equal powers on legislation involving economics and nationalization resources and means of production (Article 36 Items 11 and 14-A).

It is now anticipated plenary session will be postponed few days in hope of receiving indication from Military Governors that basic law is generally acceptable. Informal statement being submitted stressing federalist character provisional constitution and arguing its compatibility with basic conditions outlined in *aide-mémoire* of November 22, 1948.<sup>2</sup>

Feeling of uneasiness prevalent among delegates with reference particularly occupation statute. Among SPD delegates considerable feeling that they have compromised too much on basic points powers of Upper House and federal versus *Laender* control taxes and financial administration.

Attitude delegates all parties uncertain if confronted with demand for significant changes in basic law as now drafted, or if provisions occupation statute appear excessively severe. Communist representative Renner yesterday proposed in main committee suspend all further action until terms occupation statute known. He accused CDU and SPD leaders of wishing complete basic law and leave Bonn to evade this issue.

Repeated Berlin 331, London 215, Paris 14.

RIDDLEBERGER

<sup>1</sup> *Ante*, p. 190. For a translation of the Basic Law as passed by the Main Committee of the Parliamentary Council, February 10, see *Documents on the German Federal Constitution*, pp. 88-105. A copy of the German text was transmitted in despatch 108, February 12, from Frankfurt, not printed. (740.00119 Control (Germany)/2-1249)

<sup>2</sup> The *aide-mémoire* of November 22, 1948 is printed in *Foreign Relations*, 1948, vol. II, p. 442. For the text of the statement of the Committee of Five on the federal character of the draft Basic Law, February 14, see *Documents on the German Federal Constitution*, pp. 105-108.

740.00119 Control (Germany) / 2-1549 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, February 15, 1949—7 p. m.

241. Lord Mayor Ernst Reuter reported to special session Berlin City Assembly February 14 on his recent trip to London and Paris. He said his meetings with Bevin, Schuman and other officials were in nature of "conversations" not of "negotiations," and that they were first time that German spokesman had opportunity submit directly ideas of Berliners to leaders foreign governments.

In London, he was agreeably surprised that officials with whom he talked had detailed knowledge Berlin's problems; he departed with conviction "that we were in full accord on all important matters." Both Bevin and London Lord Mayor accepted his invitation to visit Berlin.

Reuter stated three main problems he discussed in London were:

1. Airlift: "I am authorized to say it is intention English Government to do everything to strengthen airlift in order that Berlin can continue its fight under all conditions." Bevin assured him 8,000 tons daily could be reached.

2. Currency question: In both British and French [capitals] he had received impression that problem West Berlin currency would soon be resolved in manner corresponding Berliners' wishes.<sup>1</sup>

3. Berlin's legal and constitutional position: He had pointed out that with dissolving of Prussia, Berlin had been placed in "impossible legal position," but not guaranteed that German demands (i.e., include Berlin as 12th *Land* in West German state) would be immediately fulfilled; however, he was convinced that Allies would be eventually constrained accede these demands.

Schuman told him in course their 90-minute talk (with François-Poncet present) that French would review question of Berlin's relation to West in light of Reuter's exposition present situation. Schuman declared French Government favored restoration German unity and added basis for any settlement Berlin problem was restoration city's communications with West Germany. He himself was always ready to listen to Berliners' viewpoint and would send his special deputy, François-Poncet, to Berlin to prepare personal report for him.

Reuter said he regarded his invitation to Paris as most significant fact of trip "for an understanding between France and Germany is essential problem of whole European division and recovery therefrom." French Government desires this understanding as much as we

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<sup>1</sup>For documentation relating to the conversion of currency in the Western sectors of Berlin, see pp. 643 ff.

do, he asserted. —“That is most valuable result and most valuable knowledge I have brought from Paris.”

Both Foreign Ministers impressed upon Reuter significance they attach to “European consolidation,” to which he believed his trip may have made “small and modest contribution.” He returned “full of hope and confidence” since “slight differences between our interpretations and those of Western Powers have diminished.”

Reuter told us that Schuman had not closed door on inclusion Berlin in West German state but gave impression that French might favor a gradual approach, instead of immediate inclusion. We are inclined to belief that Reuter’s trip will have little concrete effect upon British and particularly French policies regarding Berlin but that its chief result can be measured in terms of good will it created.

British Political Division has informed us that Bevin trip Berlin will not be immediate future.

Sent Department 241; repeated London 112, Paris 94.

RIDDLEBERGER

740.00119 Control (Germany)/2-1749

*The United States Political Adviser for Germany (Murphy) to the Assistant Secretary of State for Occupied Areas (Saltzman)*

SECRET

BERLIN, February 17, 1949.

DEAR CHARLIE:

[Here follow the first three paragraphs in which Murphy reported briefly on the Military Governors’ discussion of customs control, the signing of a payments agreement, and agreement on the operation of German insurance companies.]

Having thus concluded the formal agenda the Military Governors then entered upon a lengthy discussion of the Provisional Constitution.<sup>1</sup> Robertson opened by stating that he had requested a discussion of this matter as progress at Bonn had been rapid and it appears that the Parliamentary Council can conclude within one or two weeks. He thought it therefore advisable to consult his colleagues on procedure. He envisaged two possibilities: (1) The Military Governors could wait until the constitution is presented formally and then give their approval or rejection. For his part he thought it would be tragic if the constitution failed of approval or could only be approved if certain

<sup>1</sup> The minutes of this eighth meeting of the Military Governors, February 16, at Frankfurt, were transmitted in despatch 262, March 3, from Frankfurt, not printed (740.00119 Control (Germany)/3-349). A copy of the conclusions reached by the Military Governors (TRIB/C(49)2) is in CFM Files: Lot M-88: Box 140: TRIB Papers (49). For another account of the meeting, see Clay, *Decision in Germany*, p. 422.

amendments were adopted. Two consequences would ensue in that the Council could either accept the amendments as Allied dictation or could give up the attempt to formulate the constitution; (2) The other course would be to consider the constitution at the present stage and to make comments before the final reading. This, in his opinion, was the wiser course, but agreement must be reached between the Military Governors before it could be accomplished. Robertson then referred to the Occupation Statute<sup>2</sup> and suggested that the Military Governors should meet with the Germans in the near future in order to give them the broad outline of the Statute and to ask them to give us their general ideas on the constitution. After this had been done, a later meeting could be arranged to discuss the constitution with the Germans.

Clay responded in stating clearly that he was greatly disappointed in the draft constitution. The relation between the federal government and the *Laender* was poorly defined and too much power was centralized in the federal government leaving only the Bundesrat as protector of the states. He doubted, in view of the clear indications of the *Aide-Mémoire* of 22 November 1948,<sup>3</sup> whether seeing the Germans again would do much good. Article 36 gives extensive powers in welfare, health and other matters to the federal government. Furthermore, the Council has refused to comply with our requirements on civil service. In the field of finance the *Laender* have almost no powers left. In view of this unsatisfactory outcome, we can probably only get what we want by dictating it. General Clay regretted that the Occupation Statute was not yet ready but doubted the advisability of telling the Germans about it until agreement had been reached. In his opinion at the time of the *Aide-Mémoire* there were only a few articles that did not conform to the London Agreement<sup>4</sup> but since November the Council has made deep inroads into the powers of the *Laender*.

General Koenig then announced his agreement with Clay's criticisms in their entirety and said he had a few more of his own. He stated that the French Government will never authorize the inclusion of Berlin in the basic law. Furthermore, his government could not accept *Laender* boundary changes by votes easy to obtain. He agreed with Robertson that the Germans should be told before completing their work that they are taking the wrong path and German opinion would ultimately be shocked if we did not make such a *démarche*. He therefore agreed with General Robertson that we should tell the Ger-

<sup>2</sup> For documentation on the London negotiations concerning the Occupation Statute for Germany, see pp. 1 ff.

<sup>3</sup> *Foreign Relations*, 1948, vol. II, p. 442.

<sup>4</sup> For the text of the Report of the London Conference on Germany, June 1, 1948, see *ibid.*, p. 309.

mans of our dissatisfaction now and suggested that possibly such a meeting could be arranged as soon as the Occupation Statute is agreed. General Clay replied that if we meet with the Germans we must be in agreement on what to tell them and must be specific in our criticism of their constitution. He had little hope that the three Military Governors could agree so specifically and he was not willing to discuss with the Germans unless we had full agreement on what to tell them. Koenig stated agreement was obviously necessary but he thought we might tell the Germans that certain articles would have to be suspended. Clay did not agree and thought that we must be specific in indicating why certain articles were not acceptable and how they should be modified to meet our requirements. For example, the article on financial powers could not be suspended without the government falling apart.

Robertson answered these observations with the comment that his proposal for a first meeting would not involve discussion and therefore it was not necessary to have complete agreement at this stage. He agreed with General Clay that it might be difficult for the Military Governors to reach agreement on all points and therefore discussions between the Military Governors should commence as soon as possible and should not await the conclusion of the Council's work. He indicated that in his opinion the Military Governors do have the power to suspend articles of the constitution which indeed might be employed in the case of Berlin. For example, he would agree to the clause on Berlin provided it was suspended during a certain phase. Also it was possible to accomplish certain objectives by means of Military Government legislation, i.e. civil service. There was furthermore the question of an electoral law which in his opinion must be enacted by Military Government. Clearly the three governments have an interest in all of this but he had no instructions apart from the letter of advice to Military Governors on the German constitution.<sup>5</sup> His government might, therefore, disagree with what he now proposed to say, which was as follows:

The letter of advice recognizes that there are several ways to get a federal structure. While certain guides are given, it does not mean that the basic law must be rejected because it departs somewhat from the directives. He was in agreement that the basic law in the fields mentioned by General Clay and on finance does depart from the *Aide-Mémoire* but these infractions were somewhat offset by the Bundesrat powers. The Council had also disregarded the instructions on civil service. Admitting these imperfections, are they in reality so serious

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<sup>5</sup> For the text of the letter of advice to the Military Governors, TRI/15 (Final), see *ibid.*, p. 240.

that the constitution should be rejected? This would be indeed a grave decision leading either to Allied dictation of the constitution or to the interruption of our joint program for Western Germany. The departures were not so bad as to justify automatic rejection.

General Robertson then reminded his colleagues that the document represents a compromise reached with great difficulty between the SPD and the CDU. The SPD attaches capital importance to the financial provisions. Insistence upon amendment would destroy the compromise and may set the SPD against the constitution with the result that it may be rejected in states with a SPD majority.

General Koenig stated he could envisage the terrible effect both of disapproval by the Military Governors or SPD rejection. Therefore we should ask the Germans to defer the final vote. General Clay was opposed to this as he never thought approval would be merely a rubber stamp. The Council has had ample warning that certain provisions could not be approved and we had no obligation to accept a constitution containing them. If that means no Western German government then there would be no Western German government. He was, however, willing to have the Political Advisers go over the constitution to see if agreement could be reached on what to tell the Germans. Perhaps thus we could reduce the area of disagreement and submit them to governments for decision. He doubted, however, that agreement on financial powers and on Berlin could be reached by the Military Governors and these questions would probably have to go to governments. General Clay saw no point in discussing Berlin if Koenig's instructions completely excluded Berlin. General Clay stated that he had no rigid instructions and could discuss and negotiate with a view to compromise. General Robertson said he could likewise negotiate except on Berlin where he did have instructions.

It was then agreed the Political Advisers should examine the constitution and should if possible agree upon what could be said to the Germans. They should also analyze the constitution so that the governments can be informed of the disagreements. If these disagreements cannot be resolved locally the manner of dealing with them can be decided.

General Clay then suggested that the Germans be advised in this sense so that the Council would know that objection would be forthcoming. The Council could then decide before the final vote whether to make corrections. This was agreed and the attached statement was subsequently drafted by the Political Advisers. Separate reports on the work of the Political Advisers will follow.

General Robertson then stated that he was seeing Adenauer today who proposed to discuss with him a question of Military Government



legislation. He asked his colleagues if he could tell Adenauer that Military Government laws on police and press can be expected. General Koenig added also a law on education could be expected. General Clay replied that he was not committed to a press and radio law and not committed to an education law. As far as police were concerned, he was only committed to tell them what we would accept. Robertson said that he would only speak for himself and that each Military Governor could do likewise. This was agreed. General Koenig then inquired if the United States was not bound to enact a press and radio law. General Clay replied that he had never heard of it until the matter was raised at London. Koenig said that it was agreed at London to which Clay replied that nothing was agreed at London until everything was agreed. General Robertson said that apart from discussions at London he was prepared to collaborate on a press law.

Robertson then brought up the question of an electoral law and asked if one should not be drafted. Clay stated that each *Land* in the U.S. Zone has such a law and that we only need agreement that elections should be held in accordance with them. Robertson thought that a law was nonetheless needed and suggested that the Political Advisers study this point as the constitution does not give the number of representatives in the lower house. Clay agreed that there must be a law to define the composition of the lower house but that was not an electoral law in his opinion. It was agreed that the Political Advisers would examine the question.

The Military Governors then turned to the question of ratification of the constitution. Robertson said that he was now in favor of ratification by *Landtage* and not by referendum. Koenig recalled that London provides for referendum and he had so informed Adenauer. Clay said that London provided that ratification will take place by each state by referendum. Subsequently both the UK and France seemed to favor *Landtage*. As a believer in states rights, he was willing to let each *Land* decide on method. Koenig found this not a bad solution but would have to consult his government from which he hoped to have an answer shortly. Clay reminded his colleagues that the Ministers President should be informed of the period in which they can act.

Koenig inquired whether we could not give the Occupation Statute to the Ministers President in case such a meeting were held. Clay recalled that the Parliamentary Council and the Ministers President have been promised that the Occupation Statute would not be promulgated before discussion with the Germans. General Robertson stated that the governments also share the obligation to consult with the Germans.

[Here follow the remaining paragraphs in which Murphy reported the Military Governors' discussion of decisions of the Bipartite Board, Berlin currency, quarters for the Ruhr Authority, Kehl, refugees, harmonization of zonal legislation, and the steel control group.]

Sincerely yours,

BOB

[Enclosure]

*Proposed Statement Drafted by the Political Advisers of the Military Governors to the President of the Parliamentary Council*<sup>6</sup>

[FRANKFURT, February 16, 1949.]

1. The Military Governors wish you to know that they and their advisers are examining the Draft Basic Law (Provisional Constitution) as accepted by the main committee of the Parliamentary Council at its third reading in order to determine how far it complies with allied requirements as described in the *Aide-Mémoire* of 22 November 1948.

2. In the course of their consideration of the Basic Law (Provisional Constitution) the Military Governors will have occasion to refer to their government such points as they may determine to be necessary. In considering their own program, the Parliamentary Council should be aware that this may occasion some delay.

3. The Military Governors will transmit their views in due course to the Parliamentary Council.

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<sup>6</sup> For the text of this statement, with minor textual differences, transmitted to the President of the Parliamentary Council, February 17, see *Documents on the German Federal Constitution*, p. 108.

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740.00119 Control (Germany)/2-1949: Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

SECRET

BERLIN, February 19, 1949—5 p. m.

271. Personal for Saltzman and Hickerson. Following is report of political advisers on constitution prepared as result Military Governors' decision on February 16:<sup>1</sup>

"Report of the political advisers on the compatibility of the basic law (provisional constitution) with allied requirements as described in the *aide-mémoire* of November 22, 1948."<sup>2</sup>

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<sup>1</sup> For a report on the meeting of the Military Governors, February 16, see Murphy's letter to Saltzman, *supra*.

<sup>2</sup> *Foreign Relations*, 1948, vol. II, p. 442.

1. Acting on instructions, the political advisers have compared the principles of the basic law (provisional constitution) as adopted by the main committee of the Parliamentary Council in the third reading, with the points of guidance given in the *aide-mémoire* of the 22nd November 1948, transmitted by the Military Governors to the Parliamentary Council. The comparison showed that the basic law (provisional constitution) diverged from allied requirements as described in the *aide-mémoire* on the following points:

2. Distribution of powers between the federation and the *Laender* (sub-paragraph iii) at appendix "A" and Articles 35, 36, 36A, 118C (2) of the basic law (provisional constitution).

(a) (i) In the field of public health, public welfare (and labor legislation) (France) (and press) (US/France) the present text of the basic law (provisional constitution) is inconsistent with the requirements of this sub-paragraph of the *aide-mémoire*.

(ii) Article 36A (1) appears to arrogate to the Federal Government a sphere which should belong to that of local government.

(b) (Article 118C (2) of the present text grants the Federal Government under emergency conditions the right to take over the command of the police forces of the *Laender*. Although it is provided that the exercise of this right is supervised by the Bundesrat, the French delegation considers that the present text may permit the Federal Government to act *ultra vires* and should be modified). (France).

3. Limitation of federal financial powers (sub-paragraph iv) at appendix (A) and Articles 138C (4), 122A, 122B, 123 of the basic law (provisional constitution).

The provisions of the present text do not meet the requirements of this sub-paragraph of the *aide-mémoire*.

(a) It empowers the federation to raise and appropriate large revenues to be passed on to the *Laender*, thus raising and appropriating revenue for purposes other than those for which it is responsible.

(b) It gives the federation no power to legislate on taxes for which uniformity is not essential, nor does it limit this legislation to the setting of rates or general principles of assessment.

(c) It also gives to the federation the collection and utilization of such taxes, both of which should be left to the individual states.

4. Powers of the federation to establish its own agencies (sub-paragraph vi) at appendix (A) and Article 116 of the basic law (provisional constitution).

The powers of the Federal Government in this field are clearly laid down. The limitation, however, is not that 'state implementation is impracticable', but rather that the field is within the legislative competence of the federation. The exercise of such powers, however, requires the approval of the Bundesrat. In case agencies are established at the middle and lower levels of administration, this approval requires  $\frac{2}{3}$  of the vote of the Bundesrat.

5. Freedom of access to public service of a nonpolitical character (sub-paragraph vii) at appendix "A" and Article 27B of the basic law (provisional constitution).

While sub-paragraph (1) of Article 27B meets the first requirement of this sub-paragraph of the *aide-mémoire* sub-paragraphs (2) and (3) clearly intend to preserve the privileges of the official class.

6. Ineligibility of civil servants to simultaneous membership in a Volkstag (sub-paragraph viii) at appendix "A" and Article 62 (1) of the basic law (provisional constitution). Article 62 (1) of the present text is clearly contrary to the requirements of this sub-paragraph of the *aide-mémoire*.

7. Berlin. (The French delegation considers that, in including Berlin among the *Laender* in which the constitution must immediately be applied, the Parliamentary Council has exceeded its mandate. They ask for the suppression of any mention of Berlin in the text of the constitution.) (France).

8. Conclusion.

(a) In addition, the document contains variety of other provisions which, while not specifically prohibited by the London agreement, nevertheless result in an extraordinary concentration of power in the Federal Government not contemplated by that agreement. Among these powers are those relating to legislation on assemblies, press, motion pictures, hunting, protection of nature and care of the countryside, and such categorical powers as 'prevention of the abuse of economic power' and 'laws relating to the economy'.

(b) It is the view of the French and US delegates that these conflicts with the *aide-mémoire* are of sufficient importance to necessitate their being called to the attention of the Parliamentary Council with a view to obtaining substantial changes therein as a condition for approval of the constitution. (US/France).

(The British political adviser, while agreeing that paragraphs 2-6 above contain points on which the draft basic law deviates from the relevant provisions of the letter of advice to Military Governors (Annex H)<sup>3</sup> and the *aide-mémoire* of November 22, 1948, nevertheless considers that they do not collectively involve, especially when read in conjunction with the other provisions, too serious a divergence from the general framework of a Federal Government structure as to warrant rejection of the basic law.) (UK)."

In view of British reservation in final paragraph of this report, and certain other disagreements, it is obviously not possible to communicate an agreed statement to the Parliamentary Council. Therefore, [it is] anticipated that further conferences between representatives of Military Governors will follow in Berlin next week. If no agreement can be reached on what to say to Council, it is likely that disagreements will be referred to governments.

<sup>3</sup> *Foreign Relations*, 1948, vol. II, p. 240.

Sent Department 271, repeated 108, London 124 for the Ambassadors.

MURPHY

862.011/2-2549 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

SECRET

FRANKFURT, February 25, 1949—1 p. m.

144. Personal for Saltzman and Hickerson. Re mytel 249 February 17 from Berlin.<sup>1</sup> As consequence of further discussions held first in Berlin between US and UK representatives and during last two days in Frankfurt with French representatives, political advisers have prepared a second report to military governors concluding their examination of Bonn draft of constitution.<sup>2</sup> Discussions in Berlin were exclusively US-UK and although establishing certain common positions were not given to French as joint agreement. In meantime French representatives had gone to Paris where they consulted Schuman. UK representative departed for London last night to discuss report with his government. It is expected that report will be considered at next meeting of military governors in Frankfurt March 1.

In view of wide divergence of opinion on constitution between French-US on the one hand and the UK on the other that became apparent in the military governors last meeting,<sup>3</sup> the report represents considerable progress in reaching allied accord on what can be said to the parliamentary council preferably before the final reading of the constitution. Allied differences on financial powers of federal government were resolved and the principal issues on which differences still exist relate to Article 36 and to the incorporation of Berlin in Western Germany. Perhaps the most important compromise is the proposed additional sentence for Article 36 (2) which in effect would limit the federal government's competence in the field of priority legislation to those matters affecting more than one *Land*. French representatives, however, still hold view that Article 36 confers too broad powers and would modify certain subparagraphs of this article.

<sup>1</sup> Not printed; it reported the discussion of the Military Governors, February 16, concerning the introduction of the West mark in Berlin. For documentation on the Berlin currency conversion, see pp. 643 ff.

<sup>2</sup> For the text of the first Political Advisers' report, see telegram 271, *supra*. For the text of the draft Basic Law passed by the Main Committee of the Parliamentary Council on February 10, see *Documents on the German Federal Constitution*, pp. 88-105.

<sup>3</sup> For a report on the Military Governors' meeting on February 16, see Murphy's letter to Saltzman, February 17, p. 199.

Both UK and French representatives make it clear that report does not commit their governments and both political advisers will consult their governments before meeting of military governors next week. While we are hopeful that UK and French military governors will receive instructions flexible enough to permit an agreement to be reached here this outcome cannot be definitely predicted as yet, particularly if French should desire to delay approach to parliamentary council by referring disputed points to governments.

Following is text of political advisers' report:

"The political advisers have considered the basic law in conjunction with the letter of advice to the military governors (annex H of the London agreement) and the *aide-mémoire* of 22 November 1948 handed to the president of the parliamentary council.

While there are a number of points on which the text of the basic law may be held to deviate from the principles laid down by the allies, some difference of opinion exists between the political advisers on the extent to which these deviations are of importance sufficient to distort the basically federal and decentralized character of the constitution and to render it unacceptable as it stands. Nevertheless the political advisers have agreed upon a number of points in the basic law to which they recommend to the military governors that the attention of the Germans should be drawn with a view to their modification.

# 1. *Distribution of powers between the federation and the Laender.*

(a) It was agreed that the general effect of Articles 35, 36 and 36A was to concentrate too large a sphere of power in the hands of the federal government to the detriment of the competence of the *Land* governments. In particular, it was felt that the subjects listed in Article 36 in which the federal government had priority to legislate were too extensive in view of the fact that the definition of the federal government's competence in regard to this priority legislation was vague. The political advisers therefore propose that the Germans should be invited to insert a clearer and more limiting definition in the first sentence of Article 36(2) on the following lines:

'In the foregoing fields the federation shall legislate only on those matters which so clearly, directly and integrally affect the several *Laender* as to render individual *Land* action thereon substantially ineffective or detrimental.'

(b) It was further agreed:

(1) That the provisions of Article 35 (1) 2 'citizenship of the federation and the *Laender*' should be transferred to Article 36;

(2) That the words 'in its entirety' should be deleted from Article 36 (7);

(3) The provision in Article 36 (2) with regard to the press should be deleted. [The French political adviser desires either to transfer Article 36 (3), (6), (10), (11) and (15) to Article 36 A or to make them subject to concurrent decision of the Volkstag and the Bundesrat in accordance with Article 105.] \* Fr.

\* Brackets in this telegram are in the source text.

(4) That the first sentence of Article 36 A should be amended so as to include substantially the same qualifications as in Article 36 (2); and

(5) That paragraph one of Article 36 A should be deleted.

## 2. *Police powers.*

It was agreed that Article 118 C was generally incompatible with the conditions of the allied occupation during which the occupying powers are responsible ultimately for security. The political advisers recommend that this article should be suspended during the occupation or until the military governors shall determine otherwise. The political advisers desire to draw the attention of the military governors to the desirability of an early decision on the general question of the federal police powers.

## 3. *Limitation of federal financial powers.*

It was agreed that in order to bring the German proposals into exact conformity with the allied *aide-mémoire* it would be necessary to redraft the financial clauses of the basic law. As this does not appear opportune for tactical reasons in dealing with the Germans, the financial advisers considered in separate committee what modifications could be made to the basic law as it stands in order to incorporate the essential principles of allied policy. The financial advisers reached agreement on the proposals at appendix A<sup>5</sup> which they have incorporated, for the sake of brevity, as amendments to the relevant articles. The political advisers suggest that these proposals should be presented to the parliamentary council as an indication of the changes which would meet allied requirements, the actual drafting being left to the Germans.

## 4. *Independence of the judiciary.*

[The British political adviser considers that the provisions of article 129-1 (2) were generally inadequate to protect the independence of federal judges and recommends that the attention of the parliamentary council should be drawn to this fact.] Br.

## 5. *Powers of the federation to establish its own agencies.*

[The French political adviser considers that the possibility of the federation to establish its own administrative agencies is clearly defined, but in an extensive manner. Article 116 (3) gives to the federation the possibility to establish new administrations with substructures.]

<sup>5</sup> Appendix A was transmitted in telegram 145, February 25, from Frankfurt, not printed. It proposed (a) redrafts of Articles 122A, 122B, and 123 to define more clearly and limit federal taxation powers, (b) deletion of Article 138C-4 concerning common taxes and distribution of federal taxes among the *Laender*. The U.S. financial adviser proposed the deletion of Articles 124A and 124B, while the British financial adviser considered them inconsistent with the needs of parliamentary control. The French financial adviser considered the value of the proposed amendments dependent on the solution to the problem of federal expenditures. (862.011/2-2549)

ture at lower levels with the approval of a two-thirds majority of the Bundesrat; Article 112-2 (5) permits it in certain cases to give detailed instructions to the authorities of the *Laender*. By the interplay of these two provisions the federation could extend its administrative powers in all the fields of its legislative competence. The French political adviser considers that the powers of the federation in this field must be more exactly limited and that, in any case, paragraph 5 of Article 112-2 should be deleted.] Fr.

6. *Freedom of access to public service of a non-political character.*

It was agreed that there should be some provision in the basic law for the institution and maintenance of a democratic civil service. The political advisers recommend that the parliamentary council should be informed that the law should contain provisions on the following lines:

'(a) Appointments to and promotions in the public service shall be based solely upon the individual's fitness to discharge the responsibilities of the position as determined by broad tests of the knowledge and ability required to discharge the responsibilities of the position.

(b) The privileges and emoluments of public office shall be based upon the requirements of the position only.

(c) Security of tenure shall be extended equally to all members of the public service excepting those engaged in temporary and manual employment.'

7. *Ineligibility of civil servants to simultaneous membership in the Volkstag.*

The political advisers recommend that Article 62 (1) should at least be amended so as to exclude holders of public office from membership of the Volkstag. They consider that the possibility exists of an agreement with the Germans on this point by restricting the category to which this would apply.

8. *Land boundaries.*

The French and US political advisers proposed that the military governors should request the deletion of Article 25 on the subject of *Land* boundaries. They consider that the provisions of this article are generally too centralist, in particular paragraph 4. In view of the statements already made by the military governors to the ministers president it was agreed that this question was one which is intimately connected with inter-allied arrangements and that the best procedure would be for the latter to be discussed by the military governors at their meeting as it has implications outside the immediate question of the basic law.

9. *Berlin.*

The policy of the occupying powers towards the incorporation of Berlin in the West German federation is still under consideration by the British and French Governments but the following compromise formulae were proposed and submitted for consideration.



*US formula.*

Add at the end of Article 22(1) :

Insofar as it applies to greater Berlin, this paragraph shall be suspended until legislation providing for such participation has been adopted by the federal parliament. In the meantime, representatives of greater Berlin shall participate in the federal parliament as non-voting observers.

*French formula.*

(a) Reference to Berlin in the preamble should be deleted.

(b) Article 22 (1) should be drafted as follows: 'Pending the accession of other parts of Germany, and particularly of greater Berlin, the basic law shall apply to the territory of the following *Laender*: Baden, et cetera, et cetera.'

Sent Department 144, repeated London 19, Paris 19.

MURPHY

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740.00119 Control (Germany)/3-149: Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, March 1, 1949—6 p. m.

639. Personal for the Amb. Believe it might be useful if you make informal suggestion to Schuman that Koenig be instructed facilitate agreement on basic law text.<sup>1</sup> Polit advisers near agreement on report to Mil Gvs re Bonn draft (Frankfurt tel 19 to Paris<sup>2</sup>) and Dept hopes approval will not be unduly delayed in view embarrassment to Bonn assembly, generally unfavorable polit effect in Germany, and adverse effect on trizonal program.

ACHESON

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<sup>1</sup> In telegram 168, February 28, from Frankfurt, not printed, Murphy had proposed that it might be useful for Caffery to suggest to Schuman that Koenig be instructed to facilitate the approval of the Basic Law. (862.044/2-2849)

<sup>2</sup> Same as telegram 144, *supra*.

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740.00119 Control (Germany)/3-449

*The United States Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)*

SECRET

BERLIN, March 4, 1949.

DEAR JACK: With reference to the attached memorandum of the meeting of the three Western Military Governors at Frankfurt on March 1, I feel that the result on the whole was a happy one which promises well for the future. The discussion of the provisions of the Basic Law started off in a rather difficult atmosphere by a statement from General Koenig with a reference to the London Agreement pro-

viding that the Basic Law would have a federal character and that the Military Governors were to determine whether the text was satisfactory in that respect. General Koenig said that, after an examination of the text, it did not take much time to appreciate that it is a federal document in appearance only—that it is hypocritically federal but actually centralist. With that as an opening statement, I began to fear that the chances of French approval were dim indeed. However, General Koenig continued on that, while the Military Governors could veto on the ground that it did not conform to the London Accord, he nevertheless suggested that the Military Governors not leave [*let*] the draft break down and that he would be willing to consider listing certain changes and modifications with the assurance that his government would be willing to consider them. For this purpose the report of the Political Advisers<sup>1</sup> would provide a suitable basis.

At this point General Clay pointed out a feature relating to the present text—that there was no official text before the Military Governors and in view of General Koenig's remarks it might be better to await a vote of the Parliamentary Council at Bonn. The Germans would then publish the document as an official text which would enable the Military Governors to benefit by the opinion of world constitutional experts. He suggested that the Germans be advised to vote their text immediately and the Military Governors would then examine it in accordance with the London Agreement. The discussions then would concern a public document. This suggestion was not happily received by Koenig, who said that such procedure would lead to a test of force between the Germans and ourselves and which would not be desirable. I think that General Clay's suggestion had the effect of stimulating the French to a more conciliatory attitude which was apparent after they had consulted Paris by telephone.

Yours ever,

BOB

[Enclosure]<sup>2</sup>

*Memorandum by the Counselor of Mission at Berlin (Riddleberger)  
to the United States Political Adviser for Germany (Murphy)*

SECRET

BERLIN, March 3, 1949.

Subject: Military Governors' Consideration of Draft Constitution.

The three Western Military Governors met three times in Frankfurt on March 1-2, 1949 and devoted the major part of their deliberations

<sup>1</sup> Transmitted in telegram 144, February 25, p. 207.

<sup>2</sup> Attached to the source text was another memorandum by Riddleberger, March 3, not printed, which reported the Military Governors' discussion of Berlin currency, the Military Security Board, travel control, and the administration of Spandau prison.

to an examination of the draft basic law as developed by the Parliamentary Council at Bonn. The Military Governors had before them at their first meeting on March 1 the report of the Political Advisers dated February 24 which was cabled textually to the Department in Frankfurt's 144 and 145 of February 25.<sup>3</sup> The draft constitution had been previously transmitted to the Department by your Frankfurt Office under date of February 12, 1949.<sup>4</sup>

General Clay opened the discussion on the Political Advisers' report in stating that he thought the report was a good one which clearly expressed the differences between the Military Governors. Koenig at once replied in a statement which was severely critical of the draft constitution. He argued that under cover of federal appearance, the Germans have constructed a draft which completely opens the way for reestablishment of a highly centralized government. The work at Bonn was not sincerely federalist in nature and would be condemned by those who wanted a truly decentralized government. The Military Governors should therefore declare the Bonn draft incompatible with the London decisions and disapprove it. However, as Koenig did not wish to see an immediate break down, he was prepared to envisage amendments and corrections which might make possible acceptance of the constitution. He was also prepared to concentrate upon amendments to articles which, while few in number were essential to a federal state.

General Clay then reminded Koenig that as there was no official German constitution before the Military Governors there are two ways of proceeding. The first would be to defer discussion until the Parliamentary Council formally submitted the constitution which would then be a public document and the Military Governors together with their governments would have the reaction of constitutional experts throughout the world on the work which had been done in Bonn. The Military Governors could then suggest that the Germans be told to finish their work and the discussion would be on a public document. Koenig stated at this point that while Clay's principle was probably a good one it was not practicable in that it would lead to a test of strength between the Parliamentary Council and the Military Governors. Therefore, it was wise to move in a more conciliatory way and he would agree to discuss the report of the Political Advisers. Clay said that his second point would be a discussion of the report and that he was prepared to do so. He, however, reserved the right, if no agreement was reached by the Military Governors, to tell the Germans to go ahead and finish the constitution. Robertson agreed with Clay that the Germans have the

<sup>3</sup> Telegram 144, p. 207; regarding telegram 145, see footnote 5 to telegram 144.

<sup>4</sup> Not printed; for the text of the draft constitution, see *Documents on the German Federal Constitution*, pp. 88-105.

right to continue but favored giving the views of the Military Governors to the Germans now if possible. He thought it would be tragic to reject the constitution and it must be remembered that the document would have to be ratified. If the Germans accepted modifications it would have a better chance of ratification.

This proposal of General Clay's to have the Germans finish their work and publish the constitution obviously took the French by surprise and in my opinion was influential in modifying materially their negative attitude toward the document. The Military Governors then proceeded to discuss the report paragraph by paragraph. Koenig led off by making strong objections to Articles 36 and 36(a) of the constitution. The tenor of his argument was that there should be only two categories of federal legislation: (1) exclusive, as in Article 35, and (2) nominal, as in Article 36(a). Furthermore, Article 36(a) should embody the formula devised by the Political Advisers for Article 36(2). General Clay responded that no government could operate under such restrictions. He could accept Article 35 and agreed that Article 36 lacked clarity and should be amended to give legislative powers on the matters enunciated therein when they clearly affect more than one state. General Robertson suggested that a compromise might be found by transferring the redraft of Article 36(2) to the head of the article and then combining Articles 36 and 36(a). After a somewhat extended discussion as to the effect of this it was eventually agreed that this compromise might be acceptable and the question was passed to the Political Advisers for drafting.

Paragraph 2 of the report respecting police powers was accepted in principle on the understanding that if the occupation authorities are ultimately responsible for security the powers in Article 118(c) cannot be exercised until specifically approved.

Consideration was then given to the question of financial powers. Koenig stated this was a most important subject and that he concurred in the suggestions of the Political Advisers with one reservation. He believed that the federal government should administer only federal taxes and not concurrent taxes which should be administered by the *Laender* even if the federal government takes over entirely concurrent taxes. He stated that if this proposal was acceptable, the French would abandon their reservation on occupation costs. Robertson strongly urged that the federal government should have the right to collect taxes which it legislates and that once it has decided to take over a concurrent tax it becomes a federal tax. Such was the provision of the Letter of Advice. At this point Clay proposed the formula which eventually led to agreement on the financial articles. He said that except in the field of excise, income, inheritance and gift

taxes, all other concurrent taxes should be administered by the *Laender*. By skillful and persuasive argument, and with frequent reference to our own tax system, he eventually convinced Koenig that federal taxes should be administered by federal administration. He argued that the French desire to avoid federal tax administration could only lead to having the federal government interfere more and more in the financial affairs of the *Laender* in that it would be giving instructions to the *Laender* financial authorities on taxes over which it exercised jurisdiction. If the French wanted financial autonomy for the *Laender* they could not have it both ways by opposing federal administration of federal taxes while simultaneously opposing federal instructions to *Laender* finance administrations. It was far better in his opinion to segregate the taxes and let federal taxes be administered federally and state taxes administered by the *Laender*. Koenig eventually agreed to this line of argument subject to draft.

With respect to the independence of the judiciary the UK Military Governor was not entirely satisfied with Article 129(1) and wished to draw the attention of the Parliamentary Council to possible safeguards in connection with the dismissal of judges. After a short discussion this was agreed.

On the powers of the federation to establish its own agencies and the French reservation thereto, General Clay made a very cogent argument to the effect that there is less danger in [allowing] federal agencies to enforce federal law than there is allowing the federal government powers to give orders to the states. A long exchange ensued between him and Koenig in which Clay by drawing upon American precedence [*precedents?*] eventually succeeded in obtaining Koenig's agreement to withdrawing the French reservation provided the drafting on Articles 36 and 36(a) was satisfactory.

With respect to civil service it was eventually agreed that if the Germans decided to retain Articles 27(b) and 62 in the constitution they must conform to the principles enunciated in the *Aide-Mémoire*.<sup>5</sup> The Military Governors do not insist, however, that the constitution contain such provisions as the question can be dealt with by legislation.

On the question of *Laender* reorganization, it was decided to repeat precisely what the Ministers President had been told on July 20, 1948 and to reiterate that the position is still the same.<sup>6</sup> Incidentally, Clay informed Koenig in a meeting on March 2 that he intended to raise this question at the next meeting of the Military Governors in order to get

<sup>5</sup> For the text of the *aide-mémoire* of the Military Governors to the Bonn Parliamentary Council, November 22, 1948, see *Foreign Relations*, 1948, vol. II, p. 240.

<sup>6</sup> The minutes of the meeting between the Military Governors and the Ministers-President of the Western zones of Germany, at Frankfurt, July 20, 1948, are printed *ibid.*, p. 403.

a decision on what the Germans can be told respecting the Ministers President's proposal on Wuerttemberg-Baden.

The debate then turned to a formula for Berlin. Koenig announced the French opposition to Berlin's inclusion but indicated some desire to move for a compromise. Here again Clay came forward with a proposal which was eventually accepted and which is incorporated in paragraph 10 of the statement to the Germans. There was some discussion of how many Berlin representatives might attend but for the time being the question is left over. In any case it would not be more than what Berlin would be entitled to in proportion to its population. At this point the discussions on the constitution were concluded and it was arranged that the Political Advisers would meet in the afternoon to be followed by another session of the Military Governors in the evening on March 1.

At the evening meeting the Military Governors had before them a draft statement to be communicated to representatives of the Parliamentary Council which had been prepared by the Political Advisers. This statement was cabled to the Department by our Frankfurt Office on March 1.<sup>7</sup> Additional discussion followed on paragraph 1 of Article 36 as redrafted by the Political Advisers. Koenig was still holding out for the French brackets and Clay suggested the compromise proposal which emphasized the right of the *Laender* to retain legislative authority in the fields listed except where the matter clearly involved more than one *Land*.

On the financial provisions, Koenig returned once more to the charge by claiming the federal power in concurrent taxes was still too large. Clay eventually obtained Koenig's agreement by stipulating that the income tax would be administered by federal authorities to the extent that such a tax is for federal purposes. This compromise disposed of the financial provisions although Koenig was still protesting that too much taxing power was given to the federal government.

The other paragraphs of the statement were agreed to down to the final one dealing with Berlin. Koenig again balked at Berlin participation in federal legislature and it looked momentarily as if the discussion would break down on this point. Clay then stated that such participation was not prohibited by the London decisions but he was not disposed further to argue the matter. He proposed that the Parliamentary Council be informed that agreement could not be reached and the decision was up to it whether to adopt the constitution in plenary session. Faced with this statement, Koenig then said that he would not object to having a small number of representatives designated to attend. Clay stated he could accept "designated" but could not forbid

<sup>7</sup> Transmitted in telegram 178, March 1, from Frankfurt, not printed. (862.011/3-149)

consultation and pointed out that it would be difficult to prevent attendance in any case. Koenig promised an answer by midnight.

Following this evening session the Political Advisers reconvened on the morning of March 2 to prepare a clean draft of the statement to be communicated that same day to representatives of the Parliamentary Council, who had been advised the night before to come to Frankfurt. This draft was ready for consideration by 11 o'clock on March 2, 1949.<sup>8</sup>

At the meeting of the Military Governors Clay stated he was ready to accept the statement as a whole. Robertson was likewise prepared to do so but wished to clarify the interpretation of paragraph 10 on Berlin. He said that he wished no misunderstanding and that his position was that the number of representatives is not determined and the Berlin representatives can speak. His understanding of the French interpretation was that the Berlin representatives would not speak. If the Germans inquired about this, it was agreed that no definite answer would be given. The Military Governors then discussed the type of statement which Robertson would make if the representatives of the Parliamentary Council inquired whether the statement must be accepted in its entirety. The line that Robertson would take was reported from Frankfurt by telegram of March 2, 1949.

The Military Governors then discussed the question of the electoral law and their decision was likewise reported in the same telegram. The text of the electoral law was previously transmitted from Frankfurt.

J. W. R[IDDLEBERGER]

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<sup>8</sup> For the text of the clear draft, see telegram 183, *infra*.

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740.00119 Control (Germany)/3-249: Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

RESTRICTED

FRANKFURT, March 2, 1949—5 p. m.

183. At meeting of Military Governors this morning<sup>1</sup> statement on Bonn constitution to be communicated to representatives of Parliamentary Council this afternoon was approved.

It is emphasized of course that text of basic law now under consideration has not been voted formally by Parliamentary Council and is not before Military Governors for final approval. Text follows:

"1. My colleagues and I have asked you to come here today in order that we might comment to you upon several provisions of your proposed basic law as it was passed by the main Committee of the Parlia-

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<sup>1</sup> Regarding this meeting, see Murphy's letter to Hickerson, *supra*.

mentary Council. We have studied this document in light of the *aide-mémoire* which our liaison officers delivered to you on 22 November 1948.

2. There are some provisions in the basic law which deviate from detailed principles set forth in that *aide-mémoire*. However, in viewing the document as a whole we are prepared to disregard some of these deviations but at the same time feel it necessary again to call your urgent attention to other provisions which, in our opinion, depart too far from these principles.

3. In the first place, we would like to point out that the powers of the Federal Government as now set forth in Article 36 are not defined with sufficient clarity adequately to safeguard the position of the states in a federal system. To correct this we suggest that you delete present Articles 36 and 36-A and substitute therefor a new Article 36 based very largely upon your own language and which might read substantially as follows:

*Article 36.*

(1) The *Laender* shall retain the right to legislate in the fields hereinafter enumerated except where it is clearly impossible for a single *Laender* to enact effective legislation or where the legislation as enacted would be detrimental to the rights or interests of other *Laender*. In such cases, and provided that the interests of the several *Laender* are clearly, directly and integrally affected, the federation shall have the right to enact such legislation as may be necessary or appropriate.

[Here follows a list of 26 fields of legislation to be retained by the *Laender*.]

4. In the second place, my colleagues and I would like you to understand that we are ultimately responsible for security and that the powers contained in Article 118-C may not be exercised until specifically approved by the occupation authorities. This reservation upon the exercise of these police powers will be repeated at the time when you are formally advised of our action with regard to the constitution as a whole.

5. In the third place, we have noted with concern the extent to which the provisions regarding finance powers depart from the criteria agreed upon in London and transmitted to you in Paragraph (d) of the *aide-mémoire*. We have already had occasion to advise you that in our opinion substantially the same provisions would result in 'the *Laender* being left without adequate independent sources of revenue for the conduct of their affairs'. We would suggest, therefore, several changes in Articles 122-A, 122-B and 123 which would enable these articles more nearly to satisfy the principles of financial organization which we believe to be of primary importance in a federal system. We suggest that these be re-worded to read substantially as follows:

*Article 122-A.*

The federation shall have powers of exclusive legislation in customs and financial monopolies (federal taxes) and of priority legislation on the following taxes (concurrent taxes):

- (1). Excise taxes and taxes on transactions, with the exception of taxes (*Land* taxes) with localized application, in particular the taxes on real estate acquisition, incremental value and on fire protection.
- (2). The taxes on income, property, inheritance and gifts (or donations).
- (3). 'Realsteuern' (taxes on real estate and on businesses) with the exception of the fixing of tax rates.



## Article 122-B.

The federation shall exercise priority legislation in the field of concurrent taxes only to the extent that it may require the whole or any portion of the proceeds of any concurrent tax or taxes to cover its responsibilities. If the federation takes over a portion of a concurrent tax the remaining portion shall be retained by the *Laender* as and where collected.

## Article 123.

1. The federal taxes shall be administered by federal finance authorities. The Federal Government may, if it so desires, administer, through federal financial authorities, those taxes which it imposes for authorized federal purposes in their entirety and the tax on income to the extent that such a tax is for federal purposes. The structure of the federal finance authorities and the finance courts and the procedure code applied by them shall be regulated by federal law. The heads of the finance and customs authorities in the *Laender* shall be appointed by agreement with the governments of the *Laender* involved.

2. The *Land* taxes and concurrent taxes other than those referred to in Article 123 (1) shall be administered by *Land* finance authorities.

3. The raising of the 'realsteuern' shall be regulated by *Land* legislation.

To be consistent with what has been said above we wish to call your attention to the need for deleting Article 138-C (4) and substituting a detailed specification of *Land* taxes.

6. In the fourth place we wish to draw your attention to the fact that Article 129-1 (2) is not entirely clear as to the extent to which the independence of the judiciary is insured. We urge you to give it your thoughtful attention particularly as to the safeguards provided in connection with the dismissal of judges.

7. In the fifth place, we consider that the possibilities for the federation to establish its own administrative agencies (Articles 112/2 and 116) are wide. We would therefore like to point out that the Military Governors will have to give careful consideration at the time when such agencies are established to ensure that they do not represent too great a centralization of power.

8. In the sixth place we should like to clarify our position with regard to the question of the federal civil service. If principles with regard to the civil service as set out in Articles 27 (b) and 62 are to be embodied in the constitution they must be modified to conform to the principles enumerated in Paragraphs (g) and (h) in our *aide-mémoire* of 22 November 1948.

9. A seventh matter which has concerned us is the question of the reorganization of the territories of the *Laender* as set out in Articles 25 and 26.

In this connection we wish to draw your attention to the statements which we made to the Ministers President on the twentieth of July, the pertinent portions of which were as follows:

'We wish you to appreciate that the question of *Land* boundaries is one of great importance to us. We feel that the present is an appropriate time to deal with it, and we are ready to do so. However, it would be much more difficult for us to deal with it later on. It has, for example, reactions with regard to our own zonal boundaries. We do not feel that we should be willing to deal with the subject again at a later date prior to the conclusion of a peace treaty.

Moreover, the fixing of *Land* boundaries is important in relation to the constitution itself. We believe that we should recommend to our governments that the boundaries which were recognized during the drafting of this constitution should remain unchanged, at least until a peace treaty is signed.

Our position today is the same as it was at that time and we feel we must now advise you that unless we unanimously agree to change this position it must

remain so until the peace treaty. In this case also we will remind you of this decision at the time formal action is taken with regard to the constitution as a whole.'

10. Finally, my colleagues and I would like you to know that we understand the solicitude which the Parliamentary Council has shown for Berlin, however, in view of the existing situation, that portion of Article 22 which refers to Berlin must be suspended. Nevertheless, there would be no objection to the responsible authorities in Berlin designating a small number of representatives to attend the meetings of the Parliament."

Foregoing statement will be read by Robertson as chairman of Military Governors meetings this afternoon. Should German representative inquire whether statement must be applied in its entirety, it was agreed that Robertson would reply along following lines: Object of meeting was to give Military Governors comments on constitution and Parliamentary Council should now complete its task in the light of the present proposals. Comments are not submitted as rigid text but as set of principles of great importance and Military Governors expect that great effort will be made to comply with them. By incorporating these principles in the provisional constitution, Military Governors believed that they will be able to accept constitution as being in conformity with decision of three governments.

Military Governors also considered proposed electoral law and decided that Parliamentary Council should be told that this law cannot be attached to constitution and that provisions of Article 145 cannot, therefore, apply. German representatives will be informed that the number of deputies to the Volkstag should be fixed and also allocation by *Land*, but Military Governors do not insist that this be inserted in constitution. The Ministers President will subsequently be informed that they should take appropriate steps to prepare necessary legislation in each *Landtag* and that they are free to use draft electoral law of Parliamentary Council as basis for drafting model law to be submitted to the individual *Landtag*.

Complete text by mail.

Repeated London 23, Paris 24.

MURPHY

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862.00/3-549 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

CONFIDENTIAL

BERLIN, March 5, 1949—8 p. m.

331. Conflicting reports have reached Berlin re Soviet Zone CDU leader Nuschke's activities at Bonn additional those reported Bremen's

telegram 43, March 3.<sup>1</sup> UP reports Nuschke, in private interview, stated he came to "talk peace plan." This plan is similar to plan recently reported in Berlin West-licensed press as official Communist plan for Germany but subsequently reported as being originated by local nerve doctor Frau Korn (SED). Elements of both plans are:

- (1) Immediate withdrawal of British and French occupying troops from Germany.
- (2) Withdrawal US and Soviet troops to Germany's eastern and western frontiers.
- (3) Central Government established in Berlin for all Germany.
- (4) New single currency for all Germany. DPD dispatch same date from Bonn reports Nuschke denies advancing above peace plan while at Bonn, but UP sticks by its story.

Although difficult to determine which, if either, of above reports accurate, timing of Nuschke's trip indicates at least one purpose is to instill doubt in minds Western German leaders re advisability proceeding with plans for prompt establishment West German Government by implanting fear of possible 4-power agreement on all Germany. Also significant is fact that trip coincides with difficult point in Western allied German development of governmental structure, i.e., presentation of Military Governments criticisms of Bonn constitution and shortly prior to announcement Occupation Statute terms. Although effect in West of trip so far appears to be slight, fear of certain West German leaders that ground may be cut from under them by Allies is a real one. To judge from Nuschke-Adenauer conversation, further consideration is desire to convince West Germans that bourgeois parties have real part to play in Germany's future and create impression such is case in Soviet zone.

Although Nuschke's trip obviously made with knowledge if not support of Soviet authorities, it is significant that practically no mention of it as yet in Soviet-licensed press. Presumably latter awaiting indication whether trip at all successful before giving it attention which might indicate it has Soviet authorities' official blessing. Only attention to date in Soviet-licensed press was photograph in *Berliner Zeitung* March 4 of Nuschke and Adenauer quaffing beer together.

We shall continue to follow Nuschke's activities and report any developments of interest.<sup>2</sup>

<sup>1</sup> Not printed; in it Altaffer reported that Nuschke and Adenauer had conferred for two hours on March 1. According to Adenauer, Nuschke had defended the Russians, saying that the eastern zone CDU expected to do well in the elections which were to be scheduled soon. Nuschke also entreated Adenauer to appeal to the occupying powers to get together on the German question, and intimated that the Russians would consider the inclusion of Berlin in the new West German state as a cause for war. (740.00119 Control (Germany)/3-349)

<sup>2</sup> In telegram 49, March 7, from Bremen, not printed, Altaffer reported further on Nuschke's visit, particularly that Adenauer felt Nuschke had been sent by the Soviet Military Administration to prevent or attempt to disturb the progress toward consolidating Western Germany. (862.00/3-749)

Sent Department 331; repeated Moscow 48; London 148; Paris 135; Frankfurt 11; pouched Bremen.

MURPHY

862.044/3-849: Telegram

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

SECRET

LONDON, March 8, 1949—7 p. m.

857. At request of Mallet, substituting for Kirkpatrick, Holmes called at Foreign Office today to receive following:

British seeking agreement US and French to ratify basic law West Germany by action of *Land* Legislatures rather than by popular referendum. Mallet stated that this suggestion [had] previously been made but that Foreign Office has no indication US or French position. He said that Robertson and Bevin were in agreement this point for these reasons:

1. Popular referendum would be time-consuming and British feel the sooner basic law adopted, West German Government formed, the better.

2. Popular referendum would produce acrimonious campaign giving Soviet propaganda favorable opportunity to attack West.

3. Robertson's estimate of favorable vote would not be more than 60% which would be bad showing for West.

4. British feel that Catholic hierarchy would start opposition campaign over question of confessional schools. Holmes expressed some doubt that Vatican would permit such activity and Mallet replied that they had already made soundings which led them to conclusion Vatican would not forbid opposition to basic law.

Foreign Office seeks our agreement.

Repeated to Berlin 140 and Paris 153.

DOUGLAS

862.044/3-949: Telegram

*The United States Political Adviser for Germany (Murphy) to the  
Embassy in the United Kingdom*<sup>1</sup>

SECRET

BERLIN, March 9, 1949—7 p. m.

153. Following is General Clay's comment on London's 140 to Berlin March 8:<sup>2</sup>

"Have just seen March 8 message from London to State, repeated Berlin as 140. In this Holmes states British seeking agreement of US

<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Same as telegram 857, *supra*.

and France to ratification of basic law by action of *Land* legislatures rather than by popular referendum. I do not understand this question being raised by British Government since it is not a disagreed question between military governors. In early stage of proceedings, Ministers President favored ratification by *Land* legislatures and all three military governors agreed to consider their views based on conditions existing at time basic law was approved. Main argument of Ministers President was that economic conditions might be favorable to a large Communist vote. This has not proved to be case as economic conditions are far more favorable than they anticipated. Nevertheless, I was authorized to agree to such a proposal if it appeared advisable at time. Actually I do not believe that there is any justification now for ratification by *Land* legislatures rather than by popular referendum as agreed in London. I am quite sure that Parliamentary Council will favor popular referendum.

I had never heard before of General Robertson's estimate of a small favorable vote and I doubt this to be the case unless there is a party split. If there is a party split, it would seem probable that difficulty would be experienced in obtaining approval by a sufficient number of states to obtain ratification. To my mind, this is a greater danger than any possible repudiation of the constitution by the people.

In any event, in view of what we have told the Germans, I feel certain that in this matter we should make no move until we have received German recommendations and particularly that we should not approve ratification by *Land* legislatures unless there is a predominant opinion in both Parliamentary Council and among Ministers President that this action is the desirable course to follow. I would urge that governments make no agreement on this question at the moment and that it be left to judgment of military governors based upon conditions existing at time of approval and on recommendations of German officials. If in fact the Catholic hierarchy can develop opposition of substantial nature then it is more likely that they could defeat the measure in *Land* legislatures of the essential Catholic states than in a popular referendum. It seems to me that British action is based on a unilateral report by British military governor which has not been discussed with his colleagues. I submit that we have had much more experience in elections in American Zone than have British, and we rather doubt that their political judgments are completely unbiased in view of their close relationships with Social Democrat Party. It is particularly difficult to understand, in view of General Robertson's insistence that we not dictate to Germans on constitutional changes, that he now proposes that we dictate to them on question ratification."

I likewise am somewhat surprised that this question is now being raised in London. It was touched upon lightly in course of military governors' recent discussions on constitution at which time Robertson seemed content to defer the matter for subsequent decision. It would certainly be desirable to await recommendations of German political

leaders, many of whom will no doubt give an accurate reflection of best methods of procedure in their respective *Laender*.<sup>3</sup>

Sent London 153, repeated Department 348.

MURPHY

<sup>3</sup> In telegram 795 (repeated to Berlin as 283), March 10, to London, not printed, the Department of State supported Clay's position that:

"(a) western authorities should make no move re ratification Bonn constitution until Mil Govs have recd Ger recommendations; (b) ratification by state legislatures should not be approved unless there is strong supporting opinion in Parliamentary Council and among Ministers President; (c) agreement among Western Govts unnecessary at this time and that the Govts in any event would be guided by the judgment Mil Govs based on conditions existing at time of approval constitution and on recommendations Ger officials." (862.011/3-1049)

740.00119 Control (Germany)/3-1549: Telegram

*The Consul General at Bremen (Altaffer) to the Secretary of State*

SECRET

BREMEN, March 15, 1949—8 p. m.

56. Re my A-51 and 57, February 4 and 7.<sup>1</sup>

On March 13 group leading Germans had 6 hour conference with Rudolph Nadolny, referred to in press as "confidential man of Soviet military administration", at home Dr. Andreas Hermes former German Foreign Minister and former chairman CDU Soviet zone at Bad Godesberg. Participating were: Herman Puender, chairman executive committee of Bizonal economic administration; Professor Erhard, director economic administration Frankfurt; Herman Abs, director Bank German *Laender*; Rudolph Miller former German Bizonal administrator; director Spennrath General Electric Company Berlin East Zone; Dr. von Twardowsky former German Councilor of Legation Moscow; Schreiber, secretary CDU North Rhine Westphalia; Franz Bluecher former Minister of Finance North Rhine Westphalia; former Ambassador Prittwitz-Gaffron; former Minister President Steltzer, Schleswig Holstein; Gertrude Baeumer and others. Strictest secrecy concerning subjects discussed being observed by participants meeting, however it is conceded that possibilities realization political unity Germany chief point discussed, main immediate issue being problems maintenance economic unity.

Schreiber reported in detail on German refugee problem and Prittwitz-Gaffron on his impressions Switzerland, whence he returned few days ago. Am reliably informed agenda comprised nine points of which little information available up to now.

<sup>1</sup> Neither printed; they reported earlier activities of Nadolny and speculated that he was a Soviet emissary to the western zones of Germany. (711.61/2-449 and 740.00119 Control (Germany)/2-1749)

Invitation to meeting sent out by Hermes revealed purpose of discussions, which among others stated "four occupation powers agree with German people that political unity should be maintained or if such already doubtful should be reconstituted". It continues, "in view grave situation firmness German people should be so emphatically stressed that recognition necessity German political unity should become decisive basis of all efforts for a European peace."

In his conversation with West German political leaders recently, Nadolny reportedly stated that Germany and Russia must come to an agreement. He has emphasized necessity of united Germany and is using all arguments possible against establishment West German "Bundesregierung". It is believed that meeting March 13 was of preparatory character which aims at a more representative conference German personalities who will be expected throw their authority on the side of "German political unity". Original meeting of Nadolny to which 100 German representatives were invited to attend at Koenigstein was on February 15. The public reception of proposed meeting was so adverse it was found necessary for him cancel it and issue denial (my A-38, January 28<sup>2</sup>).

Am reliably informed political pressure being exerted on Senate President Kaisen invite Nadolny to Bremen discuss his project.

Participation in Godesbag conference of active members present West German administrations such as Puender, Erhard and Abs shows spirit of opportunism among West German political leaders, large degree of which prompted by fear that Russia likely overrun Western Germany at any time. Confidentially I might state Adenauer approached me recently in regard question his personal safety in event Russian invasion. Although Adenauer did not participate meeting directly Schreiber was present indicating tacit approval his chief.

Recent statement Military Governors to Constituent Assembly indicating more outspokenly federalistic character desirable in draft German constitution has undoubtedly contributed to present crisis. SPD leaders held conference Cologne last weekend at which question withdrawal SPD faction from Constituent Assembly or at least abstention in voting, considered as protest if wishes not considered in question finances. Decision deferred until March 26. Minister President Arnold North Rhine Westphalia has shown extreme pessimism about outlook and lack consideration British for present German problems. Senate President Kaisen also complained recently in same vein about our Military Government and its steps to force laws of an unsuitable character on Germans.

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<sup>2</sup> Not printed.

Sent Department; repeated Berlin 11, Paris 8, London 10; pouched Frankfurt.

ALTAFFER

840.00/3-1649 : Telegram

*The Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger), at Berlin*

SECRET

WASHINGTON, March 18, 1949—noon.

325. Personal for Riddleberger from Murphy. Pls see Clay's personal signal to Army FMPC 582, Mar 16<sup>1</sup> citing alleged statements Fr ConGen Munich. We have always been aware that such views were held by DeGaullist party but have never believed they reflected official Fr Govt position. Alleged statements conflict with Fr policy as stated in successive CFM Mtgs and furthermore with Fr Govt commitments taken under London Agreements. We concur with Clay's comments first part, second para his message.<sup>2</sup> From Schuman's recent statements we had assumed Fr Govt agreed with us that beginning of European solution shld be made with closer association Western German entity with western system. Suggest you make informal inquiry Seydoux or St. Hardouin concerning accuracy of report and its meaning.

Have just reed your 276.<sup>3</sup> Will be interested learning Koenig's reply and result any inquiries you may make. [Murphy.]

ACHESON

<sup>1</sup> Not printed; it reported that the French Consul General in Munich had stated that the French Government would not accept Germany in a European federation unless it could deal with representatives of the German *Laender* and not with a central German Government. (840.00/3-1649)

<sup>2</sup> Clay had commented that such French remarks could only have a disastrous effect on German morale and was one more French effort to retard the establishment of an effective Western German Government.

<sup>3</sup> Not printed; it transmitted the substance of FMPC 582 and reported that Clay had asked General Koenig to investigate the matter. (840.00/3-1649)

740.00119 Control (Germany)/1-2749 : Telegram

*The Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger), at Berlin*

CONFIDENTIAL

WASHINGTON, March 25, 1949—7 p. m.

358. Fol is Dept's general thinking on German representation abroad as requested urtel 138, Jan 27.<sup>1</sup> These views are for your present

<sup>1</sup> Not printed.



guidance and subject to further consideration as issues are developed in greater detail.

*a. Consular representation.* Dept agrees with position expressed current draft Occupation Statute that Germans may have commercial reps abroad who "may be entrusted with such consular functions as may be agreed by occupation authorities". See London's 316, Jan 26 to Dept rptd Berlin 60.<sup>1</sup> French have objected to such reps having full title and status of consul, but all delegates at Occupation Statute talks in London "agreed in principle that the Germans might have representatives abroad performing administrative consular functions providing such representatives have no representative capacities" (London's despatch 106, Jan 24<sup>2</sup>). You may therefore assume that German reps with some designation other than consul will be authorized, subject always to approval of occupation authorities, to perform all usual consular activities. We have in mind two major exceptions, travel control and protection. Policy on travel control should be established and closely supervised by occupation authorities, particularly since movement of persons into or out of Ger is one of powers specifically reserved to occupation authorities under Occupation Statute. Once Ger Govt established and satisfactory control maintained occupation authorities might at their discretion authorize Ger Govt either directly or through its reps in field to issue travel documents and visas for entrance into Ger subject to basic criteria established by occupation authorities. With respect to protection, while Ger reps may deal with local authorities in process of safeguarding interests of Ger nationals abroad, they must not assume to act on behalf of Ger Govt, unless they have been so authorized by occupation authorities in specific case, or until decision has been made to allow Germans to have their own direct dipl representation. We appreciate difficulty of preventing Ger administrative officials from acting in any representative capacity, but main purpose is to keep them from action or formulation of policy in fields reserved to occupation authorities, or from becoming even partial equivalent of dipl reps.

*b. Commercial representation.* In this field approach would be similar to that in para *a*. Reps should perform usual services, but particularly trade promotion and economic reporting which are probably most immed needs of Trizonal area. Whether commercial reps would be same individuals as those performing consular functions would depend upon volume of work in particular missions, qualifications of personnel, etc. As in para *a*, protective functions should not lead to direct representation of Ger Govt, and commercial

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<sup>2</sup> Not printed.

reps should not negotiate commercial agreements or speak for Trizone on matters of economic policy without specific authorization by occupation authorities.

*c. International Conferences.* Occupation Statute already provides for Ger representation at internatl conferences attended by one or more of occupying powers. Occupation authorities would transmit invitations to Ger Govt, approve members of Ger delegation, and approve any proposed international obligation negotiated by such delegation. We expect that at first Germans would participate only in technical conferences and that participation in political conferences would come later, when dipl representation is authorized. We do not, however, want to specify definite time period now and prefer leave to occupation authorities decision re character of conferences Germans may attend. We do not think possible questions concerning recognition of Ger state need interfere with full Ger participation in technical conferences as soon as provisional Govt is estab.

Dept tentative view is that problem Ger membership internatl agencies and accession internatl conventions can be dealt with on same basis as representation internatl conferences.

Dept assumes all above activities Ger reps to be coordinated under a central bureau or agency Ger Govt which in turn would be supervised and directed as necessary by occupation authorities. Consider desirable direct control Ger field reps by occupation or allied authorities be avoided or held to absolute minimum. Ger central agency would be closely associated with CTB, JEIA and other appropriate occupation agencies dealing with Ger external matters with prospect progressive transfer additional functions and more independent responsibilities to Ger agency by occupation authorities at their discretion with respect degree and timing.

Re number and size Ger offices abroad, Dept believes these questions should be handled on ad hoc basis with regard immed needs, qualifications Ger personnel, and anticipated drain such offices on Ger foreign exchange. Initial estab limited to small offices in countries with which Ger has large volume of trade might be followed by gradual increase in number offices and enlargement personnel and functions as justified by later developments. In case of US, will consider later on question Ger representation and status Interim Office Ger Affairs now authorized handle consular matters for Germans here. It is recognized attitude receiving country may affect precise status and functions of Ger offices abroad.

ACHESON

740.00119 Control (Germany)/3-2549 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*[Extracts]<sup>1</sup>

SECRET

LONDON, March 25, 1949—9 p. m.

1208. Following *aide-mémoire* re certain outstanding German questions was transmitted to me yesterday just prior to Bevin's departure. Our comments follow text.

A. *Foreign Office aide-mémoire*:<sup>2</sup>

"3. Basic law. Germans have produced draft which, although not entirely in accordance with Allied letter of advice, was a relatively reasonable document founded upon a compromise between CDU and SPD, in which latter had made most of concessions. Three Military Governors agreed on 2nd March, upon a commentary criticizing this draft. The German Representatives have studied commentary, and on some matters have made amendments to meet Military Governors views. There are, however, three points of difficulty. The first is method of equalizing financial burdens amongst the states; the second is powers of the federal government and state governments respectively, in field of financial administration, particularly tax collection; and third is rights of state governments and of federal government respectively, in non-financial matters where there is scope for concurrent legislation. On these three points Social Democrats are in favor of more centralist solution than French Military Governor and probably US Military Governor, is willing to accept. British view is that no further pressure should be brought to bear upon SPD to give way on these three points, since such pressure would probably lead to a break up of SPD CDU compromise upon which whole basic law is founded. In fact CDU have accepted SPD views on these three questions. In circumstances it seems mistaken policy to imperil whole of our German program by compelling both CDU and SPD to give us satisfaction on these three points, particularly since in respect of other observations made by Military Governors Germans have given us satisfaction.

In order to close debate on basic law, what is required is to tell two German parties that we shall be satisfied with amendments (they) have already made to meet our views, and do not propose to embarrass them or imperil our program by insisting on 100 percent acceptance of all points made in our commentary.

<sup>1</sup> For the remaining portions of this telegram, see p. 55.

<sup>2</sup> The original *aide-mémoire*, handed to Ambassador Douglas on March 23, is in the London Post Files: Lot 58 F 47: Box 1394: 350 Germany.

4. In addition to above there are two subsidiary points outstanding:—

(1) Revision of *Land* boundaries. In accordance with decisions of London conference last year, the Ministers President were invited to put forward recommendations on *Laender* boundary changes. In event only one change was recommended by Germans, namely, in boundaries of Wuerttemberg and Baden. After a delay of six months, during which French and US Governments failed to reach any agreement, French are now proposing that this question should be discussed at Washington.<sup>3</sup> If a decision were made at this stage to alter *Land* boundaries, a referendum and fresh elections would have to take place in the *Laender* concerned before the basic law could be ratified. This would mean a long delay in whole of our program in Western Germany.

*Laender* boundaries can be amended after federation has come into existence, and what is required is agreement that this procedure shall be followed.

(2) The Ruhr agreement. This agreement has still to be signed.”

#### B. *Embassy's comments* . . .

3. Basic law: Since negotiations re basic law have not been carried on here, we do not feel qualified to comment in detail on British estimate of situation. Nevertheless, as Department is aware from position we took many months ago during London discussions on form establishment German government I am convinced centralization financial powers particularly power to tax in provisional German government would ultimately destroy federalist form of that government. Since I understand from General Clay that present draft basic law would tend to concentrate power to tax in central government, I feel that we should be unbending on this fundamental question. (This is merely expression personal opinion of subject which is not in our lap.)

4. (1) Revision of *Land* boundaries: Embassy is not in position to comment on British statement re *Land* boundaries since matter has never been taken up here. We are inclined to share British view, however, that decision on this question should not be of nature to delay establishment provisional German government.

(2) Ruhr agreement: As instructed Deptel 689, March 2, repeated Berlin 239,<sup>4</sup> we have informally advised Foreign Office we are not prepared to make final decision on Ruhr agreement now. British extremely anxious to have agreement signed soon as possible and it is quite likely Bevin will discuss matter in Washington.

DOUGLAS

<sup>3</sup> For documentation on the Washington Foreign Ministers talks on Germany, see pp. 156 ff.

<sup>4</sup> Not printed.

740.00119 Control (Germany)/3-2649 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

TOP SECRET

BERLIN, March 26, 1949—6 p. m.

451. Personal for Murphy Eyes Only. Although Clay in recent past has become increasingly pessimistic over chances of establishment of West German Government in near future (Reurtel 353, March 24<sup>1</sup>), it was only late yesterday that he first expressed to me the view that it would inevitably be postponed. His reason is not so much that it would be prudent to postpone its establishment as it is that the increasing restrictions which are developing under the Occupation Statute and PRI<sup>2</sup> plus the failure to agree on common policies have resulted in a political failure for the Western powers and that German sentiment is now turning against a West German Government. Consequently, last night Clay sent an Eyes Only cable for Voorhees and Murphy<sup>3</sup> expressing these opinions and also stating that French delaying tactics have now been successful. In talking to me this morning, I had the strong impression that Clay's pessimism over the establishment of a West German Government was intensified by his conversation with Kennan from which Clay deduced a lack of determination on the part of the US to push ahead vigorously with the establishment of the West German Government.<sup>4</sup> Clay now feels that in spite of the lack of popular support from the bizonal administration, it might be possible to start anew on a bizonal basis by giving it political responsibility and perhaps confiding to it the task of drafting the German constitution.

RIDDLEBERGER

<sup>1</sup> Not printed; it informed Riddleberger that Clay had expressed his opinion to Douglas that it might be prudent to postpone the establishment of the West German Government because of the variety of restrictions that were emerging in the Ruhr Authority, Military Security Board, occupation statute, and prohibited and restricted industries. (740.00119 Control (Germany)/3-2549)

<sup>2</sup> For documentation on the London negotiations on the occupation statute and prohibited and restricted industries, see pp. 1 ff. and pp. 546 ff.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> For an account of Kennan's trip to Germany during March, see Kennan, *Memoirs*, pp. 429-442.

862.044/3-2849 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

FRANKFURT, March 28, 1949—8 p. m.

381. In meeting with German representatives at Bonn last Friday Allied liaison officers made it clear that changes in Basic Law proposed

by so-called Committee of Seven in March 17 draft<sup>1</sup> did not fully meet spirit and intent of Military Governors' recommendations of March 2.<sup>2</sup> They made it clear at same time that Military Governors had not officially considered these proposals and would be prepared to consider officially only final complete draft Basic Law. Political party delegations at Bonn will meet Wednesday to determine positions on question further changes to conform with Military Governors' recommendations. Attitude of SPD appears firm against additional concessions of any significance, particularly in field of taxation and finance administration. Impression apparently prevails in SPD circles that developments favorable to their position may come out of forthcoming Foreign Ministers' discussions in Washington.<sup>3</sup> Consequently it is unlikely that any final action will be taken at Bonn for next fortnight. SPD position on basic issues similar to that set forth in statement by Trade Union Council quoted in Frankfurt's A-138 March 18.<sup>4</sup>

Resolution adopted by Ministers-President conference March 24<sup>5</sup> calls for uniform election law for Volkstag elections and requests Parliamentary Council reconsider subject and seek at least two-thirds majority thereon. Purpose to obtain support both major parties to assure acceptance agreed election law by all *Laender*. Effort would be made provide for election by majority vote in two-thirds election districts rather than in one-half under present draft law. Ministers-President will recommend to Military Governors approval law so passed by Parliamentary Council.

Sent Department as 381, repeated Berlin as 46, London as 41, Paris as 40.

RIDDLEBERGER

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<sup>1</sup> For the text of this draft and another proposal of the Committee of Seven dated March 10, neither printed, see *Documents on the German Federal Constitution*, pp. 110-113 or Litchfield, *Governing Postwar Germany*, pp. 569-576.

<sup>2</sup> Transmitted in telegram 183, March 2, p. 217.

<sup>3</sup> For documentation on the Washington Foreign Ministers' discussions on Germany, April 6-8, see pp. 156 ff.

<sup>4</sup> Not printed.

<sup>5</sup> For the text of this resolution, see Ruhm von Oppen, *Documents on Germany*, pp. 367-368, or *Documents on the German Federal Constitution*, p. 113.

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### *Editorial Note*

On March 30, the SPD faction of the Parliamentary Council adopted a resolution concerning the March 2 memorandum of the Military Governors, which stressed the need for the immediate passage of the

Basic Law approved by the Main Committee. The resolution stated *inter alia* that

"the SPD faction agrees on the decisions of the Committee of Seven which tend to take into account the proposals of the Allied Memorandum of 2 March 1949 insofar as this is compatible with the thoroughly considered German conception of the conditions of a Federal Government's ability to function. The SPD faction is not in the position to transcend the proposals of the Committee of Seven."

On the same day the CDU/CSU faction of the Parliamentary Council adopted its own resolution on the March 2 memorandum, stating that the Committee of Seven had achieved satisfactory solutions to eight of the objections raised by the Military Governors, leaving only the finance problem to be solved. The CDU faction could not justify rejection of the Basic Law over this one issue, and it therefore believed that it should prepare new proposals which took into consideration German interests and which would secure approval of the Military Governors.

For the texts of these resolutions, see *Documents on the German Federal Constitution*, page 114.

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740.00119 Control (Germany)/4-249 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET

BERLIN, April 2, 1949—2 p. m.

479. Increasing storm signals during past few months and especially recent weeks warn of potential dangers facing Western allies unless positive solution is speedily found to present stalemate in Western Germany. On one hand, situation in West Germany itself is in many respects unsatisfactory politically as evidenced by:

a. Impasse at Bonn with at least SPD leaders at Bonn having expressed determination to go no further toward meeting terms of Military Governors' memorandum than acceptance of Committee of Seven's proposals, and CDU's position still unclear.

b. Increased nationalism.

c. Spread of "neutralization" idea as advanced by Nauheimer Kreis plan.<sup>1</sup>

d. General dissatisfaction caused by such Western allied measures as Ruhr agreement, military security board, western boundary changes (latter have evoked unanimous and bitter resentment),<sup>2</sup> and apprehensively awaited occupation statute.

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<sup>1</sup> A declaration issued at Bad Nauheim on December 4, 1948, containing an appeal to save peace through the neutralization of Germany between East and West.

<sup>2</sup> For documentation on the changes in the western boundary of Germany, see p. 436 ff.

e. Breaking of Western counter-blockade by West German officials and businessmen which has reportedly increased in last three weeks.

Primary factor in political deterioration is allied disunity. Soviets and satellite German leaders are exerting every effort to exploit situation to full as evidenced by:

- (a) Nuschke's visit to West.<sup>3</sup>
- (b) Nadolny's Godesberg meeting (although not proved that Nadolny was acting for SMA, his efforts fit neatly into pattern of Soviet plans).<sup>4</sup>
- (c) Volksrat proposal for Braunschweig meeting with representatives of Bizonal Economic Council and Bonn Parliamentary Council.
- (d) Intensified propaganda regarding peace treaty, German unity, with special emphasis on Rapallo concept of East-West trade (including trade with East and Southwest Europe) as vitally necessary to German economy.

Western Germany's reaction to such overtures is more responsive than could have been imagined a few months ago and there appears to be growing tendency to revive relations with Communist controlled East Germany or at least not repulse latter's overtures outright. Although Nuschke seemed at first to have had only limited success, subsequent developments indicate he may have sowed seeds in miracle soil. Nadolny's and Hermes' gathering at Godesberg included number key men in West Germany, particularly from economic circles (see Frankfurt's telegram 269, March 15 repeated Berlin 39<sup>5</sup>). This was immediately followed by Volksrat invitation to Bizonal Economic Council and Bonn. Although Koehler apparently rejected invitation for former (no official reply has yet been published, however). Adenauer hedged by saying he had referred invitation to appropriate committee and would revert to subject later. This seems to indicate at least Adenauer and perhaps others did not wish to close door completely. (Attitude of Adenauer as evidenced by this and Bern speech,<sup>6</sup> for example, leaves much to be desired, especially in view his influence at Bonn and in Party.)

There are furthermore other indications that although meeting with Volksrat delegation as such may not be acceptable, idea of rapprochement between East and West Germany would be welcome to various elements in West Germany who (a) genuinely believe in necessary or [*necessity of?*] East-West trade, (b) consider German unity of pri-

<sup>3</sup> Regarding Nuschke's visit to Bonn, see telegram 331, March 5, p. 220.

<sup>4</sup> Regarding Nadolny's meeting at Bad Godesberg with leading Germans from the Western zones, see telegram 56, March 15, p. 224.

<sup>5</sup> Not printed.

<sup>6</sup> For extracts from Adenauer's Bern speech, March 23, 1949, see Adenauer, *Memoirs*, pp. 145-151.



mary importance and/or (c) are ready to gamble on compromise with Russians in belief that in long run Germans could outsmart them or (d) who would like to use it as lever against disunited Western allies. Trade argument is strong factor. For example, we have just seen report (believed genuine) of Berlin businessman who recently completed trip to West to explore for SMA possibility of increasing blockade-running trade, and who claims to have concluded satisfactory arrangements with several West German firms which, with help of German officials, will act as large-scale purchasing agents for export to East.

We believe that the cumulative impact of these various factors and events is sufficiently serious to warrant a careful re-evaluation of our present course in Germany in the light of the atmosphere and circumstances with which we are faced today. Uncertainty as to the intent of Western allied policy in Germany is widespread among Germans and definitely colors the thinking of the major political parties, particularly the SPD. Coupled with this uncertainty is a growing disillusionment and dissatisfaction with the progress of the West German state and the nature of allied strictures regarding it.

While we do not wish to imply that there is at present substantial Western German opinion which actively favors *rapprochement* with the East under existing conditions, we do feel that the potential of the present situation is a real and serious consideration for all three governments and should not be discounted. Confusion, doubt and dissatisfaction are mounting in Western Germany and are fed by the obvious lack of agreement between the Western allies on major German issues. If the present differences over the Bonn constitution, the occupation statute, trizonal fusion and the other stumbling blocks to creation of a viable West German State are not speedily resolved, we may be faced with a very different political and psychological situation in Western Germany. German hopes that the political vacuum will be filled would be destroyed and in circumstances present Soviet "Unity and Rapallo" line might assume force and meaning in dangerous proportions.

RIDDLEBERGER

862.00/4-749 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

FRANKFURT, April 7, 1949—3 p. m.

444. Effect Foreign Ministers' message (Frankfurt's 438, April 5<sup>1</sup>) has been definitely destroy SPD illusions that majority could be se-

<sup>1</sup> Not printed; for the text of the Foreign Ministers' message, see editorial note, *infra*.

cured for Committee of Seven March 17 draft<sup>2</sup> and that Occupying Powers would then accept that draft. After party delegation meetings planning strategy, main committee met late yesterday afternoon. FDP, holding balance power, proposed reference finance question to Finance Committee, which with collaboration committee of 7, would seek fundamental solution acceptable both major parties. This motion approved 12 to 9 with KPD delegate voting with SPD in opposition.

In formal statement SPD reviewed work of recent weeks culminating in acceptance of March 17 draft by all parties except KPD. It emphasized extent to which SPD had made concessions and shown willingness to cooperate with other parties, asserting this demonstrated by unanimous approval all party representatives of original Committee of Five draft<sup>3</sup> and later Committee of Seven recommendations. Statement continued SPD unable make further concessions as they would endanger legal and economic unity of Germany and would make effective financial policy and administration impossible.

Exploratory talks in enlarged Committee of Seven will continue today and tomorrow. Final decision on SPD position expected at meeting executive board in Bad Godesberg Sunday and Monday. Intransigent tone SPD statement in Bonn and Schumacher declaration in Hanover believed represent final effort win immediate objective, and does not signify intention abandon effort achieve agreed text basic law.

Meeting of main committee expected Tuesday or Wednesday with adjournment thereafter probable until after Easter.

Sent Department 444 repeated Berlin 53.

RIDDLEBERGER

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<sup>2</sup> Regarding this draft, see footnote 1 to telegram 381, March 28, p. 231.

<sup>3</sup> Under reference here is the compromise reached by the Committee of Five at the end of January and beginning of February, 1949, concerning the consent and fiscal administration of the Bundesrat and the provisions for church and state. For a discussion of the compromise, see Merkl, *West German Republic*, pp. 93-95.

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### *Editorial Note*

During the course of their meetings in Washington the Foreign Ministers of the United States, United Kingdom, and France agreed on the following communication to the Parliamentary Council:

"The Foreign Secretaries of the US, UK and France, who during their current meetings in Washington are studying the problems of Western Germany, are gratified to learn that the competent committees of the Parliamentary Council are pressing forward with the work of completing the draft of the Basic Law. The Foreign Secretaries understand that decisions will be taken in Bonn during the next few days

on several important issues connected with the basic law. They trust that the Parliamentary Council and the responsible German party leaders will give due consideration to the recommendations of the Military Governors, which conform with the provisions of the London Agreement authorizing the establishment of a German Democratic Federal Government. The Foreign Secretaries desire that the decisions of the Parliamentary Council will be taken in a spirit of facilitating a mutually cooperative attitude between the future German federal authorities and the occupying powers, which is one of the important objectives being sought in the current talks in Washington regarding Germany."

This message was delivered to the Parliamentary Council on April 5 by the liaison officers of the occupying powers. For further documentation relating to the consideration of the Basic Law by the Foreign Ministers, April 6-8, see pages 156 ff. On April 10, the Allied liaison officers delivered to the Parliamentary Council the text of the Occupation Statute, p. 179.

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740.00119 Control (Germany)/4-1449 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET      US URGENT  
NO DISTRIBUTION      NIACT

BERLIN, April 14, 1949—midnight.

539. Following is my report on military governors meeting in Frankfurt today which has been approved by General Clay.<sup>1</sup>

Military governors met this afternoon with eleven representatives of Parliamentary Council including two from Berlin to hear their observations on occupation statute.<sup>2</sup> Military governors had previously agreed in regular morning meeting upon general tenor of replies to question on statute that had been submitted in writing. General Clay presided and gave replies in name of three military governors.

General Clay opened with general statement that occupation statute must be viewed in light of foreign ministers declaration to give maximum freedom of action to German Government and that the expressed intent of the foreign ministers was as important as the text of the statute. Obviously the questions put by the German representatives

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<sup>1</sup> A summary account of this meeting, prepared by the Military Governors' Secretariat, not printed, was transmitted as enclosure 1 to despatch 540, April 30, from Berlin. (740.00119 Control (Germany)/4-3049) For another brief account see Clay, *Decision in Germany*, pp. 430-431.

<sup>2</sup> For the text of the occupation statute, see p. 179.

could only be answered finally by the high commission, but the military governors would attempt to give certain opinions responsive to German questions.

Adenauer made opening statement welcoming statute and particularly the transmission of powers to German government and the revision article. He referred to German gratification at the opportunity of integrating Germany into the economy of Europe and the possibility of progress toward the rehabilitation of a democratic Germany. Schmidt (SPD) welcomed extension of uniform law to all three zones, was gratified that statute contained general rather than detailed clauses which led him to assume that limitations on rights of occupation powers created presumption that others powers lie within competence of German Government. He realized that many questions cannot now be answered or all powers defined, and therefore welcomed the military governors' statement of the intent of the statute. Pfeiffer (CDU) put several questions on German economic and foreign relations.

Clay stated intention to permit German authorities to have commercial representatives abroad, and indicated possibility of conferring certain consular functions eventually. German representative at international conference also permissible where attended by one or more of occupation powers provided German delegation is approved. On foreign trade, Clay recalled that German Government will negotiate its own agreement with ECA and obtain membership in OEEC. Certain restrictions on foreign trade common to other ECA agreements will be imposed. Otherwise, foreign trade controls will be policy controls only which are required as result of economic assistance given to Germany. German Government must rapidly plan necessary agencies and will have much to do to get them into operation, particularly as statute can be reviewed after one year.

On occupation costs, Germans were informed of allied intention to establish estimates for fiscal year (including this fiscal year) which will not be exceeded without supplementary estimates similarly established for good cause. Certain explanations re mandatory costs were also given which met German desires.

In reply to questions whether statute would permit annulment of German court decisions, answer was given that there was no intention to make detailed scrutiny of such judicial judgements.

With respect to the resumption of full authority by occupation powers, Clay stated that we should only do so in emergency conditions and on specific instruction from governments, and after advising appropriate German authorities.

Re threat to security of occupation authorities, Clay stated that basic civil rights of citizens could only in such instance be abrogated

by high commissioners themselves, unless certain delegated authority was given to meet local emergencies, and that subject to review by high commissioner.

Germans indicated desire to know why court of arbitration had been dropped and Clay explained that insertion of court was leading to highly legalistic and detailed statute which was defeating the purpose of the foreign ministers in giving broad powers to the German government, which explanation was well received.

Germans asked if they could have copy of trizonal fusion agreement<sup>3</sup> and Clay explained this could not be done as only broad principles are established with details yet to be worked out. He did, however, state there would be a representative of occupation authorities in each *Land* capital who would report to high commissioner. There might be liaison officers at local levels but no government functions below *Land* level.

PC representatives inquired whether there would be a de facto lifting of the state of war. Clay replied there is nothing in statute that changes technical state of war, but that military governors would be glad to transmit to governments any suggestions which the PC may care to make in this regard.

Military governors letter on electoral laws and letter defining federal powers in police field was given to PC representatives (reported separately).<sup>4</sup>

At regular meeting of military governors this morning discussion took place respecting utilization of foreign ministers message of guidance to military governors on basic law.<sup>5</sup> Robertson proposed that military governors should give message to PC representatives today. Koenig at once expressed opposition to this proposal on ground it would diminish importance of other foreign ministers message to PC.<sup>6</sup> Clay was likewise opposed to utilizing the message of guidance in this matter and thought that the question of timing was most important. He proposed that after discussion of the occupation statute with PC representatives this afternoon, that they be asked what progress had been made on the basic law and that the discussion be allowed to develop from that point. Clay thought it would be unwise to communicate this foreign ministers' message until it had been made clear to PC representatives that further proposals on basic law should be submitted by Germans. Recalling the military governors' invitation, to

<sup>3</sup> *Ante*, p. 181.

<sup>4</sup> For the text of the Military Governors' letter on the electoral law, see *Germany 1947-1949*, p. 306; the letter defining federal powers in the police field was transmitted in telegram 541, *infra*.

<sup>5</sup> *Ante*, p. 185.

<sup>6</sup> *Ante*, p. 186.

meet with main committee, Clay thought that to communicate the message would put the military governors in an impossible position.

Robertson reluctantly agreed and the discussion described below was held in the light of this decision which we are more than ever convinced was sound.

Upon conclusion of discussion on occupation statute Clay inquired whether PC representatives had any observations to make on the progress of the basic law. Menzel (SPD) then read a short prepared statement expressing desire of all to conclude constitution as soon as possible, but relating failure of compromise proposals to find acceptance by military governors. Even the message from the foreign minister[s] had not been sufficient to overcome the political crisis and consequently progress was at a standstill.

Clay recalled the military governors had recently expressed their willingness to meet with main committee at early date and to discuss any proposals it might have before being submitted to plenary session. Since that time, the three foreign ministers have presented a most generous occupation statute. By not coming forward with proposals, the PC has placed the military governors in a difficult position, and Clay would appreciate being informed when the main committee could present some proposals. Adenauer replied that if the present crisis cannot be overcome, it will be most difficult to fix a date. Clay reiterated the willingness of the military governors to meet with main committee at any time and proceeded to state in confidence that it should be recognized that the international situation was such as to make possible long delays and frustrations for Germany with no assurance of an ultimate solution. Furthermore, ERP enters second phase on 1 July, and the longer the delay in establishing the West German Government, the less part it would play in this development.

At this point PC representatives asked for a brief recess to confer. Upon reconvening, Adenauer announced that they accepted with gratitude the invitation to meet with the military governors and suggested that it not be the entire main committee but those present at today's meeting plus certain other members of the main committee (probably so recommended to avoid Communist participation). In agreeing to this suggestion Clay expressed hope that delegation so composed could commit the main committee, to which Adenauer replied in the affirmative. Adenauer then suggested meeting on 22 April, but SPD representatives stated 25 April is earliest possible date if united German opinion is desired. Clay strongly urged that if earlier date is possible a meeting should be held and military governors were prepared to do so. He hoped for a united opinion from German side and would wait for it, but if this were not forthcoming, an earlier

meeting should be arranged. Clay then emphasized that if German representatives come forward with proposals which represent the views of main committee, the military governors are in a position to negotiate, but until that is done they are in an impossible position. At this point Schmidt recalled that proposals on 17 March are only ones outstanding by the PC. Clay stated he was compelled to reply that this proposal was not acceptable to military governors, although some might and some might not be prepared to accept it. But he wished to emphasize that the military governors were not being unduly rigid. They had received clear instructions from their governments on the basis of which they would like to try and negotiate an agreement. He did not think, however, that the proposals of 17 March are a promising basis for agreement. In indicating this desire on part of military governors to be reasonable, he must request the PC to be conciliatory in the same manner. Neither side should assume a "take it or leave it" attitude. Therefore it was not unreasonable to expect another proposal from the German side. To the foregoing, he would add one more suggestion. If there are points of difference in a German proposal that cannot be resolved by the Germans, they should be presented at the meeting where the military governors will endeavor to give answers then and there so that such differences can be resolved. This would, however, require that the German representatives come prepared to state at that time whether suggestions by military governors can be accepted. In brief, Clay was asking for proposals other than those of 17 March on which agreement might possibly be reached.

Adenauer requested the military governors to convey to foreign ministers the gratitude of the PC for the attention they gave to German problems in the midst of other important matters. It was also agreed that the press would be told merely that the meeting had discussed the occupation statute in a spirit of mutual cooperation and that another meeting would be held on 25 April.

Because of delicate nature of negotiations I am not repeating this message to London and Paris.

Following paragraph personal for Murphy from Clay: "Bob, this was a tough one and required pulling out all the old familiar plugs. However, we are again on the record with a united front and I really believe today may have done the trick. Too early to tell but I am hopeful. We did our best. Please advise Tracy I am too tired to send separate report and ask you to send Jimmy's over to him."<sup>7</sup>

Following paragraph personal for Murphy from Riddleberger: "Clay did masterly job of negotiating in today's meetings and handled most difficult situation with British for reasons you understand with

<sup>7</sup> The references are to Tracy Voorhees and James Riddleberger.

great skill. Although I almost sent you a pessimistic message this morning, I now begin to see the way out of the woods. I hope foregoing report is sufficiently clear. It was composed on plane after day of continuous sessions. It is now after 11 p. m. and I am dead tired. Best regards."

Via pouch to Frankfurt. Please pass urgently to Army Department for Voorhees.

RIDDLEBERGER

740.00119 Control (Germany)/4-1549: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, April 15, 1949.

541. Text of Military Governors' letter to Parliamentary Council defining federal police power is quoted below. This communication was approved by Military Governors on 14 April and given to PC representatives same day.

"As we informed you in the *aide-mémoire* of 22 November 1948,<sup>1</sup> the powers of the federal government in the police field would be limited to those expressly approved by the Military Governors during the occupation period and thereafter as defined by international agreement. The Military Governors have now agreed the following:

1. The federal government will be permitted to establish without delay federal law enforcement and police agencies in the fields of:

*a.* Control over movement of persons and goods across the frontiers of the federal state;

*b.* The collection and dissemination of police information and statistics;

*c.* The coordination of the investigation of violations of federal laws and the implementation of international responsibilities in such fields as narcotics, international travel and crime compacts.

2. The federal government will also be permitted to establish an agency to collect and disseminate information concerning subversive activities directed against the federal government. This agency shall have no police authority.

3. The powers, jurisdiction, and functions of each federal law enforcement or police agency to be established shall be defined by federal law which shall be subject to the disapproval of the Military Governors; provided that no federal police agency shall have command authority over any *Land* or local police agency.

4. Each federal police agency shall be subject, so long as they are applicable, to such provisions, particularly in respect of effectives,

<sup>1</sup> *Foreign Relations*, 1948, vol. II, p. 442.



as the Military Governors may prescribe pursuant to the powers reserved to the occupation authorities under the occupation statute.

5. If the Parliamentary Council or the federal government should propose other federal law enforcement or police agencies, such proposals shall be submitted to the Military Governors for their approval, subject to the provisions of paragraphs 3 and 4 hereof."

Sent Department 541, repeated Paris 200, London 217.

RIDDLEBERGER

740.00119 Control (Germany)/4-1849

*The Acting United States Political Adviser for Germany (Riddleberger) to the Acting Director of the Office of German and Austrian Affairs (Murphy)*

PERSONAL AND SECRET

BERLIN, April 18, 1949.

DEAR BOB: In transmitting the papers on the meeting of the Military Governors on 14 April 1949,<sup>1</sup> I have very little to add to what is given in these documents and in the OMGUS telegram CC 8345 of 15 April.<sup>2</sup> The outcome of the meeting with the Germans on 14 April has already been conveyed to you by telegram.<sup>3</sup>

With respect to the reply given to the Soviet protest on the establishment of the Deutsche Mark as sole legal tender for Western Berlin, the reason why the reply is so worded is that there is a certain merit to the Soviet contention, although the question of the amount of marks provided to the Western Sectors of Berlin by the German Bank of Issue of the Soviet Zone is open to debate. Therefore, the point of the letter is to let the Germans from both sides undertake to come to a settlement of the amount.<sup>4</sup>

With respect to the British proposal for relaxation of controls over the Berlin Magistrat, I hope to be able to transmit the text today. It was given to us very late in Frankfurt and, as you know, I was deep in constitutional questions and did not get a copy. In any case, we do not as yet have the French reaction to this proposal.

With regard to probable developments in Bonn, Lucius had a long and serious talk with Brian during the meetings with the Germans in Frankfurt.<sup>5</sup> In one sense, the final position of the SPD is going to depend upon the amount of pressure which the British bring to bear. We think Robertson will now go through and bring such pressure to bear, but I do not have any good information as yet as to the

<sup>1</sup> None printed. Attached to the source text were six briefs of the problems considered by the Military Governors and the conclusions reached at the meeting.

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> Telegram 539, April 14, p. 237.

<sup>4</sup> For documentation on the currency conversion and the Berlin blockade, see pp. 643 ff.

<sup>5</sup> The references are to Lucius Clay and Sir Brian Robertson.

probable effects. Unfortunately, I believe the British themselves are much to blame for our present difficulties with the SPD as they have allowed their Military Government to be dragged too deep into internal German politics. Kit Steel was present at the meeting with the Germans in Frankfurt and we had an opportunity for at least a brief talk. He told me he thought the SPD would settle for some kind of compromise on the *Finanzausgleich* problem and I told him in reply that if that were really the case, it was up to the British to bring the SPD to its senses and to come forward with some kind of compromise proposal. I told him frankly that correctly or incorrectly, the impression was widespread in Germany that the UK was completely backing up the SPD demands whether or not they conform to the London and the Military Governors decisions and that the time had come for the SPD to be told by the British that they had to show a more conciliatory attitude. As an interesting sidelight, Kit told me that when Herbert Morrison was here last week and went to see Schumacher the latter took the conversation in hand and never let Morrison get in a word. From all I hear, Schumacher is in one of his more dictatorial moods and is most difficult to handle. We very much hope that Robertson will have a serious conversation with him before the party meeting on April 20. I still have my fingers crossed but am rather optimistic if the British bring the pressure to bear that they should.

As ever,

JIMMIE

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740.00119 Control (Germany)/4-2049

*The British Embassy to the Department of State*<sup>1</sup>

AIDE-MÉMOIRE

Mr. Bevin has instructed me to inform Mr. Acheson that he is profoundly disturbed at recent developments in Germany relative to the Basic Law. In his view these developments threaten to wreck all our plans for the establishment of a Western German Government, and so to play right into the hands of the Russians. Mr. Bevin is convinced that, if we are to retrieve the situation, we must act with resolution now.

When he left Washington on April 8th, Mr. Bevin thought it was fully understood between the Foreign Ministers that discretion was only given to the Military Governors on the understanding that in any event the message<sup>2</sup> would be communicated to the Parliamentary

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<sup>1</sup> The source text bears the handwritten notation: "The Sec has seen L[ucius] D. B[attle]".

<sup>2</sup> For the text of the message to the Military Governors from the Foreign Ministers of the US, UK, and France, April 8, see p. 185.

Council before German opinion crystallised. It is now twelve days since the terms of the message were finally agreed upon. Mr. Bevin does not interpretate [*interpret*] the discretion given to the Military Governors as justifying a prolonged delay, particularly as it is clear that opinion is rapidly crystallising among the German parties; the meeting taking place today (April 20th in Hannover) is an example of this. On April 12th, the State Department informed this Embassy that Mr. Acheson himself was much concerned at the position then developing, as the Military Governors had not then met and misconceptions of the policies of the three Governments were already manifesting themselves.<sup>3</sup>

Mr. Bevin, since leaving Washington, felt justified in thinking that the clearly expressed instructions of the Foreign Ministers as to the delivery of the message to the Germans would be carried out without further delay. Mr. Bevin had also understood that as a result of the meetings in Washington, the view of the Governments would in future prevail and that it would not again be possible for the Military Governors to hold up agreed governmental decisions.

Mr. Bevin fears that the non-delivery of the message and the failure of the German political parties to reconcile their differences may seriously prejudice the whole future of a German Government in Western Germany. In his view our plans for Western Europe are at stake.

Whatever may be the outcome of the Socialist Party's meeting at Hannover, Mr. Bevin considers it essential that the Foreign Ministers' message be handed to the Germans on April 21st, or at latest on April 22nd, in order that it should have time to take effect before the meeting of the Military Governors with the Parliamentary Council on April 25th. Mr. Bevin would like to be assured that the State Department will now be prepared to give positive instructions to General Clay to deliver the message forthwith. In view of the delay which has taken place, Mr. Bevin hopes that at the time that the message is delivered the Germans should be informed that the Foreign Ministers stand firmly behind it.<sup>4</sup>

WASHINGTON, April 20, 1949.

<sup>3</sup> No record of this communication has been found in Department of State files.

<sup>4</sup> In telegram 1383, April 22, to London, not printed, Holmes was instructed to convey the following message orally to Bevin from Secretary Acheson:

"I should like Mr. Bevin to know that my understanding of the agreement of the Foreign Ministers on the last message regarding the German constitution does not differ from his; that we have not doubted that it should be carried out as made. I understand it is being carried out today." (862.011/4-2249)

Holmes reported in telegram 1571, April 23, from London, not printed, that he had conveyed the message to Bevin who expressed his thanks and told Holmes that he had never doubted that his understanding of the message to the Military Governors was the same as the Secretary of State's. (862.011/4-2349)

862.011/4-2149 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET

URGENT

BERLIN, April 21, 1949—5 p. m.

NIACT

570. Personal for Murphy. We sent last night by telecon to Army Department the text of the SPD resolution on the constitution.<sup>1</sup> While this was being transmitted, Schumacher was broadcasting a statement which is being reported separately<sup>2</sup> but which confirms the intransigence of the SPD resolution. Our initial reaction to these SPD developments was that Schumacher is determined to confront the Western Allies with an ultimatum. Careful reading of the text, however, does leave open the possibility that the SPD will negotiate further at Bonn, now that it has established publicly its independence of the occupying powers.

Certain political maneuvering must be taken into account in assessing the SPD resolution. What Schumacher is stating both directly and by implication is that of the three large political parties, the SPD stands most clearly for German ideas and rights. The SED is obviously Soviet-controlled and by the terms of the SPD resolution, the CDU is closely identified with the ideas of the Western powers. Whatever the outcome at Bonn, this reasoning leaves the SPD as the independent champion of German ideas which Schumacher obviously desires as a political platform for his party. The SPD position on the constitution must, therefore, be interpreted in this light.

Apart from the deplorable attack on the occupation powers, a careful reading of the SPD resolution does not in my opinion exclude further negotiations. The exact limits of the SPD demands will probably become apparent only in the next few days when the inter-party negotiations are resumed. The sub-committee of the main committee will probably meet tomorrow, at which time more specific information should become available respecting both the specific demands of the SPD and the position of the CDU, which is not to date determined. The public identification of the CDU with the Western powers may result in such resentment that the CDU will assume a more adamant position in the face of possible concessions by the SPD. We do not know enough yet about internal German reactions to the SPD resolution to assess this possible development.

<sup>1</sup> The telecon message has not been found in Department of State files: for the text of the SPD's Hannover resolution, see *Documents on the German Federal Constitution*, p. 134.

<sup>2</sup> Apparently a reference to telegram 572, April 21, from Berlin, not printed (862.011/4-2149) which reported the Berlin press coverage of Schumacher's remarks and quoted extracts from them.

As to tactics in dealing with this SPD attack, the British are still pressing for immediate presentation of the Foreign Minister's message.<sup>3</sup> Clay will probably be willing to convey the message after the sub-committee meets and if Koenig does not object. Both Clay and I are fearful that if the message is paraded as a major triumph for the SPD, that we will wind up with the CDU in opposition and hence little better off than we are now. This is a most ticklish situation here and is by no means solely a question of making certain minor concessions to the SPD in the belief that this would automatically lead to agreement on the constitution.

We hope to have this afternoon the so-called short text of the basic law.<sup>4</sup> However, I have just learned that Carlo Schmid is still working on it in an endeavor to make it even shorter. Consequently, we are not certain that the text we have represents the authentic SPD version. Hope to send more on this later.

Sent Department 570, repeated Paris 208, London 221, Frankfurt 28. Personal for the Ambassadors.

RIDDLEBERGER

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<sup>3</sup> *Ante*, p. 186.

<sup>4</sup> Under reference here is an abbreviated version of the Basic Law prepared April 9, in Hannover and subsequently amended in Bonn April 21. For the texts of the amended draft and two memoranda by the SPD pointing out the differences between its draft and the Basic Law adopted by the Main Committee of the Parliamentary Council, see *Documents on the German Federal Constitution*, pp. 118-134.

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740.00119 Control (Germany)/4-2149

*The British Embassy to the Department of State*

AIDE-MÉMOIRE

At a meeting which members of this Embassy had last evening at the State Department,<sup>1</sup> the hope was expressed that, as a result of a message which had been sent to General Clay earlier that day, he would now agree to the delivery of the message from the three Foreign Ministers to the Germans on the subject of the Basic Law. It is learned this morning that General Clay still declines to deliver the message.

In the view of His Majesty's Government, the position could not be more unsatisfactory. Mr. Bevin has instructed this Embassy to say that he finds it difficult to believe that after the three Foreign Ministers had met and agreed in Washington, with the approval of their Governments, to act together, the United States Government will continue to allow their Military Governor to maintain his present attitude. Mr.

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<sup>1</sup> No record of this meeting has been found in Department of State files; presumably it was the meeting at which the *aide-mémoire* of 20 April was delivered.

Bevin desires to explain that he is under great pressure in London on this matter and will find it difficult to explain why the Socialist Party were allowed to come to definite conclusions in Hannover <sup>2</sup> in ignorance of the agreed views of the Foreign Ministers.

Mr. Bevin, accordingly, requests urgently that the Washington agreement on this point be put into effect without further delay. He requests the assurance, that instructions will be sent to General Clay to deliver the message from the Foreign Ministers not later than tomorrow, April 22nd.

WASHINGTON, April 21st, 1949.

<sup>2</sup> Regarding the Hannover meeting of the SPD, see footnote 4 to telegram 570, *supra*.

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*Editorial Note*

On April 21 Secretary Acheson requested the Department of the Army to instruct General Clay to deliver the Foreign Ministers' message immediately. The Department of the Army agreed to this procedure, and on April 22 the liaison officers transmitted the message to the Parliamentary Council. For the text of the message, see page 186.

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862.011/4-2249 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET URGENT  
NIACT

BERLIN, April 22, 1949—5 p. m.

577. Personal for Murphy. Eyes Only. Reurtel 452, April 21.<sup>1</sup>

I had not intended to imply that Foreign Ministers message <sup>2</sup> in itself was likely to throw CDU into opposition. It is much more question of how this message would be used by the SPD. I am personally of opinion that even had it been communicated before SPD party meeting, the outcome would have been about the same for the political reasons given in my 570 of April 21.<sup>3</sup> We would then have been left with nothing to suggest to Germans if they come with split recommendation on April 25. It must not be overlooked that SPD is seeking election advantage in this controversy even over basic law and

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<sup>1</sup> Not printed; in it Murphy had stated that he did not understand Riddleberger's concern that delivery of the Foreign Ministers' message might place the CDU in opposition and asked for clarification of the points that might antagonize it. (862.011/4-2149)

<sup>2</sup> *Ante*, p. 186.

<sup>3</sup> *Ante*, p. 216.

has directly or indirectly been the beneficiary of UK support. We, on the other hand, have tried to maintain a neutral attitude. The fact that CDU position on constitution is much closer to London decisions than SPD is by accident and not by design.

Perhaps we have misinterpreted the intention of Foreign Ministers but their instructions to Military Governors seem clear. It was stated in opening paragraph that "it is left to Military Governors to determine the time they may consider it appropriate to communicate these views to the PC, but Foreign Ministers wish that they be transmitted before opinion in PC has crystallized." I think the British have always interpreted this phrase "before opinion in PC has crystallized" to mean before opinion in SPD has crystallized, but that is not same thing. As reported in mytel 539, April 14,<sup>4</sup> two of three Military Governors were opposed to communicating message at once and certainly Clay has believed since the message was received, that he had discretion on timing, taking into account all of political aspects here. These political aspects relate not only to internal German politics but to attitude of other Military Governors toward the Bonn proposals. In other words, this is a double negotiation in that the positions of three Military Governors must be aligned (which is one negotiation) to be followed by negotiations with Germans, who in turn are negotiating amongst themselves.

I am not certain Department fully appreciates how wide-spread in Germany is impression that SPD can hold out for whatever it wants on constitution and that UK will support its demands to fullest extent. Steel, for example, told me in Frankfurt last week SPD must have *Finanzausgleich* and British were behind this demand. I feel you should know that some SPD leaders are quoting George Kennan as having stated US would eventually swing to their support irrespective of former US positions. I have not been able to confirm who or when, but these rumors are spreading.

Last night in conversation with Steel he told me it was clearly understood in Washington that Foreign Ministers' message should be delivered at once and that Bevin had never thought Military Governors had any real discretion. I replied that this was not what the instruction said and pointed out that Koenig obviously did not have this interpretation. I reminded Steel that as a result of our meeting with Germans on April 14 in Frankfurt, that message could be delivered on April 25th whether or not Germans came with agreed proposals and that Clay had urged earlier meeting be held if possible.

The basis of Clay's strategy, as I see it, was to find a compromise within the London decisions thereby maintaining tripartite unity,

<sup>4</sup> *Ante*, p. 237.

observe a neutral attitude as far as German political party manoeuvring was concerned and finally to avoid placing Military Governors in position where they would give appearance of being dictated to by Schumacher. To my mind, this was a justifiable position but I assume from Army telecons and messages today that Department now believes time has come to communicate Foreign Ministers' message.

Robertson proposed this morning that message be communicated today through liaison officers and Clay will agree providing Army Department so authorizes in telecon which will take place in few minutes. He has been urged to communicate message in person but is opposed to that and in fact it would be physically difficult, even impossible, to arrange for today. I have just succeeded in obtaining French concurrence to communicate through liaison officers today providing US/UK Military Governors do likewise.

You will get Clay's personal reaction to this in message which he will shortly send and so I shall not summarize it here.<sup>5</sup>

Although I have received copy of SPD version of constitution, have just learned it is an earlier draft and does not contain revisions made last night. Shall transmit authentic text as soon as received.<sup>6</sup>

RIDDLEBERGER

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<sup>5</sup> Clay's message has not been found in Department of State files; but see Clay, *Decision in Germany*, p. 432, for an indication of Clay's reaction.

<sup>6</sup> Regarding the abbreviated SPD draft constitution, see footnote 4 to telegram 570, p. 246.

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740.00119 Control (Germany)/4-2249 : Telegram

*The Department of the Army to the United States Military Governor  
for Germany (Clay)*

SECRET      PRIORITY

WASHINGTON, 22 April 1949.

WAR 87613. Personal to Clay from Bradley and Voorhees. Pass to USPolAd for Riddleberger.

Immediately following telecon we conferred with Acheson, Webb, Murphy and Jessup giving substance of your messages in telecon and stating that you and we would cooperate in every way possible to carry out State's decision.<sup>1</sup> We made clear that you felt you could not under present circumstances negotiate effectively because you were not certain that you could accurately interpret State's policy; that since yesterday's decision was made by State against your judgment as the Army's representative, State should have the authority and responsibility in continuing negotiations although negotiations them-

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<sup>1</sup> No record of the telecon or of the conference with Acheson and others has been found in Department of State files.



selves would be conducted by you or Hayes. We further suggested that under above conditions State immediately send representative to Germany, to arrive before Monday, who is completely familiar with Foreign Ministers' negotiations here and authorized to act. We offered to send Dorr with him to represent Department of Army with definite understanding that he would be merely advisor and that full authority would rest with State's representative. All of this was approved personally by Acheson, who named Murphy to go. Promptly thereafter it was approved by the President. Dorr has agreed to go. Plane leaves tonight making brief stop at London, which should be kept confidential. It probably will arrive Germany Sunday.

With responsibility for interpretation of policy and for decisions accepted by State, we believe your principal difficulty as expressed in telecon this morning is met. We consider it most important to assist State and Murphy personally to utmost in their present heavy responsibilities. Accordingly, if they desire it, and if you feel you can effectively conduct Monday's negotiations as Military Governor we know you will do so, and although we hope this will be possible we are relying on your judgment to decide.

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740.00119 Control (Germany) /4-2249 : Telegram

*The Acting Director of the Office of German and Austrian Affairs  
(Murphy) to the Secretary of State*

TOP SECRET

BERLIN, April 24, 1949—6 p. m.

594. Personal for Secretary and Undersecretary. On arrival I have had satisfactory conversation with General Clay, and together with Riddleberger, succeeded I believe in correcting certain misapprehension regarding policy and Department's intentions on the subject of conduct of negotiations with Germans re basic law. I find Clay in much better mood and he will, I believe, participate as Military Governor in Monday's meeting with Germans scheduled at Frankfurt 1630 hours. Please inform Bradley and Voorhees that I see no reason for immediate concern over Clay's condition. Physically he looks well and he seemed cheerful at end of today's talk. He has strong convictions on constitutional question just as he does on tactical wisdom of conveying Foreign Ministers' views under the circumstances and at the time it was done. He feels these views may be interpreted as a departure from London and has had doubts whether Department stood firmly on principle of federalism. I told him our position unchanged. He now understands more clearly Secretary's position and, I believe, he is basically eager to continue with these negotiations in the hope

that notwithstanding difficulties of German attitude, agreement may be eventually achieved. I have of course urged him to do so stating that it is Secretary's and President's wish to lend him every support.

We plan to proceed Frankfurt early tomorrow for meeting of Military Governors prior to meeting with Germans. It will probably not be possible here to exchange views today with British and French as key representatives are in the zones.

Schuman's interview re CFM as reported in press has caused some consternation as has Washington AP story attributing to Department officials statement that Foreign Ministers' views on basic law intended as a "concession" to Social Democrats. Clay is deeply concerned that Schumacher is becoming dangerous demagog determined on a centralized government with strong appeal to German nationalists.

MURPHY

740.00119 Control (Germany)/4-2549

*Record of the Meeting of the Three Military Governors With the  
Parliamentary Council Delegation*<sup>1</sup>

CONFIDENTIAL

FRANKFURT, 26 April 1949.

TRISEC/Memo(49)10

PRESENT

General Clay (Chairman)  
General Robertson  
General d'Armée Koenig

UNITED STATES  
Amb. Murphy

UNITED KINGDOM  
Mr. Steel

FRANCE  
M. Sauvagnargues

GERMAN OFFICIALS

H. Kaiser  
Dr. Lehr  
H. Kaufmann  
Dr. Pfeiffer  
Dr. Straus  
Dr. Laforet

Dr. Adenauer (Head  
of Delegation)  
H. Schlor  
Dr. Suhr  
H. Zinn  
Dr. Menzel  
Dr. Schmid

Dr. Katz  
Dr. Greve  
Dr. Hoepker-Aschoff  
Dr. Heuss  
Fr. Wessel  
Dr. Seebohm

SECRETARIAT  
Major Scott

1. Dr. Adenauer opened his remarks by saying that the Parliamentary Council Delegation would have been pleased to meet with the Military Governors earlier, but the discussions in which they had been engaged were difficult. He then stated that the party factions had

<sup>1</sup> The meeting convened at 2:30 p. m. in the main conference room at U.S. Headquarters in Frankfurt.

started their discussions with the desire to have a State that functions and is acceptable to the majority of the Parliamentary Council. Furthermore, they wish to comply with the material contained in Document 1.<sup>2</sup> The attitude of the Military Governors demonstrated to them that in a number of points they did not favor the opinions of the Parliamentary Council Delegation. However, in an effort to accomplish everything possible the factions have tried to come to a solution. In the field of Bund legislation and finance, they have come to a solution which, he felt, met the Military Governors' proposals and the Foreign Ministers' second memorandum.<sup>3</sup> All that remains, he was sure, was to reach agreement on the few remaining points of difference. Finally, as they consider the Basic Law a unit, a final decision can only come by Parliamentary Council vote.

2. Dr. Schmid then described the skeleton of the Basic Law as it now stands, stating that the subject matter on which agreement has been reached is not yet exhausted. He noted the objection in the memorandum of 2 March<sup>4</sup> with reference to the priority of legislation of the Bund. The new paragraph 36 gives concurrent legislation to the Bund and *Laender* in which the *Laender* will have priority in all cases where it can be effectively settled by such legislation and in all cases where legal or economic unity of the Bund is not endangered. In the field of finance, the differences between the old and new version are, firstly, that the tax sources are clearly defined and allocated as between the Bund and *Laender*, and, secondly, that tax administration is to be carried out by the agency corresponding to the revenue source. He viewed this as strengthening the *Laender* and that certain powers heretofore reserved were thus no longer applicable. In some fields, the parity of the Bundesrat with the Volkstag has been abolished. Regarding financial type legislation which concerns *Laender* interests, in a number of instances where the Bundesrat could approve federal legislation, such power has been removed. On the other hand, he felt much remains.

3. General Clay replied that, on behalf of his colleagues, he was happy to meet with the Parliamentary Council representatives on this day and particularly happy that they had given the Military Governors a single proposal and one that removes a great deal of the Military Governors' apprehensions. He reminded the Delegation that the Military Governors were guided by the London Agreements and by the Foreign Ministers' agreements in Washington. He recalled that in the Washington deliberations the Foreign Ministers were advised

<sup>2</sup> Presumably Adenauer was referring to the message from the Foreign Ministers to the Parliamentary Council, p. 186.

<sup>3</sup> *Ante*, p. 186.

<sup>4</sup> Transmitted in telegram 183, March 2, p. 217.

of the constitutional proposals placed before the Military Governors by the Parliamentary Council. Hence, the Foreign Ministers' comment had been made in the light of this presentation. He then stated that there were three or four matters which he wished to bring to the Delegation's attention, which still caused the Military Governors some concern. He felt that it was a matter of degree or perhaps the translation difficulties had not accurately effected a common understanding. He then stated that his following comments were in the light of the entire question before them.

4. With reference to Article 34, General Clay stated that the Military Governors were concerned by the provisions of paragraph 3. They agreed that a Federal Government must have power to secure uniformity in the legal and economic fields, but so broadly written was this paragraph that it appeared any measure required uniformity. He asked that the Delegation make a more precise definition on what is intended in this paragraph. He suggested, as nothing more than a thought on the part of the Military Governors, that a guaranty of legal or economic unity to the extent that legal or economic measures adopted by the States or failure to adopt legislation by the States results in conflict which makes uniformity essential, might prove a solution to the problem. He emphasized that this was only the thinking of the Military Governors, but there should be established somewhere that a *Land* could appeal to a constitutional court. He brought this up particularly, as the present draft Basic Law no longer contained old Article 105 and, consequently, the power of the Bundesrat had been reduced to a considerable degree. Therefore, the Military Governors' concern on Article 104, which does reduce the Bundesrat's power, might not be worrisome at all if a more precise definition of paragraph 3, Article 34, were made.

5. In paragraph 4 of Article 122 (b), General Clay noted that provision was made for certain ways to provide financial equality among the States. The Foreign Ministers, he observed, had the Parliamentary Council's proposals before them with reference to the powers concerned. Here again, he felt, if Article 34 were more precisely defined, the apprehensions of the Military Governors might be relieved. Subject to that remark, he noted that the Military Governors were sympathetic with the German objectives but were not completely satisfied about the manner of execution. It might be used as a punitive power against the States. Therefore, again as a suggestion and not as a definition of the only way in which the task could be accomplished, he proposed that to paragraph 3 in Article 122 (b) something of the following nature be added: "and grants for which, if necessary, specific taxes would be raised to assist the *Laender* which had insufficient rev-

enue to increase their working efficiency". This, he noted, would involve the deletion of paragraph 4.

6. He then observed that in the last [draft of] Article 123 the Military Governors were pleased with paragraph 3 and would be satisfied if such a delegation [*deletion?*] were made.

7. General Clay then stated that this concluded the extent of the Military Governors' comment at this time and that they would be prepared to discuss the questions now or at such later time as the Delegation might wish. The Military Governors then withdrew.

8. The meeting was called to order subsequently, and Dr. Schmid stated that his colleagues had asked him to reply with reference to the Military Governors' remarks upon Article 34. He believed that the wording of this Article excluded any apprehensions of the nature expressed by the Military Governors in this meeting. In the first place, paragraph 3 would become effective only if under Bund legislation it becomes necessary. Therefore, Federal law would not be issued merely when it seems opportune arbitrarily, but only where there is need for such legislation. Secondly, Article 128 (1) of the old draft requires constitutional competency of the court. Under this, a *Land* can appeal to the Federal court when there is chance of misinterpretation of a law. If, therefore, a *Land* is of the opinion that there are misuses, under Article 34 any *Land* can appeal to the constitutional court. Under paragraph 2 of that Article, this can be extended to cover the problem of Federal and *Land* law being compatible. Hence, there is an effective guaranty that the competence handed over by Article 34 cannot be misapplied.

9. General Clay replied that it would seem that a constitutional court which could not go beyond the exact terms of a constitution could not rule that the lower house could determine when legislation and economic unity is threatened.

10. Dr. Schmid replied that the constitutional court cannot, in its nature as a court, determine when any measure is legally or economically necessary but could determine when Federal legislation has misapplied authority under Article 34.

11. Dr. Menzel then stated that in the wording of paragraphs 3 and 4 of Article 122(b) care had been taken to comply as far as possible with the Military Governors' comments and the Foreign Ministers' memorandum. According to the second Foreign Ministers' memorandum, he believed Federal authority could legislate to make grants in the fields of education, health, and welfare, with any approval dependent on legislation by the Bundesrat. It would be easy to add that such grants would be made only when the *Laender* cannot help themselves. The grants would certainly be of small amounts, as the Federal

Government would have available only limited funds. Therefore, the financial burden could not be equalized out of these grants alone. He was sure the Military Governors were aware of the difference between the strong and weak taxation *Laender*. Therefore, it was necessary that equalization must be established among the *Laender* themselves, in accordance with the advice of the Financial Experts which had been given them. Funds would come from a common pool and then would be reallocated on a different key than that on which they came in. In this respect, he reiterated that the proposal merely quoted from the Financial Experts' *aide-mémoire*.<sup>5</sup> As an example, the motor vehicle tax used for road maintenance would come into the pool and then be reallocated, perhaps on the basis of the length of *Land* road nets. Further, 25% of the *Land* revenue taxes would also be channeled into the common pool and reallocated on a different key. As a basis of reallocation, the population in the *Laender* or the refugee burden might be used. Moreover, the Bundesrat must approve which taxes were to be concerned. Accounting would be done amongst the *Laender*, with no Federal interference. Therefore, it was not intended that these taxes flow into Federal hands and then be reallocated, but into a common State pool and then reallocated by the States.

12. General Clay pointed out that the Military Governors operate under the Foreign Ministers' instructions. It was the intent of the Foreign Ministers in proposing grants in aid to find a way out of this problem. He felt that the Military Governors had come further in saying grants for the three specific purposes could be extended for these purposes and that Federal taxes could be raised for these purposes. He then pointed out that paragraph 3, Article 34, was still quite broad. The proposals of the German Delegation in this meeting reduced the power of the Bundesrat. Nevertheless, the Military Governors were trying hard to find a solution to this problem and yet stay within their instructions. They had asked and did ask for a clarification of paragraph 3 and the equalization item. Unless a solution were found, the Military Governors would have no choice but to go back to their Governments. He suggested that a clearer definition be written by the Germans and that they endeavor to try without resort to giving the Federal Government the right to interfere with State revenue. He submitted that the same thing could be done by taxation and grants. The *Laender* could not be financially independent, he felt, if its revenue within the field in which it had authority to tax could be taken. He was not, however, questioning the Federation's right to tax for specific purposes.

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<sup>5</sup> Not printed.

13. General Robertson then stated that he was disappointed in the response to paragraph 3 of Article 34. He had felt that there should be no difficulty if the German Delegation could put down exactly what it wanted and meant. He agreed with General Clay that the present wording was wide. General Clay had put forward an alternative thought to the Delegation, but Dr. Schmid had not said why this thought was unacceptable. He observed that this was a point to which the Military Governors attached considerable importance and whatever they were able to arrange with the German Delegation on this clause would affect others concerned with it. He, therefore, joined with General Clay in asking that a closer definition be drawn up. (At this point, the Germans consulted among themselves in the meeting for five minutes.)

14. Dr. Adenauer then replied that they would discuss this question further in Bonn, specifically with respect to the suggestion made by the Military Governors with reference to Article 34. General Clay replied that he thought that the Delegation had come to this meeting so that they and the Military Governors could negotiate across the table to reach agreement. That, he stated, was the condition under which they were invited and to which they had agreed. The Military Governors were here for that purpose. In response, Dr. Adenauer stated that it would then be necessary to interrupt the meeting once more. Before doing so, however, he would ask Dr. Hoepker-Aschoff to make a few remarks.

15. Dr. Hoepker-Aschoff stated that the differences of tax revenue of the various *Laender* were sometimes very great. Based on last year's figures, the tax revenue per capita in the poorest *Land* was 73 deutsche mark, while in Bremen, the richest, it had been 386 deutsche mark. He felt that if they wished to equalize this disparity, then the Federal Government must interfere. Therefore, equalization between the strong and weak *Laender* must be carried out among the *Laender* themselves. Part of certain taxes should be brought into a common pool and then reallocated on a different key from that on which they were raised. If it were necessary for the Federal Government to interfere, administrative difficulties would arise. In his opinion, there was now a fairly clear distinction between *Land* and Bund taxation. This clear division of tax sources and administration would be endangered if it were necessary to raise Federal taxes to achieve equalization. Grants were thus of secondary importance, compared to *Land* action.

16. General Clay stated that, in fact, Federal legislation sets the amount of taxation to be made available. Thus, it was certainly not left to the *Laender* as a matter of administration. The Military Governors' suggestion leaves to the Federal legislature the right to make

taxes for the purpose. Obviously, this would reduce State tax revenue and thus, in effect, make revenue available for this purpose. The Foreign Ministers extended the agreements they approved in London in this connection. He was not trying to suggest for himself or his colleagues the exact wording, but he believed the Delegation could find the wording necessary. He noted that the Military Governors were trying very hard to help the German representatives find a way to do this.

17. Dr. Hoepker-Aschoff then remarked that there appeared to be a complete turn-around in the attitude of the Occupation Powers. They had always emphasized that the Bund should not make grants, and heretofore said that the *Laender* themselves would have to make equalization, but the Delegation was now told that the Bund was to have larger powers and make the distribution itself.

18. General Clay pointed out that when the Foreign Ministers agreed to the extension of grants, it certainly was a change from the previous position and it was done in an effort on the part of the Foreign Ministers to accede to the German wishes. He noted that in a good many fields the Military Governors were now willing to go further than they had a few months ago and he felt that this meeting today would not have been held if this were not so.

19. Dr. Hoepker-Aschoff asked if it were then possible to have a financial administration. General Clay replied that the Delegation should read the Foreign Ministers' comments for an answer to this question. (The meeting then recessed for one hour, 35 minutes, while the German Delegation deliberated.)

20. Dr. Katz reopened the discussion by stating that the Members of the Parliamentary Council here today had first dealt with paragraph 3, Article 34. They believed the wording was not sufficiently clear for a juridical decision and, therefore, had agreed to a clearer interpretation as follows: "Clause 3: The maintenance of legal unity or of the economic unity, especially the maintenance of homogeneity of living conditions beyond the limits of any individual State demands it." In explanation, he stated that the point at stake was that an intolerable sliding scale between individual States must be avoided. This means, he added, each person could expect his individual rights in any *Land*.

21. General Clay replied that he thought the Military Governors agreed to the meaning, but the translation in English was not clear. Dr. Katz stated that the general economic conditions in each *Land* were not affected. Moreover, they had taken into consideration the homogeneity of living conditions. To General Clay's question as to whether this meant the homogeneity of living conditions themselves or the opportunity to achieve such conditions, Dr. Katz replied that oppor-



tunity was what was meant. General Clay then remarked that if what was meant was the same economic opportunity to obtain homogeneous economic conditions, he thought everyone was thinking along the same lines.

22. Dr. Schmid added that not only economic opportunity should be considered but also legal and so forth, to which General Clay replied in the affirmative. General Clay further stated that he would make the Military Governors' comment after all of the German proposals had been heard.

23. Dr. Lehr then stated that the Delegation had carefully and seriously considered the financial question and he regretted straining the Military Governors' patience. Nevertheless, after a thorough and serious study, the Delegation did suggest that the proposals they had made yesterday be adhered to. He felt the realization of the Military Governors' wishes would only be possible if there was a financial administration which in its essentials was carried on by the Federal Government. At this point, General Clay asked for a short recess for the Military Governors to confer. (The meeting recessed for 10 minutes.)

24. General Clay then said that in a very sincere effort to try to meet the German representatives' views as fully as possible without going back to their Governments, the Military Governors would like to make the following suggestion: In paragraph 4, stop with the word "grants" and add the following: "and may derive the requisite revenues from the *Land* taxes which it may specify and in the proportion which it may specify with the approval of the Bundesrat. Revenues will then be transferred in the amounts thus granted to the *Laender* to whom granted." This would mean, he explained, that on the motor vehicle tax a certain proportion would accrue in each *Land* and such amounts would then be transferred by the Federal Government to specific *Laender* in specific amounts. Its general effect should be to make legislation for the degree to be taken and then to direct the transfer of funds to accomplish it. (General Clay then left his chair and went over to the German Delegation to personally explain what was meant by the Military Governors. He remarked that to raise these funds a certain proportion was placed under the direction of the Federal Government. To that coming from the wealthier States, the Government would say that such funds should be transferred. This would have to be done by legislative action. The Federal Government directs the State to collect but does not collect itself. These grants would cover what the Germans may decide, and not just health, education and welfare. He would like to see paragraph 3 retained as, for instance, the Federal Government might want to allocate some of the Reichsbahn revenue to, say, a university. Under paragraph 3, the flexibility was retained to accomplish this.)

25. Dr. Adenauer replied that the Delegation was thankful for this proposal and they accepted it and would try to word it as the Military Governors wished.

26. General Clay then stated that General Robertson would read the Military Governors' interpretation of paragraph 3, Article 34. General Robertson observed that the following was what he believed to be the sense of this paragraph: "Because the maintenance of legal or economic unity demands it in order to promote the economic interests of the Federation or to ensure reasonable equality of economic opportunity to all persons." General Clay observed that it might be necessary to add a phrase on legal equality in order to ensure equality before the law. The German Delegation assured him, however, that this was contained in the Basic Law under the fundamental basic rights. Dr. Adenauer then stated that General Robertson had rendered the Delegation's meaning of paragraph 3, Article 34, correctly in the English language.

27. General Clay stated that it appeared that all the differences between the Military Governors and the German Delegation had been covered and that he might now be "rushing in where angels fear to tread". He would ask, however, if the Delegation could now resolve any of their differences before they left Frankfurt in order that they could present the entire matter to the Parliamentary Council. He observed that the Military Governors and the German Delegation had gone very far and he would very much like to have the entire matter settled at this time. Dr. Adenauer then asked for a further recess in order that the Delegation could discuss this last problem. (The meeting recessed for one hour, 25 minutes.) Dr. Adenauer announced that he was happy to be able to inform the Military Governors that the German Delegation had reached agreement on their outstanding points. He stated that they could expect the Basic Law would soon be passed by a great majority in the Parliamentary Council. All parties here had made great sacrifices but had done so in the interests of the German people and in European unity. He most cordially thanked the Military Governors for their understanding of the Delegation's work and differences and he wished them to be assured that the manner in which the Military Governors had attended and guided, together with the Foreign Ministers' contribution, had now brought their work to a happy conclusion.

28. General Clay replied that, on behalf of his colleagues and himself, this was a happy occasion for the Military Governors and he thought it marked a happy occasion for the German people which would lead to their closer association with the free nations of Europe. Sacrifices had been made, but the fact that agreement had been reached

was a happy omen for all. He would like to ask one or two further questions.

29. First, he inquired whether any progress was being made on the Electoral Law. Dr. Adenauer replied that so far the Delegation had had an amplitude of differences and thus had not had time to deal with this law. He was, however, confident that it could now be dealt with promptly. General Clay stated that he had brought this matter up as he and his colleagues would meet with the Delegation on the subject at any time they wished.

30. For his second question, he asked if any approximation could be made on the German time-table, to include not just the passage of the Basic Law itself but also the passage of the Electoral Law, the ratification, and the final election. Dr. Adenauer felt that everything would be finished, including the Electoral Law, by 15 May. He expressed hope that the Military Governors' approval of the Basic Law and the Electoral Law would then follow soon. He agreed with his colleagues that ratification would be done expeditiously by the *Landtage*. He then hoped the election itself could be carried out by mid-July and that the political parties would be reasonable and not ask for too much time in preparation for the election.

31. General Clay then suggested that the press be advised tonight that the meeting had reconciled all of the difficulties, but that it would be impossible to comment specifically until the new German text of the Basic Law had been prepared and a carefully checked translation in French and English furnished in order that the Military Governors and the Germans themselves could release it at the same time. He was afraid that without the new text there might be enough differing comments made to cause confusion. He asked if that arrangement was satisfactory with the German Delegation. Dr. Adenauer replied that the Delegation had agreed just now to also add that they had reached agreement among themselves. General Clay thought this was fine, but that all concerned should wait until the Military Governors' Liaison Officers had been given the German text and a carefully checked English and French translation made. Dr. Adenauer gave his assent to this arrangement.

32. Dr. Suhr then stated that at the last meeting the Military Governors were kind enough to welcome the Berlin representatives, even though Berlin was not under the Occupation Statute. He noted the Foreign Ministers' declaration that Berlin should not be included at this time as a *Land* in the initial organization of the German Federal Republic. However, as the Military Governors had said, important steps had been taken today and he regretted that Berlin could not have been included. He felt that the Berlin representatives, together

with all the German delegates present at the meeting, would ask the Military Governors to understand the anxiety and impatience of the Berliners. Berlin did not live only on the airlift, which was admired throughout the world, but also on the hope that soon it could be tied to the new German Republic. The chair of Berlin was outside the door today when these decisions were made, but he trusted that the chair would soon be moved up to the green table of the Volkstag.

33. General Clay replied that on behalf of his colleagues and himself he could assure the Delegation that the Military Governors would certainly transmit these views to their Governments. He did not think that the German representatives need be told how the Military Governors sympathized in this matter. He felt sure that they knew steps were being taken to give Berlin the same status, with reference to the Berlin Allied administration, as the new German Government would have under the Occupation Statute. In conclusion, General Clay expressed the thanks of the Military Governors for the successful work accomplished today. The meeting adjourned, finally, at 2015.

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740.00119 Control (Germany)/4-2649 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

TOP SECRET

NEW YORK, April 26, 1949—3:40 p. m.

524. For Jessup's Eyes Only from Ross. No distribution except on Jessup's instructions.

Following is free translation of unsigned communication dated April 25 received from French delegation this noon. Copy of original text being sent by pouch tonight.

"The following details refer to the last point dealt with on April 21 [20?].<sup>1</sup>

The Germans have been aware of measures concerning the resumption of conversations among the Four on the subject of Berlin.<sup>2</sup> They could not in any case be unaware that such a possibility exists. It would be desirable, therefore, at the time when the Western Powers should be giving their approval to a basic law for Germany that they indicate what would happen to this law in case an agreement among the Four in fact occurs.

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<sup>1</sup> A memorandum of Ambassador Jessup's conversation with Chauvel and Cadoogan on April 20, is printed, p. 724.

<sup>2</sup> For documentation relating to the Jessup-Malik conversations concerning the lifting of the Berlin blockade and the convening of the Council of Foreign Ministers, see pp. 694 ff.

It is a matter then of stating to the Bonn constituents that since our policy does not hold to the maintenance of a separation of Germany in two parts but rather reestablishment of the federal unity of Germany, we will not oppose, should this be necessary, modifications of the basic law which, without contravening the essential principles of the London Accord, would appear to be of a nature to facilitate this unity.

In case the terms of an accord among the Four should necessitate modification of the basic law, the latter would nevertheless remain provisionally in effect until this reform should transpire and transfers of authority already effectuated to the benefit of the Germans would not be jeopardized.

It is for the Germans themselves, therefore, to proceed with the preparation of a new text, their role in this regard being not inferior to that which they have played in the preparation of the basic law."

AUSTIN

740.00119 Control (Germany)/4-2749: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

TOP SECRET URGENT

BERLIN, April 27, 1949—2 p. m.

605. From Murphy. Your 472, April 26.<sup>1</sup> Concur fully in suggestion that statement to Germans that we would consider any modification of basic law necessary to facilitate four-power agreement on all of Germany should not be transmitted until after announcement of a CFM and until basic law is formally submitted for approval.

It should be remembered that basic law will undoubtedly include provisions re accession of East Germany when circumstances permit. I am certain that there will be little or no difficulty on part of Germans in event of four-power agreement on all of Germany because of desire of vast majority to see a united Germany. It would be untimely to raise this issue at the moment at Bonn but it might be well to discuss it further with Schuman with a view to ascertaining his current views in light of developments of past few days.<sup>2</sup>

RIDDLEBERGER

<sup>1</sup> Not printed; it reported that the French were again pressing for a communication to the Germans, informing them that the three Western powers would consider any modifications of the Basic Law necessary to facilitate four-power agreement on Germany. The Department of State believed that such a statement should not be transmitted before the announcement of a Council of Foreign Ministers and until the Basic Law had been submitted for approval, and requested Murphy's views on the question. (740.00119 Control (Germany)/4-2649)

<sup>2</sup> Murphy was probably referring to the press releases in Moscow and Washington relating to the Jessup-Malik conversations on Berlin. Regarding these releases, see p. 731.

740.00119 Control (Germany)/5-2949

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

SECRET

[WASHINGTON, April 29, 1949.]

Participants: Sir Oliver Franks, British Ambassador  
The Secretary of State  
Mr. John D. Hickerson, Director for European Affairs

During his conversation with the Secretary at 12 noon today on a number of other topics, Sir Oliver Franks referred to a telegram which he had received yesterday from Mr. Bevin urging that the three Military Governors in their meeting with the German political leaders tomorrow impress upon the Germans the desirability of proceeding rapidly with their steps to form a government and not relax their efforts because of the reports of a meeting of the Council of Foreign Ministers on Germany.<sup>1</sup> Sir Oliver said that Hoyer-Millar had taken up this telegram with Mr. Hickerson yesterday<sup>2</sup> and that the State Department had asked the Department of the Army to send a message in this general sense to General Clay and that this had been done. He said that General Clay has replied that in his opinion it would not be a good idea for the three Military Governors to take this action with the German political leaders unless they find during the course of the conversation that the Germans are wavering and that such action is necessary. He said that he was informed that General Clay had replied that in his opinion German leaders fully realize the necessity of going straight ahead and that it might have an adverse effect if the three Military Governors, in these circumstances, raised this matter gratuitously.

Sir Oliver said that he would like very much to send a telegram to the Foreign Office this afternoon to reassure Mr. Bevin on this point to which he believed Mr. Bevin attached considerable importance. He said that there was a good bit to be said in his opinion for General Clay's views and that it would be sufficient for his purposes if he could tell Mr. Bevin that the State Department had considered General Clay's telegram and that they agreed with him that it would be better for the three Military Governors to act in this matter only if after they talked to the German leaders they believed that it is desirable.

<sup>1</sup> For documentation relating to the preparations for and deliberations of the Sixth Session of the Council of Foreign Ministers in Paris, May 23-June 20, 1949, see pp. 856 ff.

<sup>2</sup> No record of Hoyer-Millar's conversation with Hickerson has been found in Department of State files.

The Secretary referred to his speech in New York last night<sup>3</sup> in which he had stated that the steps to forming a German Government must proceed on schedule and not be interrupted in any way because of a possible meeting of a Council of Foreign Ministers. He went on to say that it seemed to him that this went some distance toward accomplishing the end which Mr. Bevin had in mind. Sir Oliver agreed that this was correct.

It was agreed that I would discuss this matter with the Office of German and Austrian Affairs and get word to the British Embassy which would enable them to send a telegram to the Foreign Office this afternoon. I discussed the matter immediately after leaving the Secretary's office with Colonel Byroade. We agreed that I would give the following message orally to the British Embassy as soon as possible:

We believe that this is a matter of tactics which should be dealt with in the discretion of the Military Governors on the spot in Germany. We share General Clay's views that if in their talks with the German leaders tomorrow it is clear that the Germans are going straight ahead with their preparations, it would probably be preferable for the Military Governors not to take any special action along the lines of the British suggestion. We think that Secretary Acheson's speech last night in New York re-inforces this view. If the Military Governors feel after talking to the Germans that action along lines of Mr. Bevin's suggestion is desirable, they should, of course, take such action and General Clay has stated that he is prepared in those circumstances to do so.

I gave this message to Mr. Denis Allen when I saw him at luncheon at 1 p. m. today. He expressed appreciation and said that the Embassy would get off a telegram at once along these lines.

JOHN D. HICKERSON

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<sup>3</sup> For the full text of Secretary Acheson's speech in New York, April 28, see *Germany 1947-1949*, p. 16.

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862.011/5-1049 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

SECRET      PRIORITY

PARIS, May 10, 1949—7 p. m.

1900. Foreign Office states there is nothing which may be considered specifically French reservation to Bonn Constitution. French intend approve Constitution but consider that military governors at time of giving their approval should repeat agreed views previously jointly made known to Germans in regard admission Berlin, changes in *Laender* boundaries and federal police in order that it shall be clear

to Germans there has been no Allied change of mind in regard these points, i.e. that Berlin shall not at this time be admitted as 12th *Laender* [*Land*], that boundaries of *Laender* with exception of Wuerttemberg-Baden shall not be changed and that Allied High Commission shall have right take action in regard to security matters and activities of federal police.. Foreign Office consider that restatement Allied views in this regard does not annul pertinent provisions of constitution but merely suspends them until such time as Allies may withdraw their objections.<sup>1</sup>

Sent Department 1900; repeated London 292, Berlin 164, Frankfurt 23. CAFFERY

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<sup>1</sup> In a subsequent telegram on May 10, not printed, Caffery reported that the British Minister, Clarke, had seen Schuman and urged, on Bevin's behalf, that efforts be made to hasten the establishment of the Western German Government. Schuman had added "I am for setting up that government at an early date but I do not want to be pressured by Bevin especially because Bevin changes his mind so very often and he might change it again." (Telegram 1903, 862.00/5-1049)

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### *Editorial Note*

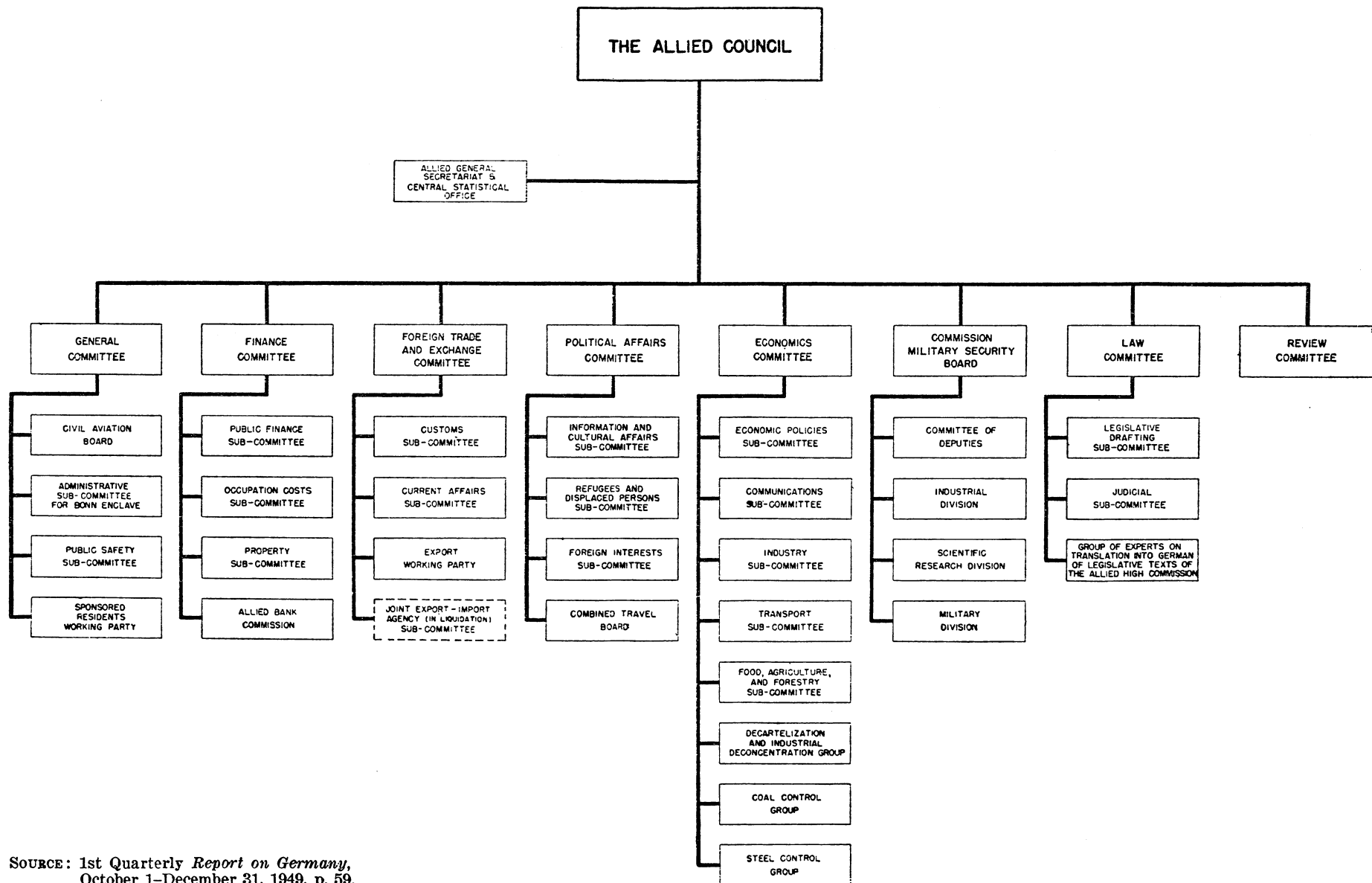
Following its passage by the Bonn Parliamentary Council on May 8, the Basic Law was submitted to the Military Governors. At their meeting in Frankfurt on May 12, the three Governors approved the constitution as passed by the Parliamentary Council, and at a meeting following their session submitted the letter of approval to a German delegation composed of representatives of the Council and the Ministers-President. At the same time the Military Governors authorized the Ministers-President to submit the Basic Law to the Landtage for ratification.

The *Landtage* convened between May 16 and 22 to consider the Basic Law, and all approved it with the exception of Bavaria. Following ratification by the *Landtage* the Parliamentary Council adopted and promulgated the Basic Law for the Federal Republic of Germany on May 23.

For the text of the Military Governors' letter of approval, a list of votes of ratification by the *Landtage*, and the text of the Basic Law as promulgated on May 23, see *Germany 1947-1949*, pages 279-305.



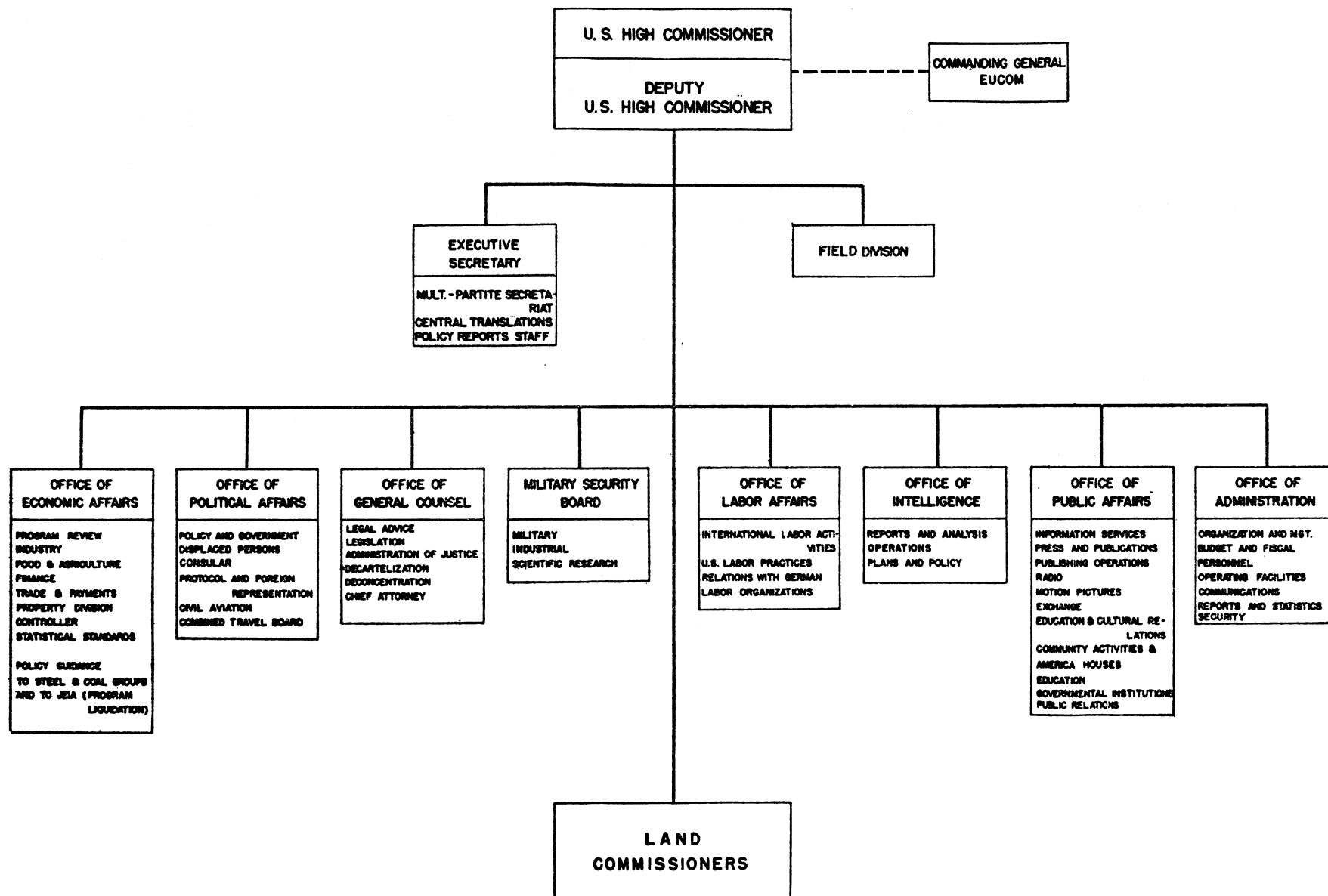
# ORGANIZATION OF THE ALLIED HIGH COMMISSION



SOURCE: 1st Quarterly Report on Germany, October 1-December 31, 1949, p. 59.

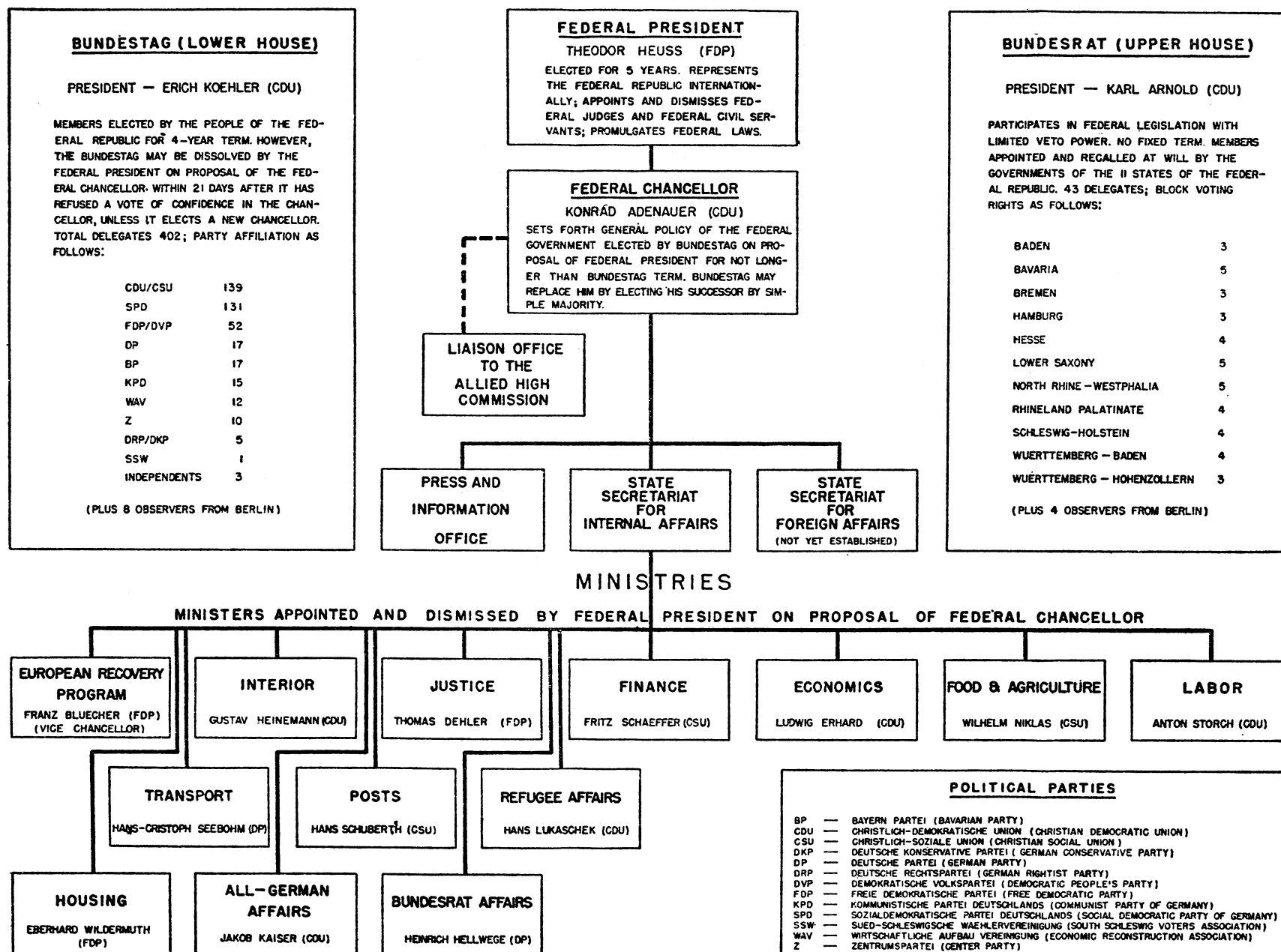
February 17, 1950

# ORGANIZATION CHART U. S. HIGH COMMISSIONER FOR GERMANY



SOURCE: 1st Quarterly Report on Germany,  
October 1-December 31, 1949, p. 49.

# ORGANIZATION OF THE FEDERAL REPUBLIC OF GERMANY



SOURCE: 1st Quarterly Report on Germany,  
October 1-December 31, 1949, p. 5.

**B. RELATIONS OF THE UNITED STATES WITH OTHER GOVERNMENTS AND WITH THE FEDERAL REPUBLIC OF GERMANY WITH REGARD TO GERMAN PROBLEMS: ESTABLISHMENT OF THE ALLIED HIGH COMMISSION FOR GERMANY; PROMULGATION OF THE ELECTORAL LAW FOR THE WESTERN ZONES OF GERMANY; OBJECTIONS BY THE SOVIET UNION AND OTHERS TO THE FORMATION OF A SEPARATE GOVERNMENT FOR WESTERN GERMANY; THE QUESTION OF GERMAN REARMAMENT; DISCUSSIONS ON THE POLITICAL AND ECONOMIC STATUS OF THE FEDERAL REPUBLIC OF GERMANY**

*Editorial Note*

The American, British, and French Foreign Ministers signed the "Agreement on Basic Principles for Trizonal Fusion" on April 8 at the conclusion of their meetings in Washington on Germany. The agreement defined the basic principles to govern the exercise of Allied powers and responsibilities. By the terms of the agreement the three Western governments undertook to enter into complete fusion of their zones of occupation in Germany prior to the entry into effect of the Occupation Statute. It was also agreed to complete necessary arrangements for establishing tripartite control machinery in Western Germany to become effective at the time of the establishment of a provisional government of the Federal Republic of Germany.

On the basis of the Occupation Statute and the Trizonal Fusion Agreement tripartite negotiations proceeded in the tripartite Committee on Allied Controls during April and May regarding a charter for the Allied High Commission for Germany. The agreed text of the charter was perfected during informal tripartite discussions carried forward in Paris during the course of Sixth Session of the Council of Foreign Ministers, May 23-June 20. For the text of the Charter, signed by the Western Foreign Ministers in Paris on June 20, see 2 UST (pt. 1) 691, or *Germany 1947-1949*, pages 92-97. For an authoritative account of the negotiation of the Charter for the Allied High Commission, see Plischke, *High Commission*, pages 21-27.

The Charter of the Allied High Commission for Germany provided for the establishment of the High Commission, defined its structure and functions, and specified some of its procedures. The Trizonal Fusion Agreement of April 8 was added as an annex to the Charter. Three secret agreed minutes were appended to the Charter and interpreted a number of its provisions. The first agreed minutes stated that the nature and extent of the controls in the Charter would be in accordance with the "Agreed Memorandum Regarding the Principles Governing the Exercise of Powers and Responsibilities of the United States, United Kingdom, and France", concluded at Washington on April 8 (see p. 178). The other two agreed minutes defined the relationships of the Charter to the International Authority for the Ruhr and the Western military command in West Berlin. For the text of the agreed minutes, which were not released to the public, see Tab 12 of the Basic Documents Regarding Germany (762A.00/3-150).

While negotiations were going on regarding the Charter of the Allied High Commission for Germany, other steps were being taken

toward the establishment of the Allied High Commission. On May 12 the Military Governors for Germany accepted the Basic Law of the Federal Republic of Germany and promulgated the Occupation Statute. General Clay was released from his duties as United States Military Governor and left Germany on May 15. French Military Governor General Koenig resigned and left Germany soon thereafter. John J. McCloy was appointed United States High Commissioner for Germany on May 18. Subsequently André François-Poncet was designated the French High Commissioner. British Military Governor Sir Brian Robertson continued as the British High Commissioner. The position of United States High Commissioner for Germany was formally established under Executive Order 10062, June 6, 1949 (see *Germany 1947-1949*, pp. 182-183). McCloy was placed under the immediate supervision of the Secretary of State, subject to consultation with and the ultimate direction of the President. McCloy, who also was the representative in Germany for the Economic Cooperation Administration, served as United States Military Governor in Germany from his arrival in July until the establishment of the Allied High Commission in September. For an authoritative discussion of the creation of the office of the United States High Commissioner for Germany and the appointment of McCloy, see *The U.S. High Commissioner for Germany*.

Between July 16 and September 16, the Western Military Governors for Germany held six final meetings devoted to arrangements for the assumption of authority by the Allied High Commission for Germany. Meanwhile, elections for the first *Bundestag* were held on August 14, the *Bundestag* and the *Bundesrat* held their first meetings in Bonn on September 7, the two houses elected Theodore Heuss the first President of the Federal Republic of Germany, and the *Bundestag* elected Konrad Adenauer Chancellor of the Federal Republic on September 15. Chancellor Adenauer and his principal ministers called upon the Allied High Commissioners for Germany at their headquarters at the Petersberg near Bonn on September 21. Later that same day, the Council of the Allied High Commission held its first formal meeting and issued a "Declaration Concerning the Entry into Force of the Occupation Statute". For the text of the Declaration, see *Germany 1947-1949*, p. 323. For a photograph of the Allied High Commissioners signing the Declaration, see following page 642. These ceremonies marked the termination of military government in Western Germany, the entry into force of the Occupation Statute, and the coming into existence of the Allied High Commission for Germany. The events attending the establishment of the Allied High Commission are authoritatively described in Plischke, *High Commission*, Chapter II.

740.00119 Control (Germany)/9-149: Telegram

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

TOP SECRET

LONDON, September 1, 1949—7 p. m.

3526. Kirkpatrick outlined to me today proposed three power program for Germany which was prepared by FonOff and approved in principle by Bevin prior to his departure. Program is based on two premises:

(1) The security and maintenance of peace requires incorporation of Germany into the Western system and,

(2) Germany cannot remain static. In connection with this latter point Kirkpatrick observed, as had Bevin in recent conversations with Ambassador (Embtels 3352 August 23 and 3410 August 26<sup>1</sup>) that 1948 London decisions which formed basis of tripartite policy during the past 14 months have been implemented except for a few minor details.

The program involves three major proposals.

First, we should agree on the measures to be taken to build the strength and prestige of the new German Government, particularly with respect to German people. In default of such action, the Government might either turn against us, or fail in its task or [*for?*] lack any popular support. Secondly, we should admit the Germans to "various Western international organizations to which the Soviets do not belong."<sup>2</sup> FonOff has drawn up a list of 15 organizations of this type in which Germany might become a member either at once or as soon as various technical requirements have been fulfilled. These run from ITU, ILO to the Council of Europe.

FonOff even envisages German inclusion in Brussels Treaty and North Atlantic Pact although that would only occur "at the end of the road."

Thirdly, "We should seek to remove obstructions to cooperation between Germans and the Western powers by opening discussions with Germans on contentious points." Even should the principal cause of friction at the moment—dismantling<sup>3</sup>—be removed the Germans would find some new issue on which to attack us such as the occupation

<sup>1</sup> Neither printed; in them Douglas reported on two conversations with Bevin in which the British Foreign Secretary had expressed his belief that the three Western powers should evolve a concerted policy with respect to the West German government, which was in the process of formation. (841.002/8-2349 and 711.41/8-2649)

<sup>2</sup> For documentation relating to West German participation in international organizations, see pp. 477 ff.

<sup>3</sup> For documentation on the question of dismantling, see pp. 594 ff.

statute,<sup>4</sup> Ruhr agreement,<sup>5</sup> etc. We must therefore seek to settle these problems as well in order to avoid a "revival of bitterness." Moreover we should not regard them as separate problems but as integral parts of the whole complex of German-Western relations. The Germans have repeatedly recognized their obligations to us for security and reparations. However they have bitterly attacked the dismantling program as a method to carry them out. In view of this we should ask the Germans what alternate steps they propose to insure the observance of these obligations (Kirkpatrick was strongly of the opinion that we should turn down any German offer to meet reparations out of current production, a view in which I expressed full agreement).

In our discussions with the Germans we should be prepared to fix a cut-off date for any further dismantling (except for category one war plants and shipyards), and reparations, and, possibly, to revise the PRI list. We should, however, drive a hard bargain and insist that as a minimum condition for any concessions we might make the German Government must: (a) formally recognize the occupation statute, and the Ruhr Authority and agree to join the latter on terms laid down in the agreement; (b) admit the need for Military Security Board; (c) sign a bilateral agreement with ECA, and (d) make public statement of the good intentions of the German Government toward the Western powers. FonOff suggests that agreement along these lines could be embodied in some sort of a pact, terms of which would be made public.

The above proposals were incorporated into a Departmental minute, of which a copy was shown me, with the suggestion that Bevin submit it to the Cabinet before he left for the US. Bevin objected to this course of action maintaining that although he could probably obtain cabinet approval of the program, it might well be modified as a result of his discussions with you and Schuman in Washington, thus placing him in position of having to resubmit it to Cabinet and to explain reasons for changes. Kirkpatrick added that Bevin would study minute enroute to US and probably make some alterations. Thus when he discusses subject with you his proposals may vary somewhat from those Kirkpatrick had outlined to me.

During his exposé of the proposed program Kirkpatrick laid particular stress on four factors. First, we should make it quite clear to Germans that any concessions re dismantling and other matters would be on a strict *quid pro quo* basis and that we should carefully avoid giving them the impression that we were yielding to their outcry against dismantling. Secondly, we should not give Germans every-

<sup>4</sup> For the text of the Occupation Statute, see p. 179.

<sup>5</sup> The text of the agreement establishing the International Authority for the Ruhr is printed in *Foreign Relations*, 1948, vol. II, pp. 581-595.

thing at once but carry out the proposed program step by step. (In this connection he mentioned that "some of your people in Germany have had a tendency to act too precipitously".) Thirdly, we should impress the Germans with the need for avoiding any action which might occasion alarm in Western European countries. By indulging in irresponsible actions such as latest SPD policy statement,<sup>6</sup> resistance to dismantling, etc., the Germans were only hurting themselves and, as indicated in Moch's recent speech, were building up opposition to Germans' acceptance as full member Western European community.

Finally we should act at once whenever any attempt is made to flaunt [*flout?*] the authority of the occupation powers, and to institute immediate measures whenever signs of reviving Nazism appear. Kirkpatrick said he had just written General Robertson re this matter and suggested that he discuss it with McCloy.

Repeated Frankfurt 78; Paris 663.

HOLMES

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<sup>6</sup> Under reference here is the sixteen-point program announced by the Steering Committee of the SPD after its meetings in Bad Dürkheim on August 29 and 30. It proposed centralization of financial and economic controls in the new West German state, full employment, restriction of Allied activity to purely control measures, revision of the Ruhr Agreement, cessation of dismantling, and inclusion of Berlin as a twelfth *Land*, and it rejected the Oder-Neisse line as the eastern border of Germany.

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740.00119 Control (Germany)/9-149: Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

TOP SECRET      PRIORITY      WASHINGTON, September 9, 1949—4 p. m.

1474. For McCloy from Murphy. Ref London's 3526, Sept 1, rptd Frankfort as 78.<sup>1</sup> As you know Bevin will raise Ger questions during course of Wash talks. He feels there is now need for reconsideration of three-power general policy with respect to Ger Fed Govt both within Ger and re external relations. He has indicated wish to discuss:

1. Ger's admission to Council of Eur;
2. Admission of Saar to same;<sup>2</sup>
3. Ger participation in internatl organizations generally, and;
4. Dismantling and reparations (including possibility of retaining capacity banned under PRI)..

Schuman's visit here provides opportunity to discuss Ger matters later with Fr.

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<sup>1</sup> *Supra.*

<sup>2</sup> For documentation relating to the proposed admission of the Saar to the Council of Europe, see pp. 478 ff.



We are not convinced there is need work out over-all tripartite policy agreement at this time. In our view it is preferable allow period of practical experimentation in relationships between occupying powers and Ger Fed Govt to elapse, during which High Comm will handle problems on flexible basis as they arise. Tripartite decisions at govt level can be taken later if fundamental problems arise. We nevertheless recognize opportunity to discuss certain specific Ger problems here at high level can be useful and propose take up several questions in addition to those suggested by Brit. We have in mind fol:

1. Allocation radio frequencies US zone in connection Copenhagen conference decisions;
2. Disagreements at London conference of experts on shipping;<sup>3</sup>
3. US proposal on foreign investment made at tripartite mtg last week;
4. Timing and method of arranging Ger consular representation abroad;
5. Question of admission of Berlin as twelfth *Land* in Fed Rep.<sup>4</sup>

We wld appreciate having your comments on above, particularly any suggestions as to additional points which might usefully be discussed.

We have noted last para of your 2178, Sept 8,<sup>5</sup> and will give you detailed info on dismantling question in separate tel.

ACHESON

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<sup>3</sup> For documentation relating to the limitations on German shipping, see pp. 546 ff.

<sup>4</sup> For documentation on the status of Berlin, see pp. 361 ff.

<sup>5</sup> *Post*, p. 375.

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740.00119 Control (Germany)/9-1349: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

BONN, September 13, 1949—10 a. m.

4. From McCloy. Re urtel 1474, September 10[9].<sup>1</sup>

While we are not convinced that there is necessity to develop specific tripartite policy agreement at this time we do feel that the opportunity afforded by these meetings should not be missed to obtain some restatement of our policy. Many of the problems outlined by Kirkpatrick in London's 3526 of September 1<sup>2</sup> give us a desirable aim but one probably only susceptible of long-term solution. Discussions are already under way here on several steps recommended by the British, such as bilateral agreement with ECA and the question of Germany's joining

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<sup>1</sup> *Supra*.

<sup>2</sup> *Ante*, p. 269.

the Ruhr authority. These discussions will take more solid form as soon as the German Government is established and its responsible Ministers appointed with whom progress can be made. Yesterday we cleared a good bit with the British and French on our procedures re bilateral and the membership in OEEC.

Re Bevin's four points, it might be possible in Washington to come to some agreement in principle on the time of Germany's admission to Council of Europe and its relationship to Saar admission. We should like to know whether you desire us to indicate to the Germans that their initiative on admission to the Council of Europe would be desirable. With respect to German participation in international organizations, this problem will no doubt arise early in the Political Affairs Committee, where the French may be the most difficult obstacle. Therefore, any information on Schuman's attitude would be useful to us. On dismantling and reparations, we have already received indications from Robertson that Bevin is to bring up a modification of the existing program in return for certain understandings on the part of the Germans in the way of steady cooperation on other matters. Moreover, Adenauer yesterday indicated to McCloy that Schuman was also about to bring up certain concessions in this field on which he specifically asked McCloy to urge your support. We are most anxious to be kept currently informed on the British and French proposals in this field. I think we should ascertain if Bevin intends to make any concessions.

With respect to the questions you suggest for discussion, we agree that it might be useful to take up these items. I believe the importance of radio frequency allocations is well known to the Department and affects materially our public affairs program. On shipping, the OMGUS position is well-known and the negotiations in London have been largely in the hands of the Department.

Re foreign investment, there are three steps involved in general picture of trying to improve German financial and economic situation, especially from standpoint increasing amount of funds available for short—and long—term credit. Step 1 would be unblocking of present deutschemark balances held by foreign accounts. This amount generally believed to be about 500,000,000 deutschemarks. Unblocking these accounts appears to be not only unobjectionable from any point of view but acutely desirable considering the dangerous lack of capital in the present German economy. Step 2. Our government has been holding to view that if step 1 is to be accomplished provisions should simultaneously be made for safeguarding or at least creating measures which would attract new foreign capital for investment here. British take stand that if we insist on step 1 or 2 there should be simultaneous

step 3. We feel that this position is being taken not on the merits but for the sake of leaving some leverage to compel us to deal with step 3 simultaneously. Step 3 has to do with compounding of German debts expressed in foreign currencies. We have no definite ideas yet of total amount involved but we should attempt to convince the British that we are entirely sincere in our undertaking to examine immediately the problems which are involved in accepting the principle of compounding. British indicate that exclusive of direct or guaranteed Reich debt amount of other German foreign obligations expressed in sterling amounts to equivalent of about \$150,000,000. While we have no definite idea what amount would be expressed in dollars, are certain it is much greater than British amount. British *aide-mémoire* of 30 August 1949 contained in W 93573<sup>3</sup> maintains normal right of creditor to compound debtor. Our view completely opposite because this right only exists, in our opinion, on part of non-defaulting debtor to compound with creditor and all German debtors, of which we are aware, are in default to their foreign creditors. Moreover, compounding would inevitably lead to race of diligence by creditors which we convinced would have many unfair and impolitic results.

On German consular representation abroad, we think that we shall have little difficulty with British but may encounter obstacles with French. We very much hope, therefore, that Department will urge Schuman to permit early establishment of German consular representation in addition to commercial representation. US has direct interest in early consular establishment, particularly in order to replace MPO's; the financial considerations of maintaining this part of CTB have already been explained to Department. An early agreement on consular representation would enable us to liquidate these expenses rapidly.

On admission of Berlin as twelfth *Land*, we believe that British will raise this question at an early date and recommend acceptance. However, whatever the arguments may be for such admission and in a practical sense they may be good arguments, it might be well to defer this question until we see whether the Soviet overtures for a possible unification of, and establishment of common currency for Berlin are serious. We are already encountering various practical difficulties such as the extension of the Deutsche Post and the Patent Office to Berlin, but so far have been able to develop various devices that will provide at least temporary solutions.

It is also suggested that this may be opportunity to agree on a re-statement of our position re common currency for Berlin, that is just

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<sup>3</sup> Not found in Department of State files.

what conditions we would desire, however unobtainable such conditions may appear to be.

We feel that any suggestion that the Germans may expect membership in the Atlantic Pact is highly premature at this juncture.  
McCLOY

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*Editorial Notes*

The opening sessions of the Bundestag and Bundesrat were held on September 7 at Bonn, the capital of the Federal Republic, in the presence of the three High Commissioners. Dr. Erich Koehler (CDU) was elected President of the Bundestag, while Dr. Karl Arnold (CDU) was elected President of the Bundesrat. Five days later a Federal Convention elected Dr. Theodor Heuss (FDP) Federal President on the second ballot, and on September 15 Konrad Adenauer was elected Federal Chancellor with an absolute minimum majority of 202 votes out of 402. Adenauer then proceeded to the formation of a Cabinet based on a coalition of the CDU/CSU, FDP and DP, which was nominated September 20, and introduced to the Allied High Commission at its first meeting September 21.

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On September 15 the Foreign Ministers of the United States, United Kingdom and France discussed in Washington various problems relating to Germany. For documentation on their discussions, see pages 599 ff.

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862.01/10-149 : Telegram

*The Ambassador in the Soviet Union (Kirk) to the Acting Secretary of State*

RESTRICTED      PRIORITY  
NIACT

Moscow, October 1, 1949—10 p. m.

2475. Embassy's translation Soviet note<sup>1</sup> delivered seven this evening:

In connection with formation September 20 this year in Bonn of separate government for American, English and French Occupation Zones Germany Soviet Government considers it necessary declare following.

Formation separate government for Western zones Germany cannot be qualified otherwise than as completion of policy splitting Ger-

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<sup>1</sup>A copy of the Soviet note, handed to Kirk at the Foreign Ministry by Gromyko, is in file 862.01/10-149. It is also printed in *Vneshniaia politika Sovetskogo Soiuza, dokumenty i materialy, 1949 god*, Moscow, 1953, pp. 165-170.

many, which carried out Governments USA, Great Britain and France in course last few years in violation Potsdam agreement, according which these governments together with Soviet Union took upon themselves obligation regard Germany as one unit and cooperate in its reorganization into democratic peace-loving state.<sup>2</sup>

Having created separate government for Western Germany, three powers thus violated also decisions undertaken June this year at Paris CFM session according which Governments USA, Great Britain, France and USSR obligated themselves continue efforts achieve re-establishment economic and political unity Germany.

This step by Governments USA, Great Britain and France represents violation not only of obligations they took upon themselves in connection preservation German unity but also obligations for conclusion peace treaty Germany in so far as formation separate Western German Government leads to impermissible delay in conclusion peace treaty with Germany despite agreements Potsdam Conference.

Soviet Government considers completely groundless efforts Governments USA, Great Britain and France justify their actions in creation separate government Bonn in interests German people. Facts show this sort of attempt is groundless in so far as it is known to all that no one sought the opinion German people on question and in so far as, in this connection, it is known occupation authorities of three powers have carried out all their measures for creation separate government Western Germany including so-called "Bonn Constitution" relying only on narrow group specially chosen old reactionary politicians Western Germany closely connected foreign financial circles and dependent those circles.

"Bonn Constitution" was worked out under direct pressure occupation authorities Western Powers which in reality dictated its basic regulations. As result a federal structure was forced upon German people with which majority German people not in agreement. "Bonn Constitution" not only does not contain any regulations which would limit dominant role German monopolies and Junker class, which were inspirers and organizers German aggression and which served support Hitlerite regime, but even frees their hands in their extreme anti-democratic activities. Characteristic of "Bonn Constitution" is also presence Article 24, which states plainly Western German Government can "transfer its sovereign rights to international organs" and give "agreement on limitation its sovereign rights," which plainly transforms this marionette "state" into obedient tool Western occupation powers for realization their aggressive plans Europe.

Indeed Bonn Constitution is merely appendage so-called "occupation statute," dictated to Western Germany by Governments USA, Great Britain and France. Attempt of three powers to represent affair as if occupation statute had as aim "to permit German people enact democratic self-government," as was said in communiqué concerning Washington talks April this year, is in full contradiction with basic regulations that statute. As is known, according this statute most important functions government are monopoly occupation powers but

<sup>2</sup> For the text of the Protocol of the Proceedings of the Berlin Conference, August 1, 1945, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1478 ff.

German people actually have no part in enactment these functions, to say nothing of fact that introduction occupation statute is expression policy directed toward breaking-off of efforts to conclude German peace treaty and impermissible extension occupation regime Germany.

From all this it is apparent that formation separate Bonn government is incompatible with decisions Potsdam Conference and crude violation these decisions at basis of which lies necessity preserving German unity on democratic and peace-loving foundations. Together with this it is completely obvious formation this separate government is merely new and at that far-reaching manifestation of policy splitting Germany which in violation decisions Potsdam Conference has been carried out by Governments USA, Great Britain and France in course past few years.

Already in December 1946 Governments of USA and Great Britain concluded agreement concerning union two zones which was crude violation Four-Power agreement concerning joint control Germany. Then they attempted justify these splitting activities with economic explanations alluding to fact that union American and British Occupation Zones supposedly would lead neither to dismemberment Germany nor to rupture earlier Four-Power agreed policy in connection with Germany. Actually this act of Governments USA and Great Britain was beginning of open reversal of policy these states—away from Potsdam agreement concerning Germany unity to policy splitting Germany.

Throughout 1947 in American and British Zones Occupation Germany were carried out most extreme measures directed toward deepening of split and dismemberment Germany which manifested itself in particular in decision Anglo-American occupation authorities concerning separation of Ruhr region from Germany and withdrawal of Ruhr from Four-Power control with its transfer to control USA and Great Britain, and likewise in separate Anglo-American measures which have amounted to actual repudiation Potsdam decisions concerning democratization and demilitarization Germany. At London Conference 1948 the three powers with participation Benelux countries undertook decision concerning carrying out new measures for splitting Germany. These measures manifested themselves in carrying out of separate monetary reform in Western zones Germany and Western sectors Berlin and also in open preparation for creation of government for Western zones Germany.

Policy of splitting and dismembering Germany found its culmination in decisions undertaken at Washington Conference USA, Great Britain and France April 1949 concerning "occupation statute" for Western Germany which was made basis of "Bonn Constitution" and likewise concerning formation so-called "international organ" for Ruhr and in conclusion special agreement concerning Three-Powered Anglo-Franco-American control over Western Germany, which were decisively directed toward annulment basic agreements between USSR, USA, Great Britain and France concerning Four-Power control mechanism Germany.

In course entire period beginning 1946 Soviet Government has called attention Governments USA, Great Britain and France to impermissibility violations Potsdam agreement concerning German unity and

impermissibility rupture Four-Power decisions concerning democratization and demilitarization Germany which were at basis of all agreed Four-Power decisions concerning policy in connection Germany. In addition Soviet Government pointed to pernicious effects policy splitting Germany which is being carried out by three Western Powers and on re-establishment dominant position reactionary militarist and revanche elements Western Germany which appeared in past as support German militarism and Hitlerite regime and which have again raised their heads immediately following formation Western German state. Such policy of three Western Powers can be explained only as expression of aspiration certain imperialist circles to use Western Germany as *place d'armes* for enactment aggressive plans these circles which are turning Western Germany into new center unrest Europe.

For its part Soviet Government has carried on steadfast struggle against splitting Germany insisting according decisions Potsdam Conference on creation all-German economics organs as first step toward creation all-German democratic government. More than two years ago Soviet Government proposed to Governments USA, Great Britain and France taking steps for carrying out measures necessary for creation government of democratic Germany and also steps for working out German peace treaty. However, governments three Western Powers turned down these proposals of Soviet Union, continuing pursue their policy deepening splitting Germany which led to breaking-off of efforts to conclude peace treaty and to extension occupation Germany, indefinitely denying possibility establishing lasting peace Europe.

Finally at Paris CFM session in June this year governments of three Western Powers again refused accept proposal of Soviet Union concerning formation on basis of German economic organs existing at present time in Eastern and Western zones of all-German state council as economic and administrative center with governing functions, which would have been first step toward formation all-German democratic government. Governments of three Western Powers refused likewise accept proposal Soviet Union concerning preparation German peace treaty and withdrawal occupation troops from Germany within one year following conclusion peace treaty.

In this fashion in course last few years Governments of USA, Great Britain and France not only have not carried out obligations which they accepted according Potsdam agreement but in direct violation these obligations carried out policy splitting Germany and postponing in every possible way conclusion German peace treaty, violating joint Four-Power decisions concerning democratization and demilitarization Germany, having now completed carrying out this anti-democratic policy with formation separate Western German Government entrusted to hands yesterdays lackeys of Hitlerite regime.

Soviet Government considers it necessary to direct attention to that exceptionally serious responsibility which is lodged upon US Government in connection with policy in Germany carried out by USA together with Great Britain and France which has led to formation anti-popular separate government in Bonn which is taking hostile attitude toward decisions Potsdam Conference concerning democratization and demilitarization Germany and to obligations placed on Germany, incompatible with interests peace-loving peoples Europe.

Together with this Soviet Government considers it necessary to state that insofar as separate government has been formed in Bonn, new situation has been created Germany at present time which lends particularly important significance to carrying out of tasks concerning re-establishment German unity as democratic and peace-loving state and concerning guarantee of fulfillment by Germany of obligations placed upon her by Potsdam Four-Power agreement.

Government of USSR is sending similar notes also the Governments of Great Britain and France.

Sent Department 2475; Department pass Paris 351, London 270, Berlin 215, Frankfort 31 (Niact to all addressees).

KIRK

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### *Editorial Note*

During the week following delivery of the Soviet notes on Germany to representatives of the American, British, and French Embassies in Moscow, similar notes were delivered by the governments of Czechoslovakia, Hungary, and Poland to the Western Embassies in Prague, Budapest, and Warsaw. The Romanian Government issued a declaration protesting establishment of the Federal Republic of Germany, and the Government of Albania presented a note along similar lines to the French Minister at Tirana, with the request that he communicate it also to the Governments of the United States and the United Kingdom. The texts of these notes and of the Romanian declaration are in file 862.01/10-449 to 10-1849. At his press conference on October 12 Secretary Acheson rejected these attempts "... by governments which had been foisted upon their own peoples by totalitarian methods to criticize, in the interests of a foreign power rather than of their own people, the actions of those nations which are endeavoring to establish democratic institutions in the greater part of Germany for which they are responsible." For the full text of Secretary Acheson's statement, see Department of State *Bulletin*, October 24, 1949, page 634.

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862.01/10-349 : Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET NIACT

WASHINGTON, October 3, 1949—7 p. m.

3588.<sup>1</sup> Dept giving urgent consideration to best method handling Sov note charging Western powers with violating Potsdam and splitting Ger (Moscow's 2475, rptd London as 270, Oct 1<sup>2</sup>).

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<sup>1</sup> Repeated to Frankfurt as 1912, Moscow as 725, New York as 518, and Paris as 3752.

<sup>2</sup> *Ante*, p. 275.



We believe note shld not be answered by note since this wld probably only involve us in endless exchanges. Only purpose of any form of reply it seems to us is to set record straight for Western world; for propaganda purposes it is assumed that reply will not be widely disseminated behind iron curtain. We believe therefore that best results wld be achieved by statement issued by Acting Sec, and possibly statements of a like character by Br and Fr.

In our view it wld be unnecessary to attempt detailed or point by point defensive refutation of Sov charges. Instead we suggest brief statement along fol outline:

(1) For the very reason that it is devoted to the democratic ideals embodied in the Potsdam Agreement, the US has never found any possibility of real cooperation with oppressive police state regime established in the Sov zone.

(2) The very machinery through which the US and other Western powers attempted to carry out Potsdam mandates was slowly sabotaged by Sov govt's use of veto and finally destroyed by Sov withdrawal from Control-Council.

(3) Though many propaganda speeches and notes about Ger unity have come from Sov govt, the only practical steps leading toward uniform admin and unification of Ger have come from Western powers. Thus when Bizonia was formed all zones were invited to join. Bizonia has been followed by Trizonia and estab of Fed Rep. Thus in spite of Sov obstructionism, real progress has been made towards unification of Ger thanks to initiative of Western powers and the overwhelming support of the Ger people and their freely elected Reps.

Dept believes clear record and conscience of West will best be served by prompt reply and refusal to be drawn into defensive debate. Pls present these ideas to FonOff and ascertain if they agree to this gen method of procedure as we think action by all three powers shld be generally similar.<sup>3</sup> Paris being given similar instrs.

WEBB

<sup>3</sup> In telegrams 2744, October 4, from Frankfurt, and 2508, October 5, from Moscow, neither printed, McCloy and Kirk concurred with this suggested line of approach. (862.01/10-499 and 549) Holmes reported the initial favorable reaction by the British Foreign Office in telegram 3966, October 4, from London, not printed, but Bruce indicated that the French were inclined to reply with a note rather than a statement. (Telegram 4153, October 4, from Paris, not printed. 862.01/10-449)

862.00/10-449: Telegram

*The Ambassador in the Soviet Union (Kirk) to the Acting Secretary of State*

SECRET

Moscow, October 4, 1949—11 a. m.

2497. Although punch line Soviet note re Germany (Embtel 2475, October 1<sup>1</sup>) is statement penultimate paragraph "new situation has

<sup>1</sup> *Ante*, p. 275.

been created in Germany at present time," thus establishing for the record basis for Soviet freedom of action, text of note does not in itself give decisive hint as to what steps Soviets likely take in response our initiative in encouraging formation Bonn Government. Coming at critical juncture various problems in which Soviets have considerable stake (Yugoslavia, China, atomic energy, "peace campaign," Austria, not to mention NAT and MAP), Embassy believes that Soviet note represents more than propaganda gesture and may be intended lay groundwork for carefully worked out move or series of moves calculated counter our perceptible progress Western Europe and Germany and advance Soviet Communist cause this area. In view favorable atomic energy and China positions Soviet may feel they have chosen opportune time this step toward regaining initiative on German question.

Our observers in Germany obviously in better position evaluate significance Soviet note in light internal developments there, but fact that top German Communist leaders have recently visited Moscow (Embtel 2412, September 26<sup>2</sup>) indicates that they consulted on Soviet note and points emphasis direction Germany itself, possibly foreshadowing establishment Eastern German government claiming right speak for and represent all Germany and related renewed pressure force Western powers out of Berlin. Difficult see how last objective would be achieved in view our successful display determination remain last year, but Soviet may feel that their peace campaign plus atomic announcement and presumed economic difficulties Western world justify renewed attempt probe possibilities without real military risks. Mention of Ruhr and reference all-Germany economic unit may be intended as hint of forthcoming economic measures to weaken Western German Government. In fact, though bulk of note covers alleged violations by Western powers of understandings re Germany, closing paragraphs seem constitute warning to Bonn Government itself that no matter what Western powers have done in failing observe Potsdam Agreement, Soviets will insist on fulfillment by Germany of obligations imposed therein (reparations, demilitarization, et cetera).

Reference in note to policy of Western powers reflecting "aspiration certain imperialistic circles use Western Germany as *place d'armes* for enactment aggressive plans" and thus "turning Western Germany into new center of unrest in Europe" may be more than familiar propaganda re warmongering. Soviet treaties with satellites and Soviet military position in Eastern Europe generally all related on paper to possible threat from resurgent Germany. It is conceivable that Soviet note intended as first step in military moves ostensibly related "dan-

<sup>2</sup> Not printed.

ger" from Western Germany *place d'armes* but actually designed for decisive settlement Yugoslav difficulty and to bolster Soviet position in satellites.

Necessary in view present peace campaign give any such military action defensive appearance.

Though Soviets apparently ruffled by UNGA developments re Yugoslavia and China (USUN telegram 12 October 1 to Moscow <sup>3</sup>), and their allegations re our violation Potsdam might be considered as balancing Chinese Nationalists charges re Sino-Soviet 1945 Treaty, Embassy doubts Soviets will follow their note with reference German question to UNGA since majority UN members certain to take line unfavorable Soviet claims. Berlin question understood still on SC agenda, but implications Soviet note broader, and difficult see what Soviets would get out of SC debate now. More likely connection between UN and Soviet note is that it is calculated force early CFM meeting on Germany in view presence Foreign Ministers New York for UNGA.

Despite foregoing speculations as to course of action which Soviets may follow in Europe in consequence this *démarche* on German question, Embassy unable envisage any Soviet action short of military (which believed unlikely) which would in near future decisively break political stalemate in Germany their favor. Possibility should therefore not be overlooked that Soviets wish by this maneuver distract our attention from serious problems facing us in Asia as result Chinese developments.

Sent Department 2497, Department pass Berlin 216, London 272, Paris 352, Frankfurt 33.

KIRK

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<sup>3</sup> Not printed.

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862.01/10-449: Telegram

*The Acting Secretary of State to the Embassy in London*

SECRET      PRIORITY

WASHINGTON, October 4, 1949—8 p. m.

NIACT

3613.<sup>1</sup> Dept wishes to take opportunity afforded by Acting Sec's press conference at 11:00 Wednesday morning to release statement on Sov note re Ger <sup>2</sup> as proposed in Deptel 3588 Oct 3 (rptd Frank-

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<sup>1</sup> Repeated to Paris as 3772, Moscow as 736, Frankfurt as 1936, and New York as 520.

<sup>2</sup> Transmitted in telegram 2475, October 1, p. 275.

fort as 1912, Moscow as 725, New York as 518<sup>3</sup>) and Deptel 3752 of Oct 3 to Paris.<sup>4</sup> We know Acting Sec will be questioned on subj and we believe statement will progressively lose value if delayed. London's 3966 Oct 4<sup>5</sup> indicates generally favorable FonOff attitude and we do not believe joint or identic or simultaneous statements are necessary. If either Brit or Fr feel strongly that Sov note shld be replied to by note, we are prepared to send such note subsequent to press statement. Text of proposed statement follows:

"Sov govt in its notes of Oct 1 to the US, Brit, and Fr govts has charged that the three Western powers by their joint action in creating a Ger govt at Bonn have violated the Potsdam Agreement and assumed responsibility for splitting Ger and delaying conclusion of Ger peace treaty.

The true record is clear and quite different. US has a deep conviction of the correctness of Potsdam principles that Ger shld be given econ unity and that its political life should be restored on a democ basis. The Western govts have made most strenuous efforts to carry out these principles. They have been only partially successful because of obstinate Sov opposition to every constructive proposal presented by the Western powers since 1945. Every proposal has foundered on Sov insistence upon unilateral treatment of Eastern Ger which has reduced that area to an oppressive police state. The U.S.S.R., by creating a dictatorial unrepresentative regime, by building up a large militarized force, by strangling free econ life and by looting the natural and industrial resources, has steadily separated its zone from main part of Ger and from Potsdam goals of democracy, peace and prosperity.

The U.S.S.R. was never willing to deal with Ger as a single econ unit. Its reps at Berlin, through their systematic use of veto, gradually reduced Allied Control Council to impotence. They sought to sabotage the democratically elected admin of Greater Berlin and finally set up a rival puppet govt in Berlin. In 1948 they deliberately destroyed the Control Council and four-power Berlin Kommandatura by walking out of these bodies. Sov reps have utilized mtgs of CFM almost exclusively for propagandist ends rather than for a joint effort with the western powers to settle Ger problems.

Faced with these facts, US proposed as early as 1946 the econ unification of US zone with any or all other zones of Ger. As a result, a joint econ admin of US and Brit zones was established in 1947. This was a practical application of Potsdam requirement that Ger be treated as an econ unit. US had had enough of Sov propaganda speeches about Potsdam and of Sov refusal to act. By 1948 the three Western govts were firmly resolved that vigorous joint action on a wide scale must be taken to avert catastrophe. They therefore arrived at a series of

<sup>3</sup> *Ante*, p. 279.

<sup>4</sup> Same as telegram 3588, October 3, p. 279.

<sup>5</sup> Not printed, but see footnote 2 to telegram 3588, p. 279.

agreements that the Ger people shld be able to begin without further delay their progress toward restoration of self-govt and independence and normal conditions of life. They were convinced that if such progress cld not be made in Ger as whole because of Sov opposition, it must at least be undertaken in that major area of Ger for which they were responsible.

The Occ Stat. Agreement on Tripartite Controls, and Stat of HICOM for Ger are all deliberately designed to restrict the scope of direct powers previously exercised by Western govts. They are deliberately designed to accord far greater independence of action to the Gers than have any previous arrangements. Bonn Constitution itself is democratic instrument freely formulated and freely ratified by reps of Ger people. Fed govt of Ger now established under that constitution has been created by Parliament chosen by free and universal popular elections. By the participation of 80 per cent of electorate in these elections, Ger people have unmistakably demonstrated their support of new republic. No regime which the Sov govt may now contrive for its zone of Ger will be able to claim for itself the same democ basis.

These devels represent no division of Ger by will or act of the Western powers. They constitute, on contrary, the greatest advance toward Ger unification, stability, and prosperity since the end of war. It is purely by volition of Sov govt that Eastern Ger is excluded from benefits of these arrangements.

At the recent mtg of CFM at Paris, agreement was reached for a continuation of efforts to achieve the polit and econ unity of Ger.

US rejects the attempt of Sov govt to impose its interpretation of events and its plan of action upon democ nations of Eur. It will not permit continued obstruction by a single power of all strivings toward democ peace. It will continue its efforts, in association with free peoples of West, including Ger people, to enlarge area of polit stability and freedom, of econ prosperity and of lasting peace and security."

Brit and Fr embs here have been informed and given copies. London and Paris please approach FonOff immed and seek agreement to our issuing such statement. Unless Dept hears before 11:00 Oct 5 that Brit and Fr are agreeable, statement will not be released. Frankfort will be advised by telecon tomorrow morning of decision (Frankfort's 2744, Oct 4<sup>6</sup>). If statement cannot be cleared in time, Acting Sec will merely state that note under consideration in consultation with Fr and Brit govts.<sup>7</sup>

WEBB

<sup>6</sup> Not printed, but see footnote 3 to telegram 3588, p. 279.

<sup>7</sup> In a subsequent exchange of telegrams Bruce and Holmes reported the reluctance of the French and British Foreign Offices to accept responsibility for release of the proposed statement, and it was not issued on October 5 pending decision by the three Foreign Ministers, who were in New York attending the fourth session of the United Nations. (Telegrams 4159, October 5, and 4180, October 6, from Paris; 3983, October 5, from London; 3630, October 5, to London (repeated to Paris as 3794), none printed, 862.01/10-549 and 649)

862.01/10-649 : Telegram

*The Acting Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

SECRET

PRIORITY

WASHINGTON, October 6, 1949—5 p. m.

NIACT

1971.<sup>1</sup> In accordance with decision reached by three FonMins at NY (NY's Niac 1231, Oct 6, relayed to London, Paris, Frankfort <sup>2</sup>) Dept issued text at 4:00 p.m. today as quoted in Deptel 3613 <sup>3</sup> to London, Oct 4 rptd Paris as 3772, Frankfort as 1936, Moscow as 736 and NY as 520). This was issued as statement by Acting Sec. Two sentences of statement as issued differ from text quoted in Deptel. Last sentence of second para as released reads as follows:

"U.S.S.R., by creating a dictatorial, unrepresentative regime, by building up a German paramilitary force, by strangling free econ life and by looting natural and industrial resources, by reopening concentration camps, and by creating conditions which have caused hundreds of thousands of Ger residents to flee, has steadily separated its zone from the main part of Ger and from Potsdam goals of democracy, peace and prosperity."

Last sentence of fifth para as released reads:

"No regime which the Sov govt may now contrive by the methods it is pursuing in its zone of Ger will be able to claim for itself the same democratic basis."

WEBB

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<sup>1</sup> Repeated to London as 3640, Paris as 3806, Moscow as 743, and New York as 527.

<sup>2</sup> Not printed; it reported that the three Foreign Ministers had agreed that the United States should issue its proposed statement. The British and French would issue similar statements, and the reply to the Soviet note would be discussed through diplomatic channels. (862.01/10-649)

<sup>3</sup> *Supra*.

862.20 Defense/10-1149

*Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State*

SECRET

WASHINGTON, October 11, 1949.

The allegations which the attached memorandum <sup>1</sup> indicates may be made to the President today concerning the wishes and activities of the US military in Germany with respect to German rearmament are much exaggerated and substantially without foundation.

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<sup>1</sup> Not found in Department of State files.

It is true that Pentagon thinking envisages use of German manpower in the defense of Western Europe at some time in the future and under very careful safeguard. It is also true that some lower ranking officers in Germany may think and talk indiscreetly on this subject.

It is not true that the US military authorities favor the prompt rearmament of Germany, or are considering anything like 25 divisions, or favor inclusion of Germany in MAP or the Atlantic Treaty at this time, or that substantial numbers of young men in Germany are drilling in para-military organizations.

We have no reason whatever to believe, and compelling reasons not to believe, that the military are acting in anyway in this field without our knowledge or contrary to the above.

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862.01/10-1549 : Telegram

*The Secretary of State to the Embassy in the Soviet Union*

SECRET

WASHINGTON, October 15, 1949—12 noon.

760.<sup>1</sup> Pls deliver to Sov FonOff fol note:

“US govt has received the note delivered to its amb at Moscow by Sov govt on Oct 1,<sup>2</sup> relating to establishment of Ger Fed Rep.

US govt does not deem it necessary to enter into a detailed discussion of the various charges set forth in Sov note. The attention of Sov govt is however invited to the public statement made by Acting Sec of State on Oct 6, of which a copy is attached for convenient reference.

US notes with incredulity that Western action with regard to Ger is characterized as designed to convert Ger into a ‘drill ground’ (*place d’armes*) and center of disturbance in Eur. US govt recalls its systematic efforts to achieve the full demilitarization of Ger and its proposal of a four-power disarmament and demilitarization treaty, an offer repeatedly rejected by Sov govt. US govt also recalls in this connection the fact that there has been developed in the Sov zone of Ger a large, centralized police force, a police force moreover which is well equipped with mil weapons and led by former Ger army officers.

Govt of US reaffirms its belief in the Potsdam principles which call for the democratization of Ger and the treatment of that country as an econ unity. It hopes that the time is not far distant when the Sov govt instead of seeking to impose its arbitrary will upon the Gers of its zone will cooperate with the Western Allies in enabling all the Gers of all Ger, within the framework prescribed by internatl agreements,

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<sup>1</sup> Repeated to London as 3738, Paris as 3947, and Frankfurt as 2157.

<sup>2</sup> Transmitted in telegram 2475, October 1, p. 275.

to work out their common polit destiny without dictation and with democratic freedom of action.”<sup>3</sup>

Text of public statement referred to in para 3 above and which shld be attached to above note is text contained in Deptel Niact 3613, Oct 4 to London, rptd to you as 736<sup>4</sup> and as amended by Deptel 1971 to Frankfurt, Oct 6, rptd to you as 743.<sup>5</sup>

Pls deliver this note on Monday, Oct 17, shortly before 12:00 noon Washington time, when Dept will release text.

ACHESON

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<sup>3</sup> The text of the British note, delivered to the Soviet Embassy in the United Kingdom on October 10, was transmitted in telegram 4060, October 10, from London, not printed. (862.01/10-1049)

<sup>4</sup> *Ante*, p. 282.

<sup>5</sup> *Ante*, p. 285.

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740.00119 Council/10-2249

*Summary Record of a Meeting of United States Ambassadors  
at Paris*<sup>1</sup>

[Extracts]

TOP SECRET

[PARIS, October 22, 1949.]

FRIDAY—OCTOBER 21, 1949

AFTERNOON SESSION

The meeting reconvened at 2:55 p. m. with Mr. Perkins in the Chair.

Mr. PERKINS then turned to Mr. McCloy.

MR. MCCLOY said that in view of the importance of Germany in the problem of European integration, he thought it would be well to consider item three of the agenda at this point, but that first it might be well to raise the question as to whether too much emphasis had not been given to the increase of Russian power in the world and too little thought to the enormously important factor that is the collapse of the British Empire. This collapse may be more important than the problem of Russia. For on the continent the lines are now drawn: they are no longer on the Elbe, they are on the frontier between the Eastern and Western Zones of Germany. We in Germany must now expect a powerful offensive from the East. The creation of West Germany is a great event but is one aspect of the “struggle for the soul of Faust.” This offensive may be more affirmative and threatening than the institution

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<sup>1</sup> The record was prepared by Woodruff Wallner, First Secretary at the Embassy in Paris. Also attending the meeting were Bohlen, Bonesteel, Bruce, Douglas, Dunn, Harriman, Joyce, Kirk, MacArthur, McCloy, and Perkins. Further documentation on the Ambassadors' meeting is presented in volume iv.



of the blockade. For the propaganda advantages of East Germany are great. First there is Berlin, the old "Hauptstadt" which strikes an emotional chord in Germans, no matter how much they may hate the Russians. Then there is the vision of the enormous hinterland of unknown markets and trade outlets to the East. There is the old dream of unity which is very deep in the German soul. There is the absence of an occupation statute and of a High Commission in charge of Foreign Affairs. The emphasis by the Russians on these themes leads to the supposition that they may be planning to make East Germany the major satellite. There are further disadvantages in the building up of a strong West Germany. The specter of political instability worries the Germans there, and the control of the Government by the High Commission is a factor capable of exploitation. Western Germany is plagued by economic ills, unemployment, the influx of refugees, a low level of economic activity and the loss of its natural granary by an area far from self-sufficient before the war. The return of former Nazis to the community is a further problem. The resistance people are still the leaders in political life but the reintegration of the Nazis into the community has just begun and they are still an unknown factor. Youth has no ties of any kind and has not yet taken a position. The conservatives are still quiet and are yet to be heard from. A disturbing trend is the growth of a spirit of pessimism, a third force feeling contrary both to East and West based on a vague idea of neutrality and marked by a strong cynicism concerning the West and its divided Councils. The idea of partnership in a European federations has a strong basic pull throughout West Germany but it is latent and requires development. Such integration seems most remote but the urge towards it exists and if properly developed may overcome and absorb the cynical third force feeling whose growth has been referred to.

Among the major problems we face in Germany is that of Berlin. The morale of the Western Sectors has fallen abruptly since the creation of the Bonn Government and the end of the airlift. The latter was a terrific morale factor and since its disappearance the real truth of the position of Berlin is becoming increasingly clear to its inhabitants. In this period this is intensified by the double currency system and the fact that the Eastern Sector appears more prosperous than the Western Sectors. This raises the question of the 12th *Land*. Establishment of Berlin as the 12th *Land* will not solve Berlin's problems any more than the airlift did. There is the potential danger of Russian retaliation which looms large in the minds of certain Berliners. Furthermore, the French are firmly opposed. Adenauer himself is opposed on practical political grounds because of the additional votes that would go to the Socialist Democratic Party and also because he does not believe

in pushing the French too far and too fast on this problem. Under the circumstances can we be more royalist than the King? But in the meantime there are things that can and must be done to bolster Berlin morally and financially. They will be expensive. A device for using ECA funds must be found. Adenauer is about to announce a plan by which the Bonn Government will assume a part of the city's deficit and certain ministries will have branches in Berlin. These things are merely palliatives. The best hope for encouraging a vigorous position on the part of the West German Government is to nurture the concept of German partnership in a Western European federation. Mr. McCloy then touched on some of the problems, internal and international, involved in the "horrible problem of dismantling," in which he was joined by others of those present, and a discussion ensued which resulted in no definite conclusions or recommendations.

Mr. McCLOY then raised the question of a united Germany versus a truncated Germany. France had always firmly opposed a united Germany and it looked as if Russian action in this matter would for the foreseeable future be decisive. A truncated Germany, however, could hardly be considered, even by the French, a menace to Western Europe whether or not the United Kingdom was included in that Western Europe. Adenauer was strongly and favorably disposed for the federation of Germany into Western Europe. He would insist, however, on equal partnership in the economic field and would not permit himself to be squeezed in measures such as equalization of coal prices if another member of the federation such as the UK was to avoid applying those measures. Adenauer furthermore was favorable to a closer relationship with France but was bitter now against the UK partly because he suspected that British attitudes towards Germany were inspired by the competitive spirit and partly because of Labor Party support of his political rivals, the Social Democrats. He is on good terms, however, with Robertson and his feeling about the British could be patched up. However, large numbers of British Laborites come to Germany and press toward nationalization to which the French are opposed and to which "we raise our eyebrows but don't really do anything about." As for US policy, it must be directed towards pressing for the acceptance of Germany into the European Councils. We must put pressure on the French to let the Germans come in on a dignified basis. Soon they will be in the OEEC, next they should be induced to come into the Ruhr authority and they should have a voice in the solution of dismantling. They should participate in informal economic meetings and should gradually be drawn into inter-European conferences of a non-military nature. There must be restored to the Germans a sense of self-respect, or respectability, if their confidence in them-

selves is to return and they are to tackle effectively the heavy domestic problems of Western Germany.

MR. McCLOY then touched on the rise of nationalism in Germany which he said had been much exaggerated in the press and which neither worried nor impressed him. The return of the Nazi to the community is taking place in a normal way. These men should be watched for their present rather than for their past attitudes and it is better not to have them underground. The Germans are now thinking more democratically than ever before and it is more and more important to reinforce their faith in democracy. The threat from the East, the emotional responses to Willie Pieck's recent goose-stepping parade in Berlin are very real and we must be prepared to compete with this. On the other hand, German nationalism should not and need not be allowed to get out of hand. We have the power and we should have the determination to crack down immediately on the Germans if they get out of line. An important factor in this is the functioning of the High Commission which must act with harmony, resolution and calm. One drawback has been the unwillingness of the French to give François-Poncet more authority. It is hoped that this can be worked out. There are many dangers and pitfalls and obstacles to overcome. It can, however, be done if the Western Powers play the game boldly and in harmony with each other, for it is a game that can be lost, and conventional attitudes and niggardliness at this time can cause us to lose it.

MR. PERKINS then turned to Admiral Kirk.

ADMIRAL KIRK said that the Soviet insistence on German unity largely stemmed from the desire of the Soviet Union to participate in some way in control over the Ruhr. Their present lack of insistence on this aspect is largely due to the pressure of other problems and particularly because of recent Soviet successes in the Far East and the necessity for organizing the new Eastern German state. We may expect them, however, to return to the charge with respect to our policy in Western Germany. Because of the imminent threat from the East, we must be affirmative and strong and do what has to be done without delay.

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862.00/10-2849 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET      PRIORITY

FRANKFURT, October 28, 1949—5 p. m.

3542. Following is brief summary of informal meeting between Federal Chancellor Adenauer and the Council of the Allied High

Commission held at Adenauer's request on 27 October 1949 at Bonn-Petersberg:<sup>1</sup>

1. Adenauer, in presenting his views made the following points:

a. That a press report to the effect that his Cabinet is considering a request to High Commission to review Occupation Statute and to terminate the state of war with Germany is completely unfounded. This has appeared in *Die Welt*.

b. That the movement in Western Germany headed by Professor Noack is now preparing for a conference in Western Germany at which three Ministers from Eastern Zone Government will be present. Adenauer considers that this indicates that Noack is an agent for the SMA and that the Soviet Union through the newly-established Eastern Democratic Government<sup>2</sup> is beginning a campaign to infiltrate the ranks of Federal Republic and institutions in the Western Zone. Adenauer states this movement advocates a line which has great propaganda appeal to the German people, i.e., the "neutralization of Germany." He seems to feel that it must be taken far more seriously now that the new Eastern Government is set up. He was critical of Poncet having received Noack when the attitude of the Adenauer Government had been made so clear in its refusal to see or deal with any "East-West" agents. He said Western German opinion was shocked that this visit had taken place.

c. That a secret conference in Dresden made up of 16 SED and KPD leaders set forth a new line of propaganda which terms the "Oder-Neisse line" the "peace line." Further, that the county administrators had already commenced preparations to liquidate parties now in Eastern Germany.

d. That High Commission aided the Soviet propaganda effort by announcing the procedure of accrediting foreign missions to High Commission at the same time the Eastern Zone Government announced its right to send foreign missions abroad. Further that German representatives to the special conference of ILO in Geneva on social and working conditions of Rhine boatmen were told that they would again have to be screened. (Conference will commence on 31 October 1949.)

e. That the German people are impatiently waiting for an answer concerning German participation in the Council for Europe.

f. That, finally, and most important, the recent "speed-up" in dismantling was causing great unrest and distrust among the German population.

2. Adenauer continued that in view of the points cited in paragraph 1, a-f above, his government needs assurances of help from the Commission in order to allay the fears and distrust of the German people and to meet the Soviet propaganda attack.

<sup>1</sup> The minutes of this meeting, HICOM-FED/M(49)4, are in file 862.00/10-2749.

<sup>2</sup> For documentation relating to the establishment of the "German Democratic Republic," see pp. 505 ff.

3. As Chairman, I replied :

*a.* That with respect to announcement of accrediting Allied Missions to High Commission, this matter had come up in the general course of the Commission's procedure and announced in a routine press release. It is impossible for the High Commission to phase its work with a view to answering Soviet propaganda charges or responding to Soviet moves in relation to the Eastern Government. I pointed out that our case must rest by consistent implementation of democratic policies on the foundation which we have already established, and the fact that freedoms in the Western Zones can never be matched by the totalitarian-inspired Eastern Government.

*b.* That in the case of the Rhine Boatmen Conference to commence on 31 October in Geneva, the personnel designated by Adenauer would be issued passports in time to attend.

*c.* That dismantling and reparations problems cannot be dealt with in a piece-meal fashion. Further, that the Council still awaits the comprehensive report on this subject promised by Adenauer at the last meeting on 20 October 1949. However, dismantling in Charlottenheute will stop, pending the outcome of a study now under way (see HICOG, Bonn 25, 21 October 1949<sup>3</sup>).

*d.* That anticipated full-fledged participation by the Federal Republic in OEEC was a concrete example of Germany's increasing participation in the European community and a letter concerning an invitation of the Interim Commission for ITC was being forwarded to Federal Republic.

*e.* That the Council was anxious to hear Federal Republic's views concerning financial aid to Berlin. High Commission experts are alerted to meet with Federal Republic's experts.

4. François-Poncet made the following points :

*a.* That he had talked to Noack and has concluded that although he may not be a "paid agent," he is extremely useful to the USSR.

*b.* That the Council cannot promise assistance to Federal Republic which it cannot fulfill. The Council is not afraid of criticism in the Bundestag.

*c.* That the German press is full of false news.

*d.* That the German people should not be shocked that he had received Noack as he would not adjust his behavior "to a public which is not politically enlightened or tolerant."

*e.* That the campaign against dismantling seems to be well organized.

*f.* Finally that not enough attention is paid to enlightening the German people and that the "entire situation harkens back twenty years."

5. Adenauer stated he did not want to gain the reputation that he was blackmailing the Council or trying to squeeze concessions from it on the basis of Soviet moves, but that if action were not taken along

<sup>3</sup> Not printed.

the lines he suggested, all of Western Europe would fall in Soviet orbit. He insisted that the dismantling program was being speeded up and that he could not be responsible for the consequences in terms of public distrust and the disturbance this engendered. He charged that UK General Bistop [*Bishop?*] annulled a 10,000 DM fine issued by a German court against a dismantling company and this act deprived Germany of her rights; that a British Colonel at Gelsenberg stated that his dismantling orders were received direct from London; and that France and UK were making the same psychological errors they had made since 1933 and with respect to the Nazi regime.

I told him we realized his troubles with the Bundestag and with the erection of a strong and properly disposed new government, that we did not doubt his integrity nor his skill, that we were prepared to help and would help but he must realize the age-old problem is not only for him and his government to solve but also for those who represent the victims of former German aggressions and occupations. The only hope, and it is a true hope, is that good will on both sides will eventually solve it.

6. Steele, sitting in for Robertson, replied that annulment of the fine in the dismantling incident cited in paragraph 5 above was quite proper and that acceleration of dismantling has not taken place in Gelsenberg.

7. I pointed out that the Allies had taken great steps since the close of the war and for this Germany had much to be thankful, considering the enormity of the destruction which German aggression had inspired. The rehabilitation provided by the victorious Allies has no precedent in history, and in relation to the extent of this contribution dismantling is an irritant that could well be overlooked by a responsive Germany even if it were not based on the recurrent examples of German aggression; the views of the people who suffered German aggression must be taken into account as well as German susceptibilities; the world will respond promptly to any German moves towards peace and freedom.

8. Meeting ended on apologetic note on part of Adenauer but with his expression of disappointment that he was unable to return to his government and report anything which would improve the "psychological crisis."

9. It was agreed that no press communiqué as to the substance of the talk would be issued.

Adenauer was suffering from heavy cold and was in a rather complaining mood even though he has real basis for concern over his Parliamentary situation, and the apparent speeding-up processes on dismantling are a source of the greatest embarrassment to him in the Bundestag. The touchy character of the meeting really resulted, in my judgment, from his personal criticism of Poncet over the Noack incident. It irritated Poncet and I feel it set back Poncet's half-developed instincts to respond somewhat generously to what he considered to be Adenauer's good sense over the Berlin question. Although such

passages will no doubt recur, the continuation of these informal meetings is of great help in getting things aired and sometimes adjusted.

Sent Department 3542; repeated Paris 265, Berlin 233, London 230.

McCLOY

862.01/10-2849: Telegram

*The Chargé in the Soviet Union (Barbour) to the Secretary of State*

SECRET

Moscow, October 28, 1949—5 p. m.

2707. Embtel 2604 and Embdes 594, October 17.<sup>1</sup>

Following is substance short note dated October 27 received today from Foreign Office:<sup>2</sup>

On instructions from Soviet Government, Foreign Office considers it necessary state that US Embassy's October 17 note contains nothing which could weaken Soviet Government's arguments set forth October 1 note.<sup>3</sup> Regarding October 6 statement by Acting Secretary State,<sup>4</sup> referred to in note, Foreign Office does not consider it possible discuss this statement in view its disloyal character in relation USSR.

Sent Department 2707, Department pass Frankfort 66.

BARBOUR

<sup>1</sup> Neither printed; they reported the delivery of the United States note (transmitted in telegram 760, October 15, p. 286) to the Soviet Foreign Ministry and transmitted two copies of the text as delivered. (862.01/10-1749)

<sup>2</sup> A copy of the Russian text of this note was transmitted in despatch 631, October 29, from Moscow, not printed (862.00/2949).

<sup>3</sup> Transmitted in telegram 2475, October 1, p. 275.

<sup>4</sup> Regarding the October 6 statement of the Acting Secretary of State, see telegrams 3613, October 4 and 1971, October 6, pp. 282 and 285.

### *Editorial Note*

On November 4 the Department of State announced that the Foreign Ministers of the United Kingdom, France, and the United States would meet in Paris during the week of November 7 to discuss problems of common interest, in light of the establishment of the German Federal Republic and the recently completed meetings of the Organization of European Economic Cooperation and the Council of Europe. For the full text of the announcement, see Department of State *Bulletin*, November 28, 1949, page 822.

In preparation for the Foreign Ministers meeting the Office of the United States High Commissioner for Germany prepared for Secretary Acheson a series of briefing papers divided into four parts. The first part consisted of a summary statement of the United States position at the meeting. Part two dealt with problems on which the Federal Republic wanted revision of Allied policy, such as dismantling,

shipbuilding, and Allied controls in Germany. In part three the briefing papers considered problems on which the Allies desired the revision of the Federal Government's policies, such as its attitude toward the International Authority for the Ruhr, the Military Security Board, and proposed anti-trust legislation. The fourth part of the papers dealt with problems affecting mainly the Allied Powers, including relations with the "German Democratic Republic," German participation in international organizations and conferences, and the termination of the state of war with Germany. None of these papers is printed in this volume, but a complete set is in CFM Files: Lot M-88: Box 144: HICOG Briefs.

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740.00119 Control (Germany)/11-549

*Paper Prepared in the Department of State*<sup>1</sup>

SECRET

WASHINGTON, November 5, 1949.

UNITED STATES INTERESTS, POSITIONS, AND TACTICS AT PARIS

A. UNITED STATES VIEW OF SIGNIFICANCE OF PARIS TALKS

The Secretary should impress upon his colleagues the views of the U.S. Government with respect to the significance of the talks concerning Germany. In essence, these views are as follows:

Events are moving rapidly and the situation urgently requires that the three governments move quickly with agreed purpose and concerted plan of action if the present potentially promising situation is not to deteriorate. The April agreements were a triumph of which we may well be proud. But much has happened since then—a German government has been established, an entirely new organization of Allied control has been set up, our relations with the Germans have been regularized by statute, steady advance has been made in developing such agencies as the IAR and the Military Security Board. Meanwhile we continue to face deep-seated economic problems which are at least partly under control. The Atlantic Pact has become a reality and military aid from the U.S. to the European democracies has been assured.

The German problem must be viewed and dealt with in the total context of general developments. It cannot be isolated. What we do in Germany must not be dictated by considerations of what the Germans demand, or even of our respective national interests, but by a fair appraisal of the indispensable requirements of our whole Western community of free peoples. We need above all the long view, mutual trust, assurance that we are on the right road.

The U.S. recognizes fully the special interests of Britain and France in German affairs, arising from their proximity and close historical association. We can, perhaps, bring a certain detachment to the treat-

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<sup>1</sup> The source text was an enclosure to a memorandum from Byroade to Acheson, November 5, not printed (740.00119 Control (Germany)/11-549); also attached was a table of contents.



ment of German problems which it is difficult for other peoples to attain. But as the object of aggression in two great wars with Germany, the U.S. remains fully determined to end the German menace once for all. There will be no concessions to the Germans on any issue involving a threat of German military revival. We reaffirm our pledge not to withdraw from Europe until the peace is secure. And we shall neither evade nor withdraw from whatever obligations must be undertaken in order to maintain that peace in perpetuity.

But we cannot emphasize too strongly the dangers which will confront us all if we do not act positively and constructively to make Germany a stronghold of peace, of economic and political stability and security in Europe. The Federal Republic, for which we are jointly responsible, is faced with dangers both within and without. The creation of the puppet German regime in the East signalizes the opening of a determined, long contemplated and shrewdly calculated political offensive by the Soviet-backed Communist forces to ruin all of Germany. We must deal with this situation with courage and realism. We must counter with bold measures. If we fail to inspire the Germans with a sense of confidence and faith in the Western democracies and with a genuine conviction that they are on the road to full restoration of their legitimate prerogatives as a nation, they will almost certainly turn to the East. In that event we would lose Germany by default and Russia would make a long stride toward winning the battle for Europe.

We meet here in the shadow of impending developments which may be sinister or hopeful, depending on the action we take. We cannot avoid action, one way or another. We must, in our brief meetings, avoid too great involvement in the details of our many and complex problems and keep in mind our paramount objectives. Only in this way can we hope to resolve the vexatious questions on our agenda.

These talks will be successful, not in the degree that the U.S., the UK or France gains national advantage from them. They will succeed only to the extent that they result in a genuine meeting of minds and a harmonious course of action. We must retain the initiative in Germany. We must match Soviet action with absolute unity of purpose in the West. We must emerge from these conversations with renewed conviction that we are on the right road.

#### B. IMMEDIATE U.S. INTERESTS AND OBJECTIVES

The prime US interest at Paris is to secure a comprehensive set of agreements on urgent German issues which will be thoroughly consistent with each other and with our over-riding purpose that there should exist a free, united and secure European community. A central difficulty will be the always latent Franco-German antagonism. Agree-

ments reached must satisfy French security aspirations in a manner that will not accentuate this antagonism but increase the possibilities of Franco-German rapprochement. They must offer the Germans adequate guarantees and assurances that they are on the road to responsible nationhood.

The dismantling issue must be assimilated to the broader problem. Definitive decision on dismantling is imperative but it should not over-shadow even more basic questions.

These talks should denote an important transition from a postwar attitude toward the German problem to a peace-time attitude. Some postwar questions are yet to be liquidated. But the emphasis should be on the regularization of relations with Germany along lines of a provisional, interim peace settlement. Our constant aim must be so to conduct our Germany policy as to achieve and preserve a measure of democracy in Germany and a willingness on the part of the Germans to cooperate peacefully with Western Europe and the Atlantic community.

It is considered of vital importance by the U.S. that the Ministers give the High Commission a clear, unambiguous mandate with respect to the manner in which the Occupation Statute<sup>2</sup> should be interpreted and applied, emphasizing the joint aspects of control and a sense of restraint in the application of the reserved powers. A maximum degree of voluntary German acceptance of controls is considered highly desirable (e.g., IAR, Military Security Board). Further concrete advances in the integration of Germany with Europe should be made. Admission to the Council of Europe and participation in international functional organizations and conferences would represent tangible achievement (Germany has already been admitted to OEEC).

The U.S. considers it of most urgent importance that agreements emerging from the meeting should be not only acceptable to the Federal Government of Germany but should be of such a character as to enhance the prestige of that Government and strengthen it *vis-à-vis* dissident and anti-democratic elements within Germany. In this connection the unfortunate experiences of the Weimar Republic should be kept in mind.

### C. STRATEGY AND TACTICS

The UK and France, particularly the latter, may in opening the talks, be disposed to criticize the U.S. unduly. We should avoid becoming involved in a defensive response to possible criticisms and not indulge in recriminations.

If the French (Bidault or Schuman) open with a strong statement presenting the more extremist French position, the Secretary should

<sup>2</sup> *Ante*, p. 179.

seek to divert the discussion to a more positive approach along the lines of the Acheson-Schuman message.<sup>3</sup>

If the dismantling issue is specifically brought up initially (probably by Bevin), the Secretary should avoid becoming entangled in a discussion of details (plants, categories, allocations, etc.). He might suggest that, while admitting the key importance of the problem, the matter should be referred to deputies on the basis of agreed instructions who should try to work out an agreed draft for submission, perhaps the next day, to the Minister. He should take this opportunity to relate dismantling to the broader purposes of the talks. He might, if necessary, seek to mediate a reasonable compromise between UK and French views.

The Secretary should approach any other concrete proposal from this same viewpoint, showing a readiness to consider it but only as logically and integrally related to a comprehensive agreement on all issues.

The total U.S. program in relation to Germany should be a carefully considered set of proposals which gives consideration to British and French requirements as well as to legitimate German needs and aspirations, and one from which any major deviation would be dangerous and would jeopardize the attainment of the basic objectives with which all are equally concerned. An over-all program which the U.S. might hope to attain and which would forward our objectives by balancing concessions to both sides would be:

1. A decision to stop the dismantling of a list of plants.
2. A decision to approve admission of Germany to the Council of Europe (this would doubtless depend upon acceptance of French position on the Saar).
3. A decision to permit German participation in a variety of international technical organizations.
4. An agreement to instruct the High Commissioners to pursue a "policy of restraint" with respect to their application of the Occupation Statute.
5. An agreement to permit the establishment of German Consular and commercial representation abroad.
6. An agreement to study urgently the possibility of terminating the state of war.
7. German agreement to become a full member of the IAR.
8. Explicit assurances from the Germans of their willingness to cooperate with the Military Security Board in the interest of satisfying just security demands of the Allies.

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<sup>3</sup> Transmitted in telegram 413, p. 622.

9. German willingness to cooperate with the democratic world. (This is the great intangible which it is the aim of all our measures to achieve and to preserve.)

The Secretary may find it necessary, to a greater degree than the other two Ministers, to present the adverse effects of our action or lack of action on German willingness to cooperate in certain fields. This should be stated as a reality which must be considered. The importance of the right kind of Germany as an economic and political asset to the West should be stressed, as well as the imminent danger which would result from the development of the wrong kind of Germany as an easy prey to ultra-nationalist forces, or easily lured to a Soviet-Communist alliance.

#### D. U.S. POSITIONS ON SPECIFIC ISSUES

The following discussion is a summary of the problems facing the Ministers and a brief statement of the approach which seems most appropriate for the U.S. in each case. More detailed discussion can be obtained from the paper on each subject. This summary is an effort to provide in one place a general guide to the Paris talks.

##### I. *Dismantling.*

1. The U.S. position on dismantling can be summarized as follows:

a) To extent feasible dismantling should be completed before end of the year.

b) Dismantling in Berlin should be ended at once, except for the destruction of special purpose tools in war plants, if any remain undestroyed.

2. The British position on dismantling is similar to that of the U.S. and specifically they will propose the retention of:

a) Nine synthetic oil plants, which were badly damaged during the war, but have not been dismantled, and cannot, in fact, be dismantled in a reasonable period of time.

b) Two synthetic rubber plants, which are in similar position to the synthetic oil plants.

c) Hamborn steel plant, which formerly had a crude steel capacity of approximately 2.3 million tons, but has apparently been dismantled up to 33%. Its present capacity is therefore unknown.

d) Hermann Goering works at Salzgitter, which formerly had a crude steel capacity of approximately 1.0 million tons, but has been partially dismantled.

e) Hattingen steel plant, which had a crude steel capacity of approximately 400,000 tons and finishing capacity regarded by ECA as extremely useful to retain in Germany.

f) Charlottenhuetten, a steel plant with relatively small crude capacity.

3. The British proposal would not modify the PRI agreement<sup>4</sup> except as regards the removal of the synthetics:

Under the PRI agreement the synthetic oil and rubber plants were to be removed, with certain specified exceptions. The prohibitions against the use of the facilities would presumably remain in effect, although undoubtedly German pressure can be anticipated to modify the prohibitions. The plants were badly damaged during the war, and are high cost operations that would probably be unable to compete against the natural products unless protected by subsidies.

4. In regard to steel, the British proposal does not contravene the PRI agreement which restricts steel capacity to the level remaining after reparations removals are completed. The agreement provides security against the misuse of the retained steel capacity in the powers of the MSB to limit production to 11.7 million tons, to require all new construction in the industry to be licensed, to control the use of steel in end-uses of a prohibited or restricted character.

5. To the extent that the problem involves technical questions as to the stage of dismantling, the estimated time required to complete the dismantling or the economic consequences of the retention of the capacity in question, the matter should be referred to a subcommittee for analysis and recommendations.

6. It should be clear that the considerations involved are not economic but the adverse political implications of a continued long-term dismantling program. The interests of the U.S. would not be jeopardized if dismantling of all plants, except war plants, were to be halted at the present time, except in so far as we are anxious to fulfill our international commitments. The U.S. should therefore support the proposal advanced by the British, as a reasonable effort to cope with a serious situation in Germany, although recognizing and sympathizing with the position in which the French are placed. The situation however calls for a bold decision. To the extent possible, the U.S. should not advocate the dismantling of plants, other than war plants, which could not be dismantled by the first of the year.

7. The U.S. position should be based on the premise that the prohibitions and restrictions of the PRI agreement will not be altered.

8. The French will undoubtedly react strongly against an increase in retained steel capacity. The French are concerned not only with their competitive position with Germany but also their long-term position in Europe. The French have repeatedly indicated their concern that they should be able to set the terms upon which a closer integration of Germany with Western Europe would be compatible with French interests.

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<sup>4</sup> For the text of the Prohibited and Limited Industries agreement, see *Germany 1947-1949*, pp. 366 ff.

9. If the French propose that added assurances be given, in addition to those in the PRI agreement, to the effect that the limitation on German steel production will be maintained at 11.1 million tons, it should be the U.S. position that the PRI agreement is adequate. The U.S. should avoid, however, indicating to the French that there is any present intention of increasing the level of permitted steel productions except as this might prove desirable, on the basis of an integration of German industry with that of other cooperating nations to support their common defensive strength.

10. The importance of the present meeting is to reach a definitive decision on the dismantling question. For this reason final agreement should be reached before the meeting is over.

## II. *Admission of Germany and the Saar to the Council of Europe.*

The United States is gratified at the prospect of the German Federal Republic becoming an associate member of the Council of Europe. While not prepared to raise objections to the admission to associate membership of the Saar, the United States is concerned at the possible adverse effects of the admission of the Saar upon German opinion at a time when full cooperation with the occupying powers is virtually essential. The United States should reserve its position with respect to the ultimate, definitive status of the Saar which can only be established by a permanent peace settlement.

## III. *The Exercise of Allied Powers.*

The United States is chiefly concerned here not with any specific change in the powers reserved to the High Commission but with the spirit and method by which Allied Powers are exercised. Within the terms of the Occupation Statute and the Charter of the Allied High Commission it would be possible, speaking in terms of the possibilities of interpretation of the agreements, to confine the Germans so closely that their freedom of action would be little if any greater than it was under Military Government, or to permit them to function with only the checkreins necessary to protect our fundamental interests. In the U.S. view the latter possibility is the course of action agreed in April and is absolutely necessary unless we are to see the development of a surly and uncooperative German people and Government strongly tempted by the German Democratic Republic and the offers of the Soviet Union. The Secretary should therefore make an earnest plea, along the lines of the earlier sections of this paper, for the exercise of restraint in using the powers retained by the High Commission.

It is likely that discussion of this problem will give rise to criticism of German attitudes and action and U.S. unilateral action. It is hoped that a firm understanding can be reached pledging the representatives of the three Occupying Powers in Germany to coordinated action in dealing with the Germans, this action to be carefully considered to minimize on the one hand any opportunity for the Germans to make use of real or apparent differences between the Occupying Powers and on the other hand a restrained and generous attitude toward the assumption by the Germans of a very full measure of control over their

internal affairs and rapid progress by them in exercising the international responsibilities of a nation.

#### IV. *German Participation in International Agencies.*

The three Ministers agreed in September that a study should be made of the possibilities of German participation in international agencies, having in mind the legal difficulties involved in German participation in agencies requiring membership in UN or full sovereignty.<sup>5</sup> This study has been completed and is satisfactory within its own rather limited terms. However the discussions revealed a strong tendency on the part of the French, and the British also to some extent, to view the problem in the narrowest framework, contemplating membership only in technical agencies and the possibility of extensive supervision over German representation even in such agencies. While the United States has no desire to obtain a basic change in the agreement of the Working Party it is believed that the Secretary should make two points, first that if we are to establish in Germany the prestige of the Government which we have created and for which we are responsible, we must sponsor it internationally in every way we can, and second, that we must, while retaining our ability to intervene decisively in matters of German international relations which require our intervention, as for example relations between the Germans and the USSR, resist any temptation to intervene in technical matters or in the commercial or economic relations of the Germans with countries friendly to us, or in the OEEC.

#### V. *German Recognition and Acceptance of Allied Control Agencies—the Ruhr Authority and the Military Security Board.*

Mr. Bevin has suggested we attempt to obtain some form of German adherence to or support for those two agencies which are designed on the one hand to ensure access to Ruhr coal and steel, with provision for enforcement of security restrictions in the absence of other arrangements for their enforcement, and on the other hand to enforce Allied controls on German military activity and industrial or scientific preparation for rearmament. While the problems are somewhat different involving full membership in the Ruhr Authority with acceptance of a series of obligations by Germany in one case and acknowledgement of Allied control over problems involving security in the other, the essential problem in each case is the willingness of the German Government to recognize publicly the need for and justice of the existence and functions of the two agencies. The U.S. is persuaded of the desirability of such recognition and anxious to obtain it if possible. The subjects of German participation in the Ruhr Authority and cooperation with the Military Security Board should be left with the High Commission for resolution with the German Government. Decisions on other matters at the Paris meeting should provide the High Commission with sufficient courses of action which would strengthen the prestige of the German Government to the point where it could readily cooperate in these fields. The tactics of presenting decisions of the Foreign Ministers to the German Government in a manner to produce

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<sup>5</sup> The study under reference here is not printed.

the best overall results should likewise be left in the hand of the High Commission.

It may be expected that the French will present a plea for a more aggressive attitude on the part of the United States and United Kingdom in the efforts of the Military Security Board. In this event the Secretary should reaffirm the United States interest in an effective Military Security Board and agree to any reasonable suggestion of the French which is designed for true security measures as contrasted to competitive economic interests.

#### E. LESS IMPORTANT SUBJECTS

##### I. *Shipbuilding.*

Several aspects of the restrictions on German shipbuilding are not yet fully agreed. Mr. Douglas can provide any information required to bring up to date the description of the state of negotiations given in the paper on Shipbuilding.

##### II. *Transfer of Powers From the High Commission to the Ruhr Authority.*

This problem has been raised several times by the French and may be raised in the course of the discussions, either as a problem deserving action to compensate the French for action they may be asked to take with respect to dismantling or on its own merits. The U.S. is committed to consider transfer of powers in the fields of deconcentration, denazification, and control over management, investment and development in the Ruhr coal and steel industries from the High Commission Coal and Steel Control Groups to the Ruhr Authority within the coming year. The U.S. does not believe the Ruhr Authority can or should exercise these powers which the Coal and Steel Control Groups were specifically created to perform and are now performing with U.S., British and French membership. It is suggested that the Secretary indicate U.S. doubts about the wisdom or necessity of any action and satisfaction that the matter should be discussed as provided in the Ruhr Agreement. If the French insist on discussion of this subject the Secretary should be prepared to agree to discussion by the High Commission and the preparation of recommendations for consideration by the Governments some time in the spring of 1950, tying the discussion to a consideration of German problems generally at that time.

##### III. *German Democratic Republic—(Soviet Zone).*

The United States opposes any action by the Western occupying powers which would amount to recognition, explicitly or by implication, of the government of the German Democratic Republic. It would endeavor to induce other Allied and neutral governments to adopt a similar attitude. Technical negotiations between representatives of the Bonn government and the government of the Soviet zone are admissible, and should be encouraged.

##### IV. *German Representation Abroad.*

The United States should propose that the German Federal Republic be authorized to establish a consular service. It should be enabled to



send consuls, or commercial representatives, to countries ready to receive them, and to establish a Bureau of Consular-Commercial Affairs. The three Allied Governments would seek to obtain maximum acceptance of such representatives by other Western and neutral governments.

The United States should be ready to consider some form of diplomatic representation abroad for the Federal Republic, but should not take the initiative in this respect. Any concessions granted in this field should offer minimum scope for independent political action in the field of foreign affairs by the Federal Government, while being calculated to enhance its prestige so far as consistent with this consideration.

#### *V. Termination of a State of War and an Interim Peace Settlement.*

The United States recognizes fully the difficulties to be encountered under present conditions in any moves toward a more normal juridical relationship with Germany, either by mere termination of the state of war or by effecting, in addition, a provisional peace settlement with Germany.

However, the course of the talks may indicate the desirability of a move in this direction as a means of gaining political advantage with the Germans and obtaining more ready acceptance of other agreed proposals. If such is the case, the United States should be ready to consider such a move. This could best be accomplished by action of the several governments in making these matters the object of special study with a view to discussions at the next meeting of the three Foreign Ministers.

#### F. ACTIONS AND AGREEMENTS

The United States considers it desirable that action should be taken by the Ministers to conclude specific agreements on as many of the items in the agenda as possible. Actions taken at Paris should embrace itemized and concrete agreements on as broad a range of questions as possible, so that they may serve as unambiguous instructions to the High Commission. While it is impossible at this time to obtain full agreement on details, there should at least be if possible, sufficient agreement in [on?] basic principles that the High Commission can proceed with detailed application. If agreement on any issue proves impossible, the question may be referred for further study at diplomatic or High Commission levels.

Agreements on matters falling within the purview of the High Commission should be put in the form of instructions to the High Commissioners severally and collectively, to be carried into effect at the earliest possible time. In order not to impair the position of the High Commission in Germany and to allow them most advantageously to utilize such agreements as are arrived at in Paris during negotiations with the German Government, the press communiqué should refrain from disclosing decisions of the Foreign Ministers but should be confined to a listing of the subjects discussed.

740.00119 Council/11-1149 : Telegram

*The Secretary of State to the President and the Acting Secretary of State*

SECRET

PARIS, November 11, 1949—3 a. m.

4716. For President and Webb from Secretary.

At opening meeting November 10<sup>1</sup> Schuman announced impossibility of meeting of French Cabinet on dismantling question until six that afternoon. We, therefore, agreed to hold meeting night November 10 on the dismantling issue to take into account French Cabinet position.<sup>2</sup> Discussions on all other German issues on our agenda discussed with very satisfactory results.

We agreed on desirability of an early accession of Germany to international authority for Ruhr and to obtaining some form of declaration from German Government for recognition of purposes of, and cooperation with, Military Security Board. It was also agreed that cooperation by German Government in matters of common concern to Western Powers should likewise be obtained as part of general settlement as far as practicable. It is expected that HICOM will attempt within general framework of results of this meeting to obtain early action by German Government on these matters.

We also agreed that Germany may establish consular service and commercial attachés in countries in which they would be received.

There was general understanding that economic mission could be accredited to other governments where this appeared desirable. To administer these services it was agreed that Germany could establish consular-commercial bureau. There was general understanding that Germans should be discouraged from setting up anything in nature of Foreign Office at this time.

It was agreed that problem of possible termination of state of war with Germany required very careful consideration within our respective governments before any profitable joint consideration could be made. We agreed to exchange information on this subject in January, preparatory to meeting of special legal committee to consider question.

It was agreed we should discourage other nations taking steps which would lead to either *de facto* or *de jure* recognition of the Eastern German regime, but relations of technical nature between West and East Germany which would facilitate travel, trade, et cetera, should

<sup>1</sup> Secretary Acheson was in Paris attending a meeting of the Western Foreign Ministers to discuss various aspects of the German question. The minutes of this first session are in CFM Files: Lot M-88: Box 144: 3 Min Talks. For another account of the meeting of the Foreign Ministers, see Acheson, *Present at the Creation*, pp. 337-340.

<sup>2</sup> For documentation on the Foreign Ministers' discussion of dismantling, see pp. 632 ff.

not be discouraged. It was recognized that neighboring countries will have great difficulties in handling trade matters with Eastern regime in context of our joint approach. These matters may be discussed from time to time within permanent commission of Brussels pact countries. I agreed that on such occasions it might be desirable for Douglas to join their meetings.<sup>3</sup>

I had intended to talk privately to Bevin and Schuman on the subject of European integration and to address myself in open meeting only to aspects of problem as it affects sound and long range solution to German problem. Bevin, however, speaking with considerable feeling, expressed at great length his concern at increased pressure for their association with continent to an extent which would force England from its Commonwealth position. I gave only partial reply at regular meeting as I expect to speak privately to Bevin Friday on this subject.

[Here follows a report on the discussion of the Yugoslav and Chinese questions; that part relating to Yugoslavia is printed in Volume V.]

By our invitation Foreign Ministers of three Benelux countries met with us late this afternoon. They were informed of, and expressed agreement with, our general conclusions on various items as regards Germany. They expressed strong appreciation of their having been taken into confidence.

Sent Department 4716, repeated London 813, Frankfort 130.

[ACHESON]

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<sup>3</sup> For further documentation on the United States attitude toward the "German Democratic Republic," see pp. 505 ff.

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740.00119 Council/11-1149 : Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET

PARIS, November 11, 1949—3 p. m.

4724. From Secretary. Following is text of directive to US, UK and French High Commissioners on general questions concerning Germany approved by three Foreign Ministers in session concluded early this morning.

"CONCLUSIONS OF THE TRIPARTITE MEETING HELD IN PARIS ON NOVEMBER 9 AND 10. DIRECTIVE TO THE HIGH COMMISSIONERS.

I. GENERAL LINES OF POLICY TOWARDS GERMANY

(1) This directive is intended to establish a programme for the development of allied policy in Germany which aims eventually at creating a more normal situation in Germany and at the establishment

of more normal relations between Germany and other countries subject to these measures which are necessary for security, including the retention of supreme authority.

(2) The occupation statute will remain in force until reviewed.

(3) Meanwhile the ground for a smooth evolution should be prepared by a programme for 1950 which will include measures outlined in the following paragraph.

## II. ASSOCIATION OF GERMANY WITH THE WESTERN WORLD

### (A) *Council of Europe.*

The admission of Germany to the Council of Europe as an associate member has already obtained support in principle in the Committee of Ministers. It has been approved by the standing committee of the assembly and also by the three Ministers at this meeting. Final decision on the point is expected at the next meeting of the Committee of Ministers. It is hoped that before then the governments may be able to advise the high commissioners that they can inform the Federal Chancellor that a request for admission as an associate member could opportunely be made together with the necessary declarations accepting the basic principles on the statute of the Council of Europe.

### (B) *International organizations.*

The Ministers gave approval in principle to the report of a working party set up in Washington to examine the question of German participation in certain international bodies.<sup>1</sup> The high commissioners will take this report as a guide and will, in conjunction with the German Federal Government, examine each proposal for the participation of Germany in an international body on its merits. In addition to the bodies listed in the working party's report, Ministers decided that consideration should be given to the admission of Germany to the Central Rhine Commission on the basis of the Mannheim Convention of 1868.

## III. THE SAAR

For the information of the high commissioners, the Ministers recorded that they could agree with the admission of the Saar territory with the Council of Europe as an associate member on the understanding that the definitive status of the Saar shall await the peace settlement.

## IV. GERMAN INTERNAL PROBLEMS

### (A) *Germany's representation abroad.*

The high commissioners should inform the Federal Chancellor that they are authorized to permit the gradual establishment by the German Federal Republic of consular and commercial representatives in those countries which are prepared to receive them. They may also approve the authorization of a bureau, probably forming part of the Federal Chancellor's office, to control these officials and to coordinate instructions to German representatives attending international organizations and conventions. These measures do not affect the powers reserved to the high commission in the field of foreign affairs.

<sup>1</sup> Not printed.

(B) *Termination of the state of war.*

The Foreign Ministers decided that each government concerned including the Benelux and Commonwealth nations should examine the problem and exchange views preparatory to an eventual meeting of a committee of jurists. In the event that this question is raised by the Federal Chancellor, the high commissioners will inform him that the continuation of the state of war involves technical and legal problems of a very complicated nature. They may further advise him in strict confidence that the Ministers have decided to have this question examined carefully by jurists; at the same time they should warn him that at the present time the legal difficulties appear to be considerable.

(C) *Attitude to the so-called German democratic republic.*

The Foreign Ministers agreed that it was desirable that the governments of the Western world should adopt a common attitude towards the so-called German democratic republic and should as far as possible avoid any action involving the express or implied recognition of that republic as a *de facto* or *de jure* government. They agreed that when the permanent commission in London of the Brussels Treaty powers considers the problems arising from trade agreements between the Soviet Zone of Germany and other countries, or other matters which might raise the question of such recognition, the United States Government should send a representative to the meetings. They also agreed that the United States Government and the governments represented on the permanent commission would if necessary make representations to other interested Western European Governments.

Finally the Foreign Ministers agreed that the high commissioners should inform the Federal Government of the Ministers' concern in regard to this problem and use their influence to assure that the action of the Federal Government conformed."

Sent Department 4724; repeated London 816.

[ACHESON]

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740.00119 Control (Germany)/11-1349

*Memorandum of Conversation Prepared in the Office of the United States High Commissioner for Germany*<sup>1</sup>

SECRET

[BONN, November 13, 1949.]

At the luncheon which the Chancellor gave in honor of Mr. Acheson the following gentlemen were present:

*American Side*

Mr. Acheson  
Mr. McCloy  
General Hays  
Mr. Perkins  
Colonel Brocade

Mr. Riddleberger  
Mr. Nicholson  
Mr. Battle  
Captain Ates  
Mr. Whitman

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<sup>1</sup> For two other accounts of the conference, see Acheson, *Present at the Creation*, pp. 340-342 and Adenauer, *Memoirs*, pp. 206-208.

*German Side*

Dr. Adenauer, Chancellor

Mr. Bluecher, Vice Chancellor

Mr. Koehler, President of the Bundestag (Parliament)

Dr. Erhardt, Minister of Economics

Mr. Schaeffer, **Minister of Finance**

Mr. Weitz, Finance Minister of *Land* North Rhine-Westphalia

Mr. Pferdenges, Banker from Cologne

Dr. Blankenhorn, Assistant to the Chancellor

Mr. von Herwarth, Assistant to the President of the Republic and  
Chef de Protocol

During luncheon the Secretary and the Chancellor had pleasant informal conversation. Whenever Minister Erhardt tried to bring political questions into the discussion, the Chancellor requested him to refrain from such subjects and to give the Secretary a chance to relax. Nothing of political importance was said which was not brought up in more detail in the following more formal discussions. One rather amusing incident occurred in that the Chancellor at lunch told the Secretary that "Americans were the best Europeans." Practically the same words were later repeated to the Secretary by Dr. Schumacher, the head of the SPD.

After luncheon the following gentlemen went to the Chancellor's office for a conference:

*American Side*

Mr. Acheson

Mr. McCloy

Mr. Perkins

Mr. Whitman

*German Side*

Dr. Adenauer

Dr. Blankenhorn

Mr. von Herwarth

The discussion went along the following lines:

The Chancellor thanked the Secretary for his visit and expressed his great pleasure in making his personal acquaintance. He stated that he understood that the outcome of the Paris Conference and such special issues as dismantling were not to be discussed, but that he would confer on these questions with the High Commissioners in his talks commencing Tuesday, November 15. He would, therefore, start by reviewing for the Secretary the German position:

From a psychological point of view it was important to realize that the German nation was in a state of mental instability, easily explained by the events of the last 35 years, such as World War I, inflation of the currency in the early '20's, the Hitler regime, World War II, and now the Occupation. Dr. Adenauer then continued to give some of the German historical background, accounting for the difference between East and West Germans. The influence of Roman and Christian culture throughout the centuries has tied the West German closer to Western Europe, while Eastern Germany has always looked towards Russia.

He (Adenauer) desired whole-heartedly cooperation with France and he is determined to pursue this goal to the utmost of his ability. This he stated was not an opportunistic policy of the moment but was proven by his record of the last 25 years. He believes that the German nation is behind him in this and does not back the SPD's (*Sozial Demokratische Partei Deutschlands*) nationalistic policy—if there were a plebescite on this question, the SPD would be badly defeated. In Dr. Schumacher the Secretary would meet a typical East German.

In this connection the Chancellor stated that he would have to touch upon a delicate theme, namely that many Germans, in particular some leaders of the SPD, believe Russia may one day extend her influence into Western Germany, if and when American troops should leave. This, though hardly ever spoken of, influences their thinking a great deal and partly explains their attitude. The Chancellor went on to say that he had great powers under the law; that he would use these powers notwithstanding the opposition he may encounter to bring Germany into the circle of the West European nations. He felt sure that the Secretary's visit to Frankfurt, Bonn and Berlin meant a great deal to the Germans.

The Secretary replied he was happy to make this visit; he had wanted to come earlier to make the personal acquaintance of the chiefs of the German Federal Republic. The Paris discussions had been extremely successful. All the pertinent German problems were discussed and a full understanding had been reached. The High Commissioners would have wide scope and full authority in their dealings with the Federal Government. He was tremendously impressed with the change of sentiment in France. Although Bidault may have been somewhat difficult in the past, the Secretary feels that Schuman now has the full backing of his cabinet in his policy towards Germany.

The Secretary went on to point out that this is a very important moment. French public opinion is ready for cooperation. American public opinion is optimistic and enthusiastic about a Western European agreement—sometimes too much so. They practically expect miracles within a few days. However, if Americans could be shown that at least some progress were being made in European understanding, their optimistic attitude would continue. However, if these principles should fail, Americans would be deeply disappointed and feel nothing had changed since the post World War I period. It would then be exceedingly difficult to convince Congress to continue political and financial aid to Europe.

The first need in developing such understanding in Europe, the Secretary emphasized, is harmonious cooperation between the High Commissioners and the Government of the Federal Republic.

The Chancellor replied that though some friction could not always be completely avoided, he would make every endeavor for harmonious cooperation with the High Commissioners. At this point he asked Mr. McCloy to close his ears and told the Secretary he felt strongly that Mr. McCloy had a real warm-hearted understanding of the German problems and that cooperation with him would never be difficult. He remarked, however, that based on his experience, he was a little doubtful whether the same possibilities for cooperation existed with the British. (Apparently he had in mind the period after the war when

he was reinstated by the U.S. as mayor of Cologne, but later on discharged from this position by the British.)

The Secretary remarked that a great deal of thought had been given to what could be done about ending a State of War with Germany. This, however, involved complicated judicial questions. Under the War Power Act the President of the U.S.A. has many powers which made the Occupation, the Office of the High Commissioner, etc., possible. If the State of War were ended, it would mean that some of these powers of the President would terminate and that complete new legislation would have to be submitted to Congress for maintaining the Occupation forces in Germany.

The Chancellor replied he understood this perfectly and that he would submit to the High Commissioner in the near future some points concerning the State of War which the German Government would like to have changed and that this might be done without affecting the domestic judicial problems which the Secretary had just mentioned.

The Chancellor went on to say that the German Government had no interest in the rearmament of the German nation for two reasons: (1) too much blood had been shed in the last war, and (2) that it was just too dangerous to provide Germany with arms at this stage. He felt, however, that he should point out to the Secretary that the recent appointment of Marshal Rokossovski<sup>2</sup> was causing him some concern. He believes this appointment may pave the way for the eventual evacuation of Russian troops from the German Eastern Zone. However, one should not be led to believe that such evacuation would change anything politically. The East German State would still be closely tied to Russia by the German Communistic government and the Peoples' Police in the Eastern Zone. Although some of the Peoples' Police are deserting to Western Germany, no importance should be attached thereto, as West German checking and screening had proved that 90 percent of these deserters were Russian-trained agents and were deserting with full knowledge of the Russian authorities.

The Secretary reasserted his pleasure at having met the Chancellor and that even after such short acquaintance he felt sure that they would succeed in establishing the same relationship of mutual trust and confidence which he already had with his French and British colleagues, Mr. Bevin and Mr. Schuman.

The Chancellor replied along the same lines and stated that he hoped it would be possible someday for the Secretary to speak before a larger audience, possibly at a University. In suggesting this he was remembering the speech of Secretary of State Byrnes in Stuttgart some years ago<sup>3</sup> and its effect on the German people, which might be called a turning point in German history.

The Secretary replied he would be glad to take this under consideration and would confer with President Truman on this subject.

The conference closed on a friendly and harmonious note.

<sup>2</sup> Documentation relating to the appointment of Soviet General Rokossovski as Marshal of Poland on November 7 is in volume v.

<sup>3</sup> For the text of Secretary Byrnes' speech at Stuttgart on September 6, 1946, see Department of State *Bulletin*, September 15, 1946, p. 496.



740.00119 Control (Germany)/11-1349

*Memorandum of Conversation Prepared in the Office of the United States High Commissioner for Germany*

SECRET

[Bonn, November 13, 1949.]

A reception was given by the German Chancellor in honor of the U.S. Secretary of State, Mr. Acheson, on Sunday, November 13, 1949 at Bonn. The British High Commissioner, the French High Commissioner, the President of the German Republic, members of the German Cabinet and Parliament, members of the *Laender* governments, members of the clergy and leaders in industry and finance were present. After the reception the Secretary met in an adjoining room with the leaders of the SPD (*Sozial Demokratische Partei Deutschland*).

*American Side*

Mr. Acheson  
Mr. McCloy  
Mr. Perkins  
Mr. Whitman

*German Side*

Dr. Schumacher, Chairman of the SPD  
Dr. Carlo Schmidt, First Vice Chairman of the SPD  
Mr. Ollenhauer, Second Vice Chairman of the SPD  
Mr. von Herwarth, Chef de Protocol

Dr. Schumacher's first question to the Secretary was, "What about Paris? We admire the communiqué of the three foreign ministers,<sup>1</sup> but we don't know what to make of it."

The Secretary replied that the Paris meeting had been very successful and gratifying and that the results of it would become better known after the discussions which are to be held between the High Commissioners and the Government of the Federal Republic.

Dr. Schumacher then asked, "What about dismantling?"

The Secretary replied that it was discussed and would be the subject of further discussion between the High Commissioners and the Chancellor.<sup>2</sup>

Dr. Schumacher's third question was: To what extent did the Secretary believe that the present German government actually represented the German people.

The Secretary stated he could not very well reply to this question; that the U.S. could only deal with the established German Government which happened to be Dr. Adenauer's government, and that Dr.

<sup>1</sup> Not printed.

<sup>2</sup> For further documentation on dismantling, see pp. 594 ff.

Schumacher just as well might ask whether President Truman and he, the Secretary of State, represented the American people—that a great many people had not thought so last year, but that the elections had proved them wrong.

The Secretary continued that he was extremely pleased to make the personal acquaintance of the SPD leaders about whom he had already learned a great deal “on paper,” and that Dr. Schumacher had a great reputation in the U.S. Dr. Schumacher replied, “But not always a good one.” The Secretary answered not all of it was good because many people thought Dr. Schumacher too nationalistic. That he, the Secretary, however was willing to bet—and he did not want Dr. Schumacher to cause him any loss of money—that Dr. Schumacher would prove himself a good West European and not a nationalist.

The Secretary emphasized that the SPD should not take advantage of its position as the opposition party to oppose the occupation powers, but that they should rather create an atmosphere of cooperation. Such cooperation might be along the lines of bipartisan foreign policy in the U.S.A. where even on some domestic issues bipartisan policy existed from time to time.

He continued further that there were two great assets in the present situation which were not present in the situation after World War I, (1) the great change in French sentiment and the willingness of France to cooperate with Germany, and (2) the new attitude of the U.S.A. to help Europe politically and financially. These two great assets must not be lost and the optimism and enthusiasm of America for a West European agreement must not be disappointed. If the Germans were to antagonize France, they would also change public opinion in the U.S.A. If no cooperation would develop in Europe, the idea would die in the U.S. and sentiment would revert to the lack of interest existing after World War I. It would become impossible to ask Congress for further political and financial aid.

Dr. Schumacher replied that the SPD did not oppose the Western occupation powers, but only the Russians, not in their role as an occupation power, but because they stood for a totalitarian, dictatorial regime. As to the Secretary's suggestions for a bipartisan foreign policy, Dr. Schumacher complained that Chancellor Adenauer conducted the foreign policy in an autocratic manner by keeping the opposition and the Parliament as a whole completely uninformed. This was not a question of the personalities involved, but Dr. Schumacher simply felt that Dr. Adenauer was not respecting the dignity of Parliament.

The Secretary replied that this was a domestic German problem, but reemphasized the need for cooperation and not to lose the two valuable assets now existing mentioned before. He reiterated his

pleasure in meeting the gentlemen of the SPD and Dr. Schumacher thanked the Secretary for taking the time to give them the opportunity to meet him and to know his thoughts.

*Note:*

Before leaving Bonn and returning to Frankfurt, we were informed by Carlo Schmidt that the Secretary's remarks to the leaders of the SPD would not fail to have an effect on the debate on German foreign policy which is to start on the afternoon of Tuesday, November 15, in the German Parliament (Bundestag).

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862.00/11-1549 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

[Extracts]<sup>1</sup>

SECRET

FRANKFURT, November 15, 1949—7 p. m.

4021. Following is summary of discussion at meeting between the Council of Allied High Commission and Federal Chancellor Adenauer held at Bonn-Petersberg on Tuesday 15 November, 1949.<sup>2</sup>

This meeting was called at Adenauer's request in order to prepare him for a Bundestag debate this date "on the question of dismantling and other problems of foreign policy which the Social Democrats had asked for." (See Bonn 38.<sup>3</sup>) Adenauer wished to be informed of results of Paris Conference in order to inform Bundestag accordingly.

1. General Robertson, as Chairman, in reviewing decisions of Paris Conference, made the following points:

(a) That all points made at this meeting would be discussed in greater detail at subsequent meeting;

(b) That the allied program must be considered in its entirety. Rejection of certain basic items by federal representative would be construed as rejection of entire program;

(c) That there will be no amendment of the occupation statute before the date specified in that document. Federal Republic attitude in this period will determine not only distance which the Allies are prepared to go in the interim period but nature of amendment of the occupation statute at a later date;

(d) That "the way has been prepared" for the admission of Germany in the Council of Europe as an associate member;

(e) That the Ministers agreed Federal Republic should participate in a number of international organizations; that the Council would employ the agreed report of a working party given by the Ministers to the Council for guidance (this report deals with certain of the con-

<sup>1</sup> For the remaining sections of this telegram, see p. 638.

<sup>2</sup> The minutes of this meeting are in file 862.00/11-1549.

<sup>3</sup> Not printed.

stitutional questions involved) but, that as a general principle each case would be considered on its merits;

(f) That the termination of a state of war was discussed at Paris but no definitive decision was reached due only to legal and constitutional questions involved, and not to questions of principle;

(h) That the Ministers agreed Federal Republic could establish certain representations abroad. A bureau which could plan, coordinate and operate consular and trade offices abroad and for German participation in international conferences is therefore in order;

(i) That the Ministers discussed Federal Republic and allied attitude toward new German democratic republic in Eastern zone.

Robertson again stressed that Allied Governments are making a very generous contribution and hoped that this program would be properly received and not serve as an "invitation to further requests."

2. Robertson indicated Ministers had welcomed Adenauer's letter (forwarded Paris 19 November, 1949<sup>4</sup>) in which Adenauer stated *inter alia*, his agreement to German participation in IAR and close cooperation with the Military Security Board. In addition to these pledges, however, he pointed out that the Allies attached great importance to decartelization and implementation of Law No. 75 and hoped Federal Republic would cooperate in this field as well.

3. At this point I stressed:

(a) That German attitude would determine the pace and vigor of the implementation of these policies by the Allies;

(b) That by these decisions the Allies do not mean to increase the existing capacity of economic potential but at the same time I pointed out that Allied decisions are not eternal in their effect; any increase in potential or production would be considered on its merits and depend upon the course of events;

(c) That the Ministers hoped that there would be a certain liberalization of view towards questions of civil liberties and the authoritarian point of view which had been manifest even in pre-Hitler German administration; this problem was an important element in the search for security as an evident trend toward democratic development would create "the peace of mind required in Western Europe."

6. Adenauer thanked the Council for "exposing this new trend of thought" and expressed the view that although the SPD was attacking his policy (particularly his views which stress necessity for understanding between France and Germany) four-fifths of the German people shared his view. Adenauer proposed that in his Bundestag statement this afternoon he should:

(a) Remain silent with respect to the problem of German membership in the Council of Europe lest a full discussion of the admission of the Saar would ensue;

<sup>4</sup> Not printed.

(b) Make available his two letters to HICOM on dismantling and security;<sup>5</sup>

(c) State that his discussion today did not take an unfavorable course (at the end of the meeting he indicated his statement would be more positive in character);

(d) State that the further course of Allied policy would depend on Federal Republic attitudes, particularly with respect to the IAR and the MSB at this point, however, Adenauer queried the part of the Ruhr statute in Article 31 dealing with accession, which provides ". . . to assumption of responsibilities of the German Federal Government under the agreement and such other provisions as may be agreed by the signatory governments." He felt that the Bundestag would not be willing to write such a "blank check."

The Council agreed, after considerable discussion :

(a) That Article 31 (and as a result of discussion after the meeting, Article 9) would be examined by HICOM but that in their opinion Article 31 did not constitute in any way a "blank check."

(b) That Adenauer must make his own decision with respect to whether or not (a) it is wise to raise the question of German membership in the Council of Europe in the Bundestag at this time; (b) Bundestag must vote on accession; (c) Federal Republic should take initiative or await invitation.

9. Adenauer stated that he felt very hopeful about the debate in the Bundestag on the basis of the information which had been communicated to him and he took no pains to conceal his satisfaction with the entire meeting.

10. Finally the Council agreed that there would be a series of meetings with Adenauer at which time further disclosures of the decisions of the Paris Conference could be made and discussions continued. The next meeting with Chancellor Adenauer will take place on Thursday, 17 November at 1600 hours after the Council meeting scheduled at 10:30.

Sent Department 4021, repeated London 256, Paris 301.

McCLOY

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<sup>5</sup> Regarding these letters, see editorial note, p. 612.

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740.00119 EW/11-1549 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET      PRIORITY      WASHINGTON, November 15, 1949—8 p. m.  
 NIACT      NO DISTRIBUTION

4415.<sup>1</sup> Personal for Bruce from Secy. Pls deliver fol personal message to Schuman.

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<sup>1</sup> Repeated to London for Douglas as 4124 and to Frankfurt for McCloy as 2755.

"I would like to inform you of my conversations in Ger with Adenauer, Schumacher and their associates.<sup>2</sup>

There was much interest in our discussions in Paris. On this subject I told them that we had had full discussions and had reached a complete understanding on all points; that we believed that we had given the HICOGs sufficient authority and sufficient latitude to enable them to work out with the Ger govt solutions to present problems. I of course told them I could not give them any details. This wld be done by the HICOGs.

I also stressed the importance of cooperation by both govt and opposition in Ger with the occupying powers and pointed out that the rise of strong nationalism and opposition to occupying powers wld quickly kill the more sympathetic attitude which was developing in Western Europe and would discourage the people of US to point where they would be unwilling to contribute sums which were essential to Ger economic recovery. In other words the Ger people had two priceless assets which they should conserve and develop or which they would lose by a shortsighted policy of arousing nationalist spirit by opposing the occupation authorities.

I pointed out to Schumacher in particular importance of all Ger parties working together to arrive at united and cooperative policy. I saw in Bonn that there was friction between the parties and hope I may have contributed somewhat to a *rapprochement*. I believe we shld all work together to this end.

I also mentioned that we were studying the steps which could be taken to terminate the state of war indicating the problems inherent in such action. I pointed out the folly of centering attention on this juridical matter instead of on the innumerable and great acts of friendliness which had been taken. They appeared to understand.

In Berlin I found great unanimity of purpose among all the members of the govt. They stressed difficulty of their situation particularly their budget deficit which was in large measure caused by low level of production with its ensuing unemployment and lowering of governmental income. As result, they not only needed assistance on their current budget but also needed capital to rehabilitate their industries so they could eliminate source of the problem.

My reception in Ger was cordial to a marked degree and I hope I may have been of assistance in the situation."

ACHESON

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<sup>2</sup> For further documentation relating to Secretary Acheson's trip to Germany, see pp. 308, 312, and 430.

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862.20/11-1649

*Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Perkins)<sup>1</sup>*

SECRET

[WASHINGTON,] November 16, 1949.

Participants: EUR—Assistant Secretary Perkins  
Mr. Daridan, Minister of French Embassy  
WE—Mr. O'Shaughnessy

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<sup>1</sup> The memorandum was prepared by O'Shaughnessy.

Mr. Daridan called today at his request. He said that he felt concerned regarding some remarks allegedly made by General Bradley at an Overseas Writers' luncheon today which indicated that we might be looking to the rearmament of Western Germany. Upon checking the story he had found that General Bradley had apparently said that amphibious operations to dislodge an enemy entrenched on the continent of Europe were no longer feasible if the latter possessed the atomic bomb and we, therefore, needed a strong ally on the continent. Reston of the *New York Times* at this point asked General Bradley whether this implied that we might be considering the rearming of Western Germany. The General was quoted as saying that (1) there could be no question of rearming Germany before a Peace Treaty had been negotiated and (2) so long as the Russians had put Germans in uniform in the East Section as a "police force" it might possibly be that the Western Germans might eventually need "some uniforms" if only to maintain internal security.

Mr. Daridan said that in view of the possibilities that these remarks of General Bradley might lead [*leak?*] out and be misinterpreted he wanted to be able to telegraph Paris and tell them what our thinking was and whether German rearmament had in any way been discussed during the Paris meeting.

I said that no mention whatsoever of rearmament had been made at the Paris meeting and that both the Secretary and Mr. Schuman had so stated to correspondents after the meeting when queried on this point. I added that it certainly did not fit in with our thinking at this time.

In answer to a further question of Daridan's I said the possibility of using Western Germany's excess steel capacity, after dismantling had ceased, to help arm Western Europe had been discussed at lower levels in the Department but I personally had taken the stand that the front line was hardly a suitable or safe place to have facilities for producing arms. I added that the matter had not been pursued further in the Department.

I also referred to the fact that when we withdrew our occupation forces we might, as will be the case in Austria, have to help the Germans to arm a police force or constabulary to maintain order internally. These, however, were minor matters and could not be in any way construed as a step toward rearmament. General Bradley's alleged remarks could hardly be construed as a desire on the part of the United States Government to rearm the Germans.

Mr. Daridan also alluded to the excerpt in the current issue of *U.S. News and World Report* which stated that Mr. Kennan had written off France as a bulwark against Russia in Europe and was looking to

Germany instead. I took occasion to tell Mr. Daridan that this was, of course, pure fabrication.

G[EORGE] W. P[ERKINS]

McCloy Documents : Lot 58 M 27

*Policy Directive for the United States High Commissioner for Germany (McCloy)*<sup>1</sup>

SECRET

[WASHINGTON,] 17 November 1949.

[1]<sup>2</sup>

1. PURPOSE OF THIS DIRECTIVE

This directive is a statement of the objectives and policies of the United States with respect to Germany, for your guidance in performing the duties of United States High Commissioner for Germany. The directive will supersede the directive of July 11, 1947,<sup>3</sup> to the Commander-in-Chief of the United States forces of occupation regarding the Military Government of Germany and will remain in force until circumstances require its amendment. Questions of administration and of your relations with the American Military Commander and with the American representative on the International Authority for the Ruhr are covered in the letter of ————,<sup>4</sup> 1949, to you from the Secretary of State.

[2]

2. UNITED STATES POLITICAL OBJECTIVES IN REGARD TO GERMANY

The German people should be enabled to develop their political independence along democratic lines in close association with the free peoples of Western Europe. They should be fully integrated into the common structure of a free Europe, to share in due time as equals in its obligations, its economic benefits, and its security.

<sup>1</sup> The policy directive, sent to McCloy as an enclosure to instruction No. 82, not printed (740.00119 Control (Germany)/11-1749), had been approved by the Secretary of Defense and the Economic Cooperation Administrator and had been transmitted to President Truman and the National Security Council for information. The source text also included a two-page table of contents which is not printed. Documentation relating to the drafting of the directive is in file 740.00119 Control (Germany).

<sup>2</sup> These numbers appear in boxes in the source text.

<sup>3</sup> For the text of JCS 1779, July 11, 1949, see *Germany 1947-1949*, pp. 33-41.

<sup>4</sup> Omission in the source text. No record has been found in the Department of State files that such a letter was ever sent.



[3]

It is essential that Germany should not again be permitted to develop political conditions or a military potential which might threaten the independence of other nations or the peace of the world. One of the best guarantees of security from a political standpoint is seen in the development of a closely-knit Western European community including Germany; you should, accordingly, foster the closest ties between the German Government and the other states of Western Europe, and encourage the Germans to take an increasingly active part in the political and economic organization of free Europe.

[4]

Subject to these considerations, the German people should be accorded the fullest possible freedom to shape their democratic future. The restraints imposed upon German freedom of action by the Occupation Statute<sup>5</sup> are considered essential to the further realization of United States purposes in Germany. They represent a minimum of control without which the interests of the European community cannot be adequately safeguarded. They are not designed, however, to hamper the legitimate development of German political, economic and cultural life, nor to authorize the imposition of alien patterns of thought or behavior upon the Germans.

[5]

You should observe closely all political trends and developments with a view to taking such action as may be possible and proper under the terms of the Occupation Statute to prevent the resurgence of ultra-nationalistic or anti-democratic groups or ideas. You will give support and encouragement to the democratic political forces of Germany to the end that Germany may play a constructive role in European life. You should seek to facilitate personal contacts and exchange of ideas between German leaders in all fields of public activity and those of other democratic countries.

[6]

So long as Germany remains politically divided, your primary concern will be with the development of the Federal Republic of Germany. You will, however, do what may be possible to mitigate the effects of such division and to normalize relationships between Eastern and Western Germany through consultations among representatives of the four occupying powers and German officials. You will join with the other High Commissioners in supporting all constructive

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<sup>5</sup> *Ante*, p. 179.

efforts toward the unification on a democratic and federal basis of all parts of Germany now under occupation, and in assisting the Federal Republic toward this end. You should pay particular attention to political and economic developments in Eastern Germany and their impact on the Federal Republic of Germany.

[7]

It is the special belief of your Government that Berlin, because of the courageous devotion to democratic liberties which its people have displayed, should be permitted to play an important role in the development of the Federal Republic of Germany.

[8]

### 3. JURISDICTION OF THE ALLIED HIGH COMMISSION AND THE HIGH COMMISSIONERS

Although the occupying powers have retained supreme authority in Germany, it is their intention to restrict the exercise of this authority in accordance with the terms of the Occupation Statute. The Statute defines the broadest limits within which the Allied High Commission will ordinarily operate. The principle and procedures governing the exercise of the High Commission's powers and responsibilities will be those agreed upon by the American, British, and French Governments in Washington on April 8, 1949, and embodied in the Charter of the High Commission signed at Paris on June 20, 1949.<sup>6</sup>

[9]

The powers of the individual High Commissioners and the principles governing the exercise of their powers are likewise defined by the Occupation Statute and the agreements mentioned above. Matters for which the High Commissioners are separately responsible to their governments are specified in the Commission's Charter, but Allied policies should, in general, be carried out as far as possible by tripartite action, rather than by the individual Commissioners.

[10]

The zonal boundaries should have no other effect than to delimit the spheres of authority and responsibility of the individual High Commissioners and to define the location of occupation troops. You should make every effort to ensure that the policies and actions of the individual High Commissioners are consistent with those of the Commission

<sup>6</sup> Regarding the Charter of the High Commission, see editorial note, p. 267.

and of one another, and you should support those policies in the High Commission which will facilitate the free movement within Western Germany of persons, goods, information, and other traffic, except for such restrictions as may be required for security reasons or for the maintenance, in frontier areas, of effective control of movements across the borders of the Federal state.

[11]

In the Western sectors of Berlin, and particularly in the United States sector, you will exercise powers corresponding to your powers in the Western zones of occupation, and in the United States zone. You will be guided by the policies expressed in this directive, and by the Statement of Principles Governing the Relationship between the Allied Kommandatura and Greater Berlin.<sup>7</sup>

[12]

#### 4. RELATIONS WITH THE GERMAN AUTHORITIES

In accordance with the Washington agreements of April 8, 1949,<sup>8</sup> and the Commission's Charter, the High Commission and the individual Commissioners are to act mainly in a supervisory capacity. You will, therefore, encourage the maximum exercise of governmental authority by the Federal Republic and the various *Laender*, and will seek to limit intervention in German governmental affairs to the minimum deemed essential within the terms of the Occupation Statute. You will, so far as practicable, deal only with the highest Federal or *Land* authorities and see that instructions from yourself or the Commission are issued only to them.

[13]

It is to be expected that some differences of opinion will arise between the German authorities and the High Commission on such fundamental questions as the scope of the Commission's powers, or the interpretation of the Occupation Statute and the several international agreements relating to Germany. Such problems should be fully considered with the Germans, and there might even be established some formal or systematic method of dealing with these matters. However, as supreme authority is retained by the occupying nations, the ultimate power to decide these questions will remain with them.

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<sup>7</sup> For the text of the statement of principles governing the relationship between the Allied Kommandatura and Greater Berlin, see *Germany 1947-1949*, pp. 324-326.

<sup>8</sup> *Ante*, pp. 178 ff.

[14]

## 5. UNITED STATES ECONOMIC OBJECTIVES IN REGARD TO GERMANY

The United States Government, together with the French and British Governments, has established a basic framework for the development by the German people of a peaceful, self-supporting state, which will provide an adequate and rising standard of living, make its full contribution to the successful accomplishment of the European Recovery Program, and assist in the development of an integrated economy in Europe. This framework is provided by a series of international agreements which give the German people and a government of their choice the opportunity to achieve these objectives, subject to certain controls and obligations which are essential for security or necessary to prevent the improper use of German economic resources. It is your task as United States High Commissioner, individually and by your participation in the High Commission, as well as in your capacity as representative of the Economic Cooperation Administration, to facilitate and encourage responsible policy-making and effective administration by the German Government in the economic field.

[15]

The United States is giving substantial support to the European Recovery Program, and as its representative in Germany you will use your best efforts to obtain the fullest coordination of German efforts with those of other countries participating in that Program. It is your Government's desire that the objectives of German economic recovery be considered in the light of the cooperative efforts being made in Europe. By consultation with the Special Representative of the Economic Cooperation Administrator at Paris, and when necessary by reference to the United States Government, you should endeavor to resolve problems arising from divergent points of view or interests with respect to recovery or aspects of production and trade in a manner which will contribute best to general recovery. Specifically, it is the desire of your Government that the following economic and financial objectives should be achieved and maintained:

[16]

(a) German agricultural and industrial production and trade programs for the area as a whole which minimize the need for extraordinary foreign assistance and are designed to eliminate this need by the end of the European Recovery Program.

[17]

(b) German production and trade programs which are designed to permit Germany to provide for other countries participating in the

European Recovery Program those goods and services which she is best equipped by natural resources or skills to produce, and to import from her neighbors those which she requires and they can best produce.

[18]

(c) Policies and practices respecting German foreign trade and foreign exchange which are consistent with the provisions of the General Agreement on Tariffs and Trade, the Charter of the International Trade Organization, and the Articles of Agreement of the International Monetary Fund, and are designed to assist the development of trade and payment schemes of the Organization for European Economic Cooperation.

[19]

(d) Policies and practices regarding German production, trade, finance, internal distribution, and investment, including foreign investment, which are designed to maximize production, especially for export, and thus to contribute to the attainment and maintenance of a high level of employment, social stability, and the minimization of the need of foreign assistance.

[20]

(e) The adoption of exchange rate arrangements consistent with those of other members of the Organization for European Economic Cooperation with a view to the establishment and maintenance of a valid general rate of exchange for the *Deutsche Mark*.

[21]

(f) The establishment and maintenance of internal financial stability with the help of appropriate policies in public finance, the banking system, and in the employment of counterpart funds derived from aid to Germany, including adequate coordination of the policies of the bank of issue with those of the Federal Government.

[22]

(g) Participation by Germany in the expansion of world trade on a multilateral and non-discriminatory basis. The United States Government has taken the lead in seeking such expansion, acting on the conviction that the progressive reduction of trade barriers and the progressive relaxation of discriminatory trade restrictions will contribute to the growth of world trade and to the well being and economic development of the world and the individual trading countries. The adherence by Germany of these policies is an important objective of United States policy respecting Germany.

[23]

You should seek full participation by Germany in international programs designed to achieve the foregoing purposes, including the eventual participation by Germany in the General Agreement on Tariffs and Trade and, when established, the International Trade Organization.

[24]

On such aspects of these and other matters as bear upon the European Recovery Program, you will, of course, receive instructions from time to time from the Economic Cooperation Administration.

[25]

## 6. POWERS AND RESPONSIBILITIES UNDER THE OCCUPATION STATUTE

### A. *Powers Expressly Reserved*

In the fields reserved by the Occupation Statute, the High Commission may legislate and take direct action itself, but any exercise of direct power, aside from security matters, should be regarded as temporary and self-liquidating in nature. The Commission may also issue instructions to the German authorities, including both Federal and local officials, regarding action to be taken by them in the reserved fields. In addition, the Commission may nullify any action taken by the Germans in the reserved fields, or disapprove any action which they are about to take in those fields. The extent to which the High Commission will exercise its powers in any one of the fields reserved to it will depend on many factors still unknown. Accordingly, the scope of Allied action in the reserved fields will be left to your discretion, subject to the principles expressed in this directive and to any later instructions that may be given you. You should report to your Government when in your opinion any of the powers now reserved in the Occupation Statute should be transferred to the administration of the German authorities.

[26]

The comments immediately following are for your guidance in determining what action should be taken in each of the reserved fields.

[27]

(1) *Disarmament and demilitarization, including related fields of scientific research.* The policy of your Government in this field is to keep Germany deprived of the means of waging war, so that the country will not be a threat to the independence of other nations or to the peace of the world. To this end the High Commission must maintain an effective system of disarmament control and inspection to be exercised through the Military Security Board. While the policy of the United States is to prevent the formation of para-military units in any part of Germany, it is not intended to preclude the maintenance of bona fide police forces sufficient to preserve order within the boundaries of the Federal Republic and to enforce observance of the High Commission's decisions, the Basic Law, the *Land* constitutions, and other

legislation. However, these functions should be performed by the *Land* and local police, and the Federal police should be kept to the minimum number needed to control the movement of persons and goods across the frontiers of the Federal state; to collect and disseminate police information and statistics; to coordinate the investigation of violations of Federal laws; and to enforce international conventions such as those relating to narcotics and travel.

[28]

(2) *Prohibitions and restrictions on industry.* It is contemplated that the High Commission will enact legislation and take such decisions as are required under the Agreement concerning Prohibited and Limited Industries of April 1949,<sup>9</sup> acting, when appropriate, on the advice of the Military Security Board.

[29]

(3) *Civil Aviation.* It is the object of United States policy to prevent the development of German aviation which could become, directly or indirectly, a threat to the peace, without barring the establishment of minimum civil air service for Germany by airlines of other nations. Because of the close connection between civil and military aviation, German nationals should not be allowed to manufacture, import or operate any aircraft, though they may engage in ground or other civil aviation activities under such conditions as the High Commission may authorize. The High Commission should retain for itself the authority to determine the terms and conditions upon which civil aircraft are permitted to enter, depart from, and operate within the German Republic.

[30]

It is not contemplated that the German Government will take part in any international activities, agreements, or organizations, even of a technical nature, which have to do with civil aviation.

[31]

(4) *Controls in regard to the Ruhr, restitution, reparations, decartelization, deconcentration, non-discrimination in trade matters, foreign interests in Germany and claims against Germany.* These require in varying degrees the exercise of authority by the High Commission or by the individual High Commissioners. In general, the objectives in these fields should be effected by completing existing programs, as in the case of reparations and restitution, or by enacting, or having the

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<sup>9</sup> For the text of this agreement, see *Germany 1947-1949*, pp. 366 ff.

Germans enact, appropriate legislation in these fields subject to definitive action in a peace settlement.

[32]

(a) The Commission should facilitate the operation of the International Authority for the Ruhr by enacting legislation as required, and by cooperating to the fullest extent with the Authority in its work.

[33]

(b) With respect to external restitution, you should return identifiable looted property, other than gold and rolling stock, to the government of the country from which it was taken, with the exception of property claimed independently by non-nationals or refugee nationals of claimant countries, under the existing operating instructions of your Government. You should also: (1) endeavor to obtain tripartite agreement on a date, preferably not later than September 30, 1950, for the termination of all restitution activities (other than special cases of materials important to the cultural heritage of the claimant country); (2) deliver monetary gold uncovered in Germany to the Tripartite Gold Commission in Brussels pursuant to existing international agreements; (3) effect the disposition of non-German rolling stock found in Germany at the end of the war in accordance with applicable agreements and such instructions as may be issued as the need arises; (4) pursuant to existing agreements, deliver to the appropriate agency valuable personal property looted from Nazi victims which is not restitutable.

[34]

(c) With respect to internal restitution, it is the policy of your Government that persons and organizations deprived of their property as a result of National Socialist racial, religious, or political discrimination should either have identifiable property returned to them or be compensated therefor, and that heirless and unclaimed property subject to internal restitution should devolve to appropriate successor organizations. To carry out this policy, you should seek agreement from your British and French colleagues to persuade the German Government to enact without delay a Uniform Internal Restitution Law, which should grant to claimants, to the greatest possible extent, all substantive rights now available to them under United States Military Government Law No. 59.<sup>10</sup> The German Federal Government or, in its discretion, the *Land* governments should be responsible for the execution and administration of the Law, subject to review by non-German appellate Tribunals. These Tribunals would be the supreme appellate authority for cases arising under the Law; they should be appointed by the Allied High Commissioners and should act by majority vote. Until the Law becomes effective, the *Land* governments should continue to execute existing military government restitution laws, subject to minimum necessary policy control and supervision as presently exercised by the occupation authorities.

<sup>10</sup> Extracts from Law No. 59 are printed in *Germany 1947-1949*, pp. 434-438.



[35]

Closely related to the problem of restitution is the problem of indemnification of persons who suffered personal damage or injury through national Socialist persecution because of racial, religious or ideological reasons. It is the policy of the United States Government that these persons should receive indemnification in German currency for such injury or damage. The *Laenderrat* of the United States Zone have recently promulgated legislation of this nature. Together with your British and French colleagues you should urge the German Federal Government to enact appropriate legislation in this field.

[36]

d. You should complete the dismantling and delivery of industrial equipment scheduled for reparation at the earliest practicable time.

[37]

e. With regard to decartelization and deconcentration, it is the policy of your Government that the German economy be liberated from undesirable restraints and restrictions in order to promote economic opportunity for its citizens and the establishment of a peaceful, free and democratic economy and society. This policy envisages the elimination and prohibition of all cartels and cartel-like organizations and arrangements, and of undesirable concentrations of power in German private industry, which represent an actual or potential restraint of trade or may dominate or substantially influence the policies of governmental agencies. This involves the dissolution of excessive concentrations of economic power established through such devices as combines, mergers, holding companies and interlocking directorates, and the prohibition of participation in international cartels and cartel-like organizations and arrangements by private or state-owned enterprises.

[38]

It is the view of your Government that responsibility for execution of this policy should be placed on the German Federal Government at the earliest time when, in your judgment, it can exercise such responsibility. Thereafter, Allied intervention should be limited to exceptional cases. The success of the German Federal Government in carrying out this policy depends largely upon the extent to which it is supported by the German people and their leaders.

[39]

To promote this policy, you should (1) complete as rapidly as possible the specific programs now in process and turn over the residual phases to the German authorities; (2) endeavor to develop understanding and support of the policy among the German people and officials through the reeducation and reorientation program; (3) endeavor to obtain adoption by the German Government of appropriate legislation to replace the present Military Government laws on this subject, together with preservation and enforcement of these laws until the legislation has been adopted by the Germans; (4) prepare

on a tripartite basis, with German assistance, a list of concerns which the Germans should be encouraged to examine for possible deconcentration; (5) assist the Germans in devising their own financing procedures to insure that deconcentrated firms are established on a sound, independent financial basis.

[40]

You should permit the formation and functioning of cooperatives provided that they are voluntary in membership and are organized along democratic lines and do not engage in activities prohibited under the above policy.

[41]

This policy should not be interpreted as prohibiting governmental regulation of prices or the existence of monopolies in fields where competition is impracticable, provided they are subject to governmental regulation, nor should it be interpreted as prohibiting state-owned enterprises. The choice for or against the public ownership of any business enterprise or industry is a matter for decision by the German people, and this decision should be made freely through the normal processes of democratic government. Measures of public ownership should not be applied to foreign-owned property unless satisfactory arrangements have been made for the compensation of the foreign owners.

[42]

f. It is your Government's policy to seek non-discrimination in world trade. However, it is recognized that during the period in which Germany's balance of payments is in substantial disequilibrium Germany will, like other countries in the Organization for European Economic Cooperation, find it necessary to restrict imports from certain sources. Such restrictions should be limited to those which, in accordance with the provisions of the International Trade Organization and the General Agreement on Tariffs and Trade, would least prejudice a return to non-discriminatory trade. It is the view of your Government that the High Commission should exercise its powers in this matter by general advice, unless it appears that only direct intervention will eliminate important and unwarranted discrimination.

[43]

g. With respect to foreign interests in Germany, you should act in accordance with the positions taken by your Government on the recommendations of the Intergovernmental Working Group on the Protection of Foreign Interests in Germany, and you should continue to ensure the protection of foreign interests insofar as they may be affected by German administration or new legislation.

[44]

h. You should ensure that the German Federal Government and the *Laender* take no action to settle, or any action which might impair the value of claims of the United States and other governments, and of nationals of those countries, against Germany and German nationals except as may be authorized by the High Commission.

[45]

(5) *Foreign affairs, including international agreements made by or on behalf of Germany.* The Federal Republic of Germany should be granted autonomy in international affairs, as soon as it can be depended upon to follow policies which will not threaten the independence and security of any other nation nor prejudice the peace of the world. You will accordingly favor the progressive transfer of powers in the international field to the Federal Government, subject at all times to the ultimate supervision of the Government's activities by the Commission. In effect, the degree of authority in foreign affairs which is given to the Germans will depend upon the degree of confidence that can be reposed in them.

[46]

For the time being, the German Government should not be allowed diplomatic representation abroad; instead, the Commission will itself conduct those affairs which are customarily handled by diplomatic agencies. Foreign diplomatic representatives (or their equivalent) in Germany will be accredited to the High Commission, but may deal directly with the Germans to whatever extent the Commission may authorize. The Germans should, however, be allowed to continue the practice of sending representatives to Washington and Paris to deal with matters concerning the Economic Cooperation Administration and the Organization for European Economic Cooperation. They should be permitted to negotiate and conclude trade and payments agreements with foreign countries, and to have economic missions abroad. They should also be allowed to send abroad representatives of their own to perform all usual consular and trade promotion functions, and such representatives should preferably be designated consuls. These representatives should not take such action, or make such pronouncements of policy, or otherwise undertake to represent the German Government in such a manner as to become the equivalent of diplomatic representatives before the latter may be authorized.

[47]

In general, the German Federal Government should be permitted, subject to the approval of the High Commission, to join or become associated with international organizations, negotiate international agreements, accede to international conventions, and participate in international conferences, provided they are of an economic, financial, or technical nature.

[48]

The power over foreign affairs includes regulation of the movement of persons across frontiers, and the High Commission will accordingly have authority in such matters as travel control and extradition. Initially, international travel documents should be issued in the name of the High Commission, and policies concerning travel should be formulated by it, but the personnel working in this field should be mostly German nationals, and the entire subject should be handed over to the German Government (and the documents issued in its name) when circumstances permit. The general question of extradition is not covered in this directive, but may be the subject of later instructions to you if the need arises. However, in the American and British zones of occupation, the current policy has been to permit the extradition of persons wanted by other countries for trial as war criminals only in certain exceptional cases, and not to permit at all the extradition of persons wanted for trial as traitors or collaborators, unless the requests for extradition and supporting evidence were received before a certain date. This policy should be continued.

[49]

(6) *Displaced Persons and the Admission of Refugees*

(a) You will be responsible for implementing in Germany United States policies with respect to displaced persons, using that term to include all persons eligible for assistance under the International Refugee Organization (IRO) Constitution whether classified in that Constitution as "Displaced Persons" or "Refugees." The major policies are: (1) To protect displaced persons within Germany in their freedom of choice to return or not to return to their countries of origin and to assure them freedom from discriminatory treatment while they remain in Germany. This should include immunity from German criminal courts. (2) To permit, to the extent practicable, the admission to Germany of such persons who seek asylum from racial, religious or political persecution. (3) In cooperation with IRO, to effect the earliest possible resettlement in other countries of those unwilling to be repatriated, the return to their country of origin of those choosing repatriation, and the integration into the German economy of those not willing to be repatriated who cannot qualify for resettlement in other countries. (4) To turn over to IRO operational responsibility for functions relating to the identification, determination of IRO eligibility, care and maintenance, repatriation and resettlement of displaced persons, in accordance with the provisions of the existing CINCEUR-IRO Agreement dated July 28, 1948,<sup>11</sup> or as they may be

<sup>11</sup> For the text of the agreement between the IRO and the Commander in Chief, European Command, as to IRO's operation in the United States area of control in Germany, July 28, 1948, see Louise W. Holborn, *The International Refugee Organization: a Specialized Agency of the United Nations, Its History and Work, 1946-1952* (London, Oxford University Press, 1956), pp. 661-670.

subsequently included in agreements to be made by IRO with the German Government or the High Commission. (5) To furnish generous and effective assistance and cooperation to the Displaced Persons Commission in processing displaced persons for emigration to the United States. (6) To assure provision by the German Government without cost to the United States Government or IRO of basic rations and other supplies and services for displaced persons as presently provided in the CINCEUR-IRO Agreement, or in any subsequent agreements. (7) Consistently with security interests, to accord entry to recruitment missions from countries receiving displaced persons in resettlement.

[50]

(b) In carrying out the foregoing policies you will take appropriate measures with the German Government and IRO to secure adequate organization and coordination of services to displaced persons.

[51]

(c) Under the provisions of the Occupation Statute, responsibility for the problem of German refugees, (i.e. expellees and other ethnic German refugees not under IRO mandate), except as to their admission to Germany, remains with the German Government. However, it is a matter of continuing interest to the United States Government that the German Government take effective steps to assimilate these persons progressively into the German community as German citizens, and you should in your discretion work closely with the German Government to achieve that purpose. You will discourage the further admission of large numbers of German refugees except for individuals seeking genuine political asylum.

[52]

(d) Under the provisions of the Occupation Statute non-German refugees not under IRO mandate and not assimilated in the German economy remain the responsibility of the German Republic. You will, in your discretion, cooperate with the German Government for their voluntary repatriation to countries of origin, resettlement in other countries, or establishment in Germany as alien residents.

[53]

(7) *Protection, prestige, and security of Allied forces, dependents, employees, and representatives, their immunities and satisfaction of occupation costs, and their other requirements.* The protection and security of American personnel in Germany are matters for which either you or the American Military Commander are responsible, rather than the High Commission. The persons for whom you are responsible are members of your staff; members of the armed services employed by or detailed to you; civilian representatives and employees of the United States Government who are present in Germany in an official capacity; and relatives and dependents accompanying them.

[54]

The prestige of American personnel is not a subject on which you need instructions, or with reference to which you will be expected to take any action, except in some unusual case.

[55]

The persons subject to your jurisdiction, as well as those subject to the jurisdiction of the Military Commander, will have substantial immunities from German governmental authority. These immunities will be at least as extensive as the rights and privileges customarily accorded by one country to the diplomatic representatives of another, and may appropriately be more extensive; they must be the same for both military and civilian personnel. According to Article V, paragraph 5 (b) of the Charter of the Allied High Commission, the immunities of occupation personnel are a subject for which the individual Commissioners are responsible to their governments, but it is the American view that nationals of the three occupying powers should have the same immunities, and you should work with the other Commissioners toward this objective.

[56]

When British and French occupation personnel are in the American zone, you will be responsible for their protection, security, and immunities from German jurisdiction, and for the satisfaction of their requirements. With regard to nationals of the United States who are present in Germany, but have no official connection with the occupation, you will perform those services and functions which are customary on the part of the American Chief of Mission in a foreign country. You will ensure the satisfaction of the requirements of American military and civilian personnel associated with the occupation for housing, food, and other facilities and services while they are living in Germany.

[57]

The payment of occupation costs is a matter for tripartite action, and must be handled by the Commission with the Federal Government, not with the *Laender*. The Commission should not concern itself with the apportionment of occupation costs among the *Laender* nor with the question whether the funds to meet these costs are raised by the Federal or *Laender* authorities, but leave these problems to be decided by the Germans.

[58]

(8) *Respect for the Basic Law and the Land Constitutions.* The enforcement of their own Basic Law and constitutions is essentially a matter for the Germans, and the Commissioners should take action to ensure observance of the Basic Law and constitutions only if the responsible German authorities fail to do so.

[59]

(9) *Control over foreign trade and exchange.* This control shall be maintained by requiring that appropriate procedures be set up and enforced by German authorities to prevent the dissipation of exports or export proceeds, or the unauthorized movement of capital from Germany, and by such action as may be required to develop German foreign trade in harmony with the economic objectives set forth in Section 5 of this directive. It is the view of your Government that the High Commission should exercise its powers in these matters by general advice to the greatest extent consistent with the reasonable achievement of these objectives. When the Federal Republic of Germany becomes a member of the Organization for European Economic Cooperation and signs a bilateral Economic Cooperation Agreement with the United States, you should work out with the other High Commissioners means of appropriately modifying the functions of the High Commission in accordance with the Charter.

[60]

(10) *Control over internal action, only to the minimum extent necessary to ensure use of funds, food and other supplies in such manner as to reduce to a minimum the need for external assistance to Germany.* In pursuit of the aims of the European Recovery Program, the German authorities should themselves ensure the appropriate use of German resources to obtain the objectives sought in connection with the reservation of this power. The obligation of the German Federal Government to do this should be sufficient to ensure that the necessary action is taken by the Federal and *Land* authorities. It is contemplated, therefore, that direct action on the part of the High Commission will not be necessary except in unusual circumstances.

[61]

(11) *Control of the care and treatment in German prisons of persons charged before or sentenced by the courts or tribunals of the occupying powers or occupation authorities; over the carrying out of*

*sentences imposed on them; and over questions of amnesty, pardon or release in relation to them.*

Members of the occupation forces, civilian representatives or employees of the occupying powers, and relatives and dependents accompanying them who are under arrest or sentence will be confined in prisons or suitable places of detention under your jurisdiction or that of the Military Commander. They will not be confined in prisons under German management or operation.

[62]

War criminals convicted by the International Military Tribunal will continue to be confined in prison under quadripartite control. All other war criminals in the United States zone will continue to be confined in prisons under United States control, except that they should, as soon as practicable, be transferred to German custody under your supervision.

[63]

All other persons convicted by Military Government courts or by courts maintained by you, or held for trial before courts maintained by you, may also be held in German custody under your supervision.

[64]

You will ensure that all the persons mentioned above are treated without discrimination, under adequate security, with firm but fair discipline, and that they are treated in a humane manner. You will see that sentences are carried out either in accordance with their original terms or as modified, and will encourage the rehabilitation and reformation of offenders. Final decision on matters concerning amnesty, pardon, clemency, parole, or release shall not be delegated to the German authorities.

[65]

In collaboration with the American Military Commander, you should undertake a review of sentences imposed in war crimes cases, in order to eliminate any wide disparities that may be found to exist among sentences for comparable crimes; to ensure that the punishment is reasonable for the offense; and to establish uniform standards for amnesty, pardon, clemency, parole, or release. A joint program for these purposes in all three zones is also desirable and should be undertaken to the extent you find practicable. Such a program might, in your discretion, be extended to include all sentences imposed by occupation courts or tribunals, except upon occupation personnel.



[66]

The American program for the trial of war criminals has been completed, and it should not be necessary to conduct further trials of this character in the occupation courts of your zone. The extent to which such trials should be held in German courts may become a matter for the discretion of the Commission.

*B. Related Powers and Responsibilities*

[67]

(1) With the devolution of responsibility and power to the Germans, it becomes both more important and more difficult for the occupying powers to keep fully informed of German activities. You should, therefore, ensure that the right given the High Commission in the Occupation Statute "to request and verify information and statistics" will be exercised to require full and prompt disclosure of all facts bearing on the fulfillment of your Government's objectives.

[68]

(2) The High Commission's powers in the reserved fields include the power to enforce observance by the Federal or *Land* governments, or by the Germans individually, of any policies, regulations, or instructions of the Commission in these fields. It is preferable that enforcement measures be carried out by the German authorities, but if the German authorities fail to carry out such measures effectively, then the Commission should not hesitate to take whatever action may be necessary in any part of the Federal Republic to enforce its own decisions. To make this power effective, the Commission will be represented in each of the *Laender* by an Allied *Land* Commissioner, as provided in Article IV of the Commission's Charter.

[69]

(3) The power to enforce compliance with the policies and decisions of the High Commission includes the power to try Germans and others charged with offenses against Allied or German legislation in the fields reserved by the Occupation Statute. You will maintain courts in your zone for the trial of such cases. The German courts, however, will have concurrent jurisdiction over certain of the same cases, and you will accordingly have to determine, preferably with the other Commissioners, the extent to which the jurisdiction of Allied courts, rather than German courts, should be exercised for the successful enforcement of Allied policies. You also have the power to set aside the decisions of

German courts affecting matters in the reserved fields, and to require the transfer of such cases from German to Allied jurisdiction, but this power should be sparingly used, in order to avoid interference with the normal administration of justice by the German courts.

[70]

(4) There are certain fields in which no powers of control are reserved to the High Commission by the Occupation Statute, but which are still of continuing interest to the occupying nations. Outstanding examples are the fields of labor and industrial relations; denazification; and reorientation and public information. The High Commission has no power to restrict the legislative, executive, or judicial competence of the German authorities in such matters, except that it may take action in cases which also fall within the scope of paragraph 3 of the Occupation Statute or one of the reserved fields. You should, however, keep informed of all important developments in these matters and work in conjunction with the German authorities by giving them such advice and assistance as may be required.

[71]

(5) *Labor and industrial relations.* In the field of labor and industrial relations, it is important to encourage the development of free, democratic trade unions and the negotiation of agreements and cooperative settlement of problems between them and employer organizations. Your Government is also interested in promoting the reestablishment of relations between such German unions and democratic union movements in other countries.

[72]

(6) *Denazification.* One of the primary purposes of the occupation is to exclude Nazi influence and leadership from German political, economic, and cultural life, and there exists an obligation upon the Federal and *Land* Governments, under present constitutions and laws, to take adequate measures to ensure against a revival of Nazi influence. You will work with the German authorities to achieve these ends. To the extent that the appearance of Nazi leaders in public life might constitute a threat to security, or to the Basic Law or *Land* Constitutions, you would take action under your powers in the reserved fields; to the extent that it might constitute an emergency threatening the existence of democratic government, you would take action under Paragraph 3 of the Occupation Statute.

[73]

(7) *Public Affairs and Cultural Relations.* The reorientation of the German people toward democracy and peace is a basic purpose of the occupation; it remains an integral part of your Government's efforts to help develop and strengthen democratic government in Germany and to prepare the integration of Germany in the European community of nations.

[74]

To achieve this purpose, it will be your special responsibility to advise and assist the German people with respect to the democratization of social relations and institutions, education, public information, and civic life, including the provision of equal opportunities for men and women in the political, economic, and educational fields. You will conduct, sponsor, and encourage in all important phases of public life, affirmative programs which are designed to demonstrate the value of democratic institutions and practices, to strengthen democratic forces in Germany, to promote a better understanding of the United States, and to increase friendly relations between the people of Germany and other nations. It will also be your responsibility to observe closely and continuously the activities of undemocratic elements in the information and cultural fields. You will, whenever necessary, take such measures as may be appropriate, to expose and counter their intentions and actions.

[75]

In making available positive assistance and advice, you will have to concentrate increasingly on those groups, organizations and institutions which have demonstrated their devotion to democratic ideals and practices, on individuals who are in a position of leadership or are likely to take a responsible part in the reconstruction of German community life, and on individuals and groups which have been exposed to anti-democratic influence or which are in need of guidance and assistance to withstand such influence. It is important that advice and assistance not be restricted to contacts with the public leaders in urban centers, but that particular attention be given to local communities, especially in rural areas.

[76]

In extending assistance to groups and individuals and in order to give effective advice, you will, when necessary, provide such material aid, services and contacts as will protect and support democratic organizations, further the growth of democratic institutions, and atti-

tudes, and strengthen the ties between democratic groups in Germany and corresponding groups with similar political, professional or civic interests in the United States and in other democratic countries.

[77]

While programs and services aiming at mass audiences should be continued, there should be increased emphasis on developing new programs and services which appeal to groups of special importance. You will continue to make use of overt programs, and services, in order to present the intentions and policies of the United States directly and effectively, to supplement corresponding German activities and to counteract undemocratic influences.

[78]

In promoting and maintaining programs and services under direct United States auspices, you should avoid the use of such competitive practices as may impede the development of German operations in this field. You may arrange for the use of appropriate German facilities, when necessary, for the effective presentation of the United States position to the German public.

[79]

With the development of Germany towards a status of self-government, it is desirable that you encourage and facilitate the active and responsible participation of Germans in the formulation of programs conducted so far exclusively under American public or private auspices, including establishment of projects under joint auspices.

[80]

You will stimulate and facilitate direct contact between civic or professional groups in Germany and corresponding groups abroad, notably in the United States, and you will make use of such private resources, in the United States or elsewhere, as your Government may enlist for the purpose of actively supporting the reorientation program. You will develop a broad and effective program of cultural exchange, aiming especially at the participation of those groups which are likely to provide the future democratic leadership in Germany.

[81]

While activities designed to promote understanding of American ways and United States policy must continue to be conducted under United States auspices, you will seek to determine, together with your British and French colleagues, the nature of projects which may be

undertaken in cooperation with them. You will seek to obtain agreement with your British and French colleagues which will permit coordination of existing programs and services, as far as desirable, and will allow each power to conduct certain programs in the other occupation zones.

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862.20/11-2149 : Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy)*

CONFIDENTIAL

WASHINGTON, November 21, 1949—5:50 p. m.

Unnumbered, for McCloy from Byroade. Regarding your phone call this morning on UP item by Clay. Clay statement repeated below has no publicity here as yet, however general question of German rearmament still being speculated upon by U.S. press, despite statements of Secretary and President, also repeated below. We obtained Clay statement from UP since not carried domestic wires.

*Begin statement.*

Statement by General Lucius D. Clay in Boston, Massachusetts, Sunday, November 20, 1949, to a press conference held in connection with a nationwide fund raising rally for The Arthritis and Rheumatism Foundation.

General Clay recommended the formation of a "composite military force of Western European Nations at [to] which Germany could contribute with limited forces of a special type." Clay said that such a composite army "should be the responsibility of the democratic minded Western European Countries and should not be forced upon them by the United States. I had hoped that such a combined force might be created if the nations of Western Europe ever become united and integrated. However, it is a problem that must be worked out by the nations themselves."

Clay indicated that Germany's role in such a combined force should be limited to one military arm such as infantry troops. Elaborating this point he stated that "without an air force or other supporting arms, Germany could not itself wage war. The United States should remain on the scene until Western Europe is stable and equipped to defend itself. In terms of manpower, Western Europe could provide armed forces numbering not less than those of any possible opponent. The balance of power is a stronger guarantor of peace than any other factor," he concluded. *End statement.*

The question of the establishment of a small German Army arose at the Secretary's Press Conference on Wednesday Nov 16 and at the President's Press Conference of Thursday, Nov 17.

The Secretary on Wednesday was asked if Chancellor Adenauer had raised with the Secretary the establishment of a small German Army in Germany of 5 divisions which according to the "New York Times" of Nov 16 reported that many Western European military leaders had been discussing such a project. Mr. Acheson replied that he had been asked that question many times. He remarked that there were all sorts of rumors among them the one the correspondent mentioned and many others. He added that they all had in common one thing which was true, that this matter had not been discussed. The Secretary added that it had not been discussed in Paris or anywhere by him and that, so far as he knew, it had not been discussed by anyone else. The Secretary was then asked if he had made any public statement in Europe on this subject beyond stating that he had not discussed it. The correspondent inquired if the Secretary had stated publicly what his own attitude was on this matter. The Secretary answered in the negative, adding that he had been asked several times whether he had discussed it and he had said that he had not. He added that the question was then put in several ways, as to whether if he had not discussed it in those words, if he had discussed those ideas. The Secretary said that he had said no words, expressed no ideas, had no thoughts or mental reservations on this subject. Further asked if the matter were under consideration in the Department, Mr. Acheson replied that it was not. The correspondent then remarked that the reason there were so many rumors about this German Army matter was that there was so much talk in this country that the halt of dismantling might be followed by the rearmament and creation of a German Army. The correspondent asked if the Secretary had made any comments aside from the talks with the Foreign Ministers in Paris and aside from his talks to the Germans as to how he felt about it. Mr. Acheson replied that he did not wish to go into the matter further, adding that he thought he had made his position clear.

At his Press Conference on Thursday the President was asked if he could comment on the persistent reports of American Policy for Western Germany; namely, that we are contemplating the creation of a small German Army. The President replied emphatically that that was a statement made out of the whole cloth by a newspaperman in Paris and that there was not a word of truth in it. He was asked whether he had stated that there was not a word of truth in it and the President again replied that it was a rumor started in Paris, that the Secretary had fully covered the point at his Press Conference on Wednesday. The correspondent stated that the reason he had repeated the question on Thursday was that he had doubts about the question following Mr. Acheson's Press Conference. The President replied

that he could not see why anyone should have any doubts. He added that he had read the transcript of Mr. Acheson's Press Conference and that it seems pretty clear to him. The President was then asked if it is correct to infer that American Policy is against a small German Army. The President replied that he was not making American Policy in regard to Germany from this desk. Adding that this is a matter that has to be worked out between the parties that are interested. Again asked if he found out that some of our officers in Germany had been discussing the formation of a proposed army with representatives of the German Government in Bonn, would those officers be disciplined, the President replied that he was not in close contact with the situation in Germany, that that was what he had Mr. McCloy over there for.

If questioned about Clay's statement at Boston or any other rumors concerning the establishment of a small German Army, we propose to reply along the following lines:

I have no comment on General Clay's statement in Boston which was obviously the expression of a personal opinion. However, as the Secretary pointed out last Wednesday and as the President reiterated last Thursday, no plan for the creation of a small German Army is under consideration in the Department or anywhere in this Government.

ACHESON

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862.20/11-2149 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, November 21, 1949—8 p. m.

4884. It is not expected that tomorrow's debate on foreign affairs will produce any upset in regard to decisions reached at the recent Paris conference on German affairs or the government's general policy in regard to Germany. It is very likely, however, that not merely the Communists but various deputies otherwise friendly to the United States will make use of the occasion to ventilate their views with particular emphasis on their opposition to any future rearmament of Germany. In spite of the denials by Schuman and Acheson that any consideration has been given to such rearmament, this continues to be a subject of widespread nervous speculation on the part of the public which is inclined to believe that this eventually [eventuality] whether avowed or not, is coming nearer and nearer. In all probability it will be necessary for Schuman once more to declare in the course of the debate the government's firm opposition to any such step.

It is not unlikely also that some of the deputies may call for a more definite statement from the United States on this point for though the public is willing to accept as true the statement that German rearmament was not discussed at Paris, it is by no means reassured as to future United States policy.

The same nervousness in regard to the position of France in the event of a rearmed Germany, tends to heighten current French dissatisfaction with the attitude of Great Britain towards the continent since it is the general feeling that if Germany is to be integrated into Western Europe, it is essential that Great Britain should take a more direct part in the affairs of the Western European community as a counterbalance to what is regarded as the inevitable growth of the influence of Germany. Bevin's recent résumé of British foreign policy has done nothing to reassure the French in this regard.<sup>1</sup>

Debate beginning Tuesday is expected continue Thursday and Friday.

Sent Department 4884 repeated London 40, Frankfurt 143.

BRUCE

<sup>1</sup> For the text of Bevin's speech on foreign affairs, November 17, to the House of Commons, see *Parliamentary Debates*, House of Commons, 5th Series, vol. 469, pp. 2203-2216.

862.01/11-2249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET PRIORITY

BONN, November 22, 1949—10 p. m.

45. 1. Following is text of protocol of agreements reached between the Allied High Commissioners and the Chancellor of the German Federal Republic on the Petersberg on 22 November 1949:<sup>1</sup>

This text has not yet been cleared with French and German texts and, therefore, is subject to minor changes. Cable containing summary of discussions follows:<sup>2</sup>

"Following upon the meeting of the three Foreign Ministers in Paris on November 9 and 10<sup>3</sup> the UK, French and US High Commissioners were authorized to discuss with the Federal Chancellor the letters which he had addressed to them on the subject of dismantling<sup>4</sup>

<sup>1</sup> This protocol on Incorporation of Germany Into European Community of Nations became known as the Petersberg Protocol. For the official text, see 3 UST (pt. 2) 2714. The text is also printed in Ruhm von Oppen, *Documents on Germany*, pp. 439-442.

<sup>2</sup> Telegram 46, *infra*.

<sup>3</sup> Regarding this meeting of the Foreign Ministers, see pp. 305 ff. and pp. 632 ff.

<sup>4</sup> Under reference here are the three letters considered by the High Commissioners October 13 and a subsequent letter of the Chancellor dated November 3. For a summary of the first three letters, see editorial note, p. 612; the text of the last letter was transmitted in telegram 3737, November 4, p. 631.



with a view to a final settlement of this problem. The instructions to the High Commissioners<sup>5</sup> also covered a wider field and required them to examine with the Chancellor other points to be included in a general settlement. Discussions took place accordingly on November 15, 17 and 22 on the Petersberg.<sup>6</sup>

The discussions were animated throughout by the desire and the determination of both parties that their relations should develop progressively upon a basis of mutual confidence. Meanwhile, their primary objective is the incorporation of the Federal Republic as a peaceful member of the European community and to this end German association with the countries of Western Europe in all fields should be diligently pursued by means of her entry into the appropriate international bodies and the exchange of commercial and consular representation with other countries. Both the High Commissioners and the Chancellor appreciate that progress towards this objective must depend upon the establishment of a true sense of security in Western Europe and they have addressed themselves particularly to this end. In all these matters they have been encouraged to find a wide community of ideas and intention and they have in particular agreed upon the following:

I. The High Commission and the Federal Government are agreed to promote the participation of Germany in all these international organizations through which German experience and support can contribute to the general welfare. They record their satisfaction at the various steps already achieved in this direction, citing German participation in OEEC, the desire expressed on both sides that the Federal Republic should be promptly admitted to the Council of Europe as an associate member and the proposed signature of a bilateral agreement with the Government of the United States of America covering ECA assistance.

II. The Federal Government, appreciating the desirability of the closest possible cooperation by Germany in the rehabilitation of Western European economy, declares its intention of applying for membership in the International Authority for the Ruhr in which, at present, the Federal Government is only represented by an observer, it being understood between both parties that German accession will not be subject to any special conditions under Article 31 of the agreement for the establishment of the Authority.<sup>7</sup>

III. The Federal Government further declares its earnest determination to maintain the demilitarization of the Federal territory and to endeavor by all means in its power to prevent the re-creation of Armed Forces of any kind. To this end the Federal Government will cooperate fully with the High Commission in the work of the Military Security Board.

<sup>5</sup> For the text of these instructions, see p. 635.

<sup>6</sup> A report on the November 15 meeting was transmitted in telegram 4021, November 15, p. 314; regarding the meeting November 17, see editorial note, p. 640; for a report on the meeting of November 22, see telegram 46, *infra*.

<sup>7</sup> For the text of the Agreement for the Establishment of an International Authority for the Ruhr, signed at London on April 28, 1949, see 3 UST 5212; for the draft text, see *Foreign Relations*, 1948, vol. II, p. 581.

IV. It is further agreed between them that the Federal Government shall now initiate the gradual reestablishment of consular and commercial relations with those countries where such relations appear advantageous.

V. The Federal Government affirms its resolve as a freely-elected democratic body to pursue unreservedly the principles of freedom, tolerance and humanity which unite the nations of Western Europe and to conduct its affairs according to those principles. The Federal Government is firmly determined to eradicate all traces of Nazism from German life and institutions and to prevent the revival of totalitarianism in this or any form. It will seek to liberalize the structure of government and to exclude authoritarianism.

VI. In the field of decartelization and monopolistic practices the Federal Government will take legislative action corresponding to decisions taken by the High Commission in accordance with Article 2 (b) of the Occupation Statute.<sup>8</sup>

VII. The High Commission has communicated to the Chancellor the terms of an agreement reached by the three powers for the relaxation of the present restrictions on German shipbuilding.

The main provisions now agreed are as follows:

The construction of ocean-going ships excluding those primarily designed for passengers, and tankers up to 7,200 tons, fishing vessels up to 650 tons and coastal vessels up to 2,700 tons not exceeding 12 knots service speed may begin forthwith. The number of such ships to be constructed shall not be limited.

The Federal Government may, with the approval of the High Commission, acquire or construct before December 31, 1950 six special ships exceeding these limitations of size and speed. Further particulars on this point were communicated to the Chancellor.

The Federal Chancellor raised the question of the construction and repair of ships in German shipyards for export. The High Commissioners informed him that this matter was not discussed by the Committee of Experts and that they were not in a position to give him a final decision on it. However, they will meanwhile authorize German shipyards to construct for export ships of the types and within such limits of numbers as are applicable to construction for the German economy; they will authorize repair of foreign ships without restriction.

VIII. On the question of dismantling, the High Commission has reviewed the present position in the light of the assurances given by the Federal Government and has agreed to the following modification of the programme. The following plants will be removed from the reparations list and dismantling of their equipment will cease forthwith.

*A. Synthetic Oil and Rubber Plants.*

Farbenfabriken Bayer, Leverkusen.

Chemische Werke, Huels.

(Except for certain research equipment at Chemische Werke Huels. These plants involving an important security element)

<sup>8</sup> For the text of the Occupation Statute, adopted by the Foreign Ministers during their Washington meetings, April 6-8, see p. 179.

Gelsenberg Benzin, A.G.  
 Hydrierwerke Scholven, A. G.  
 Ruhroel G.M.B.H., Bottrop  
 Ruhrchemie A. G.  
 Gewerkschaft Victor  
 Krupp Treibstoff G.M.B.H.  
 Steinkohlenbergwerke  
 Dortmunder parafin  
 Essener Steinkohle A. G.

*B. Steel Plants.*

August Thyssen Hütte, Duisburg, Hamborn  
 Hüttenwerke Siegerland, Charlottenhütte  
 Deutsche Edelstahlwerke, Krefeld  
 August Thyssen Hütte, Niederrheinische Hütte  
 Klöckner-Werke, Duesseldorf  
 Ruhrstahl A. G. Heinrichschütte, Hattingen  
 Bochumer Verein Gusstahlwerke, Bochum

Except that electric furnaces not essential to the functioning of the works will continue to be dismantled or destroyed.

C. Further dismantling at the I. G. Farben plant at Ludwigshafen will not take place except for the removal of the equipment for the production of synthetic ammonia and methanol to the extent provided for in the reparations programme.

D. All dismantling in Berlin will cease and work on [*in?*] the affected plants will be again rendered possible.

It is understood that equipment already dismantled will be made available to IARA except in the case of Berlin. The present modification of the reparations list will not affect the existing prohibitions and restrictions upon the production of certain materials. Dismantled plants may be reconstructed or reequipped only as permitted by the Military Security Board and those plants at which dismantling has been stopped will be subject to suitable control to ensure that the limitation on the production of steel (11.1 million tons per annum) is not exceeded.

IX. The question of the termination of the state of war was discussed. Although such termination may be regarded as consistent with the spirit of this protocol, it presents considerable legal and practical difficulties which need to be examined.

X. The High Commissioners and the Federal Chancellor have signed this protocol with the joint determination to carry into effect the purposes stated in the preamble hereof and with the hope that their understandings will constitute a notable contribution to the incorporation of Germany into a peaceful and stable European community of nations.

*Initialed:*

B. H. ROBERTSON  
 A. FRANÇOIS-PONCET  
 J. J. McCLOY

K. ADENAUER"

2. Following is summary statement of the council on shipbuilding which was handed to the Federal Chancellor this date. Summary cable which follows states Adenauer's reaction to this statement.

"Shipping and shipbuilding in Germany were made subject to restrictions under directives issued by the Allied Control Authority. Among other restrictions these directives specified that ship construction should be limited to coastal vessels having a maximum size of 1,500 G.R.T. and a maximum speed of 12 knots. The construction of ocean-going shipping was prohibited.

The agreement made on 8 April in Washington on the prohibited and limited industries<sup>9</sup> laid down in Article XI revised conditions which removed or alleviated very considerably the restrictions imposed under the A.C.A. directives. The maximum size of coastal vessels was raised to 2,700 G.R.T. Germany was permitted to construct ocean-going shipping, excluding ships designed primarily for passengers, as soon as the requirements of her coastal fleet had been met. While ocean-going ships were in principle to be limited to a maximum size of 7,200 G.R.T. and a trial speed of 12 knots, and as to type to dry cargo ships and tankers, certain facilities were accorded for the acquisition of special ships. A committee of experts was constituted to prepare a report on the types of such special ships as may be required by Germany and permitted to her. The committee was also instructed to determine those features of design, etc., which should be prohibited as facilitating conversion to war purposes and as being not in conformity with normal merchant marine practice.

The revised conditions contained in Article XI of the Washington agreement have hitherto not been brought into force and shipbuilding in the Federal Republic is still controlled by the old A.C.A. directives. This is because the report of the committee of experts had not been completed and approved by governments. This situation has now been cleared up, and the Allied High Commission is now prepared to publish and to bring into force Article XI of the Washington agreement and the implementing regulations.

Meanwhile the High Commissioners are prepared to give the following information to the Federal Chancellor regarding the principal points established in the report of the committee of experts.

(a) Speeds mentioned in Article XI of the Washington agreement should be regarded for the purposes of the agreement as service speeds and a margin of  $1\frac{3}{4}$  knots should be authorized between such speeds and the corresponding trial speeds at full power with clean bottoms.

(b) It may be accepted that the German coastal fleet has been reconstituted and that, therefore, the construction of ocean-going vessels may be permitted.

(c) Consideration may be given to granting of licenses for the laying of keels or the acquisition before 31 December, 1950

<sup>9</sup> For the text of prohibited and limited industries' agreement agreed by the Foreign Ministers April 8 and promulgated by the Military Governors, April 13, see Ruhm von Oppen, *Documents on Germany*, pp. 380-385, or *Germany 1947-1949*, pp. 366-371.

of six ships exceeding the limitations of speed and tonnage as defined in paragraph 1 of Article XI of the Washington agreement. In this connection the High Commission would be ready to approve the construction of six refrigerator ships of 3,000 G.R.T. and 16½ knots trial speed. Alternatively the High Commission would consider an application for the substitution for any or all of the six ships of a vessel or vessels exceeding the tonnage limit of 7,200 G.R.T. but within the speed limit of 13¾ knots trial speed and not exceeding a total tonnage of 60,000 G.R.T.

(d) The High Commission will authorize the completion for export of the uncompleted tanker S 235 of 9968 G.R.T. and 13½ knots service speed now laying at Hamburg.

(e) It will be a general condition that any ship built or acquired by Germany must present characteristics in conformity with normal mercantile marine practice. This is a matter, the observance of which will be a responsibility of the Military Security Board who will be guided by a directive on prohibited features, drawn up by the Committee of Experts."

Sent Department 45; repeated Frankfort 46.

McCLOY

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862.00/11-2349: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET      PRIORITY

BONN, November 23, 1949—noon.

46. Following is brief statement of discussion between High Commissioners and Chancellor Adenauer held on 22 November, 1949 at Bonn-Petersberg. Protocol of agreements reached was forwarded 22 November to Department as Bonn's 45, repeated Frankfort 46.<sup>1</sup>

1. Before discussing a draft "protocol of agreements"<sup>2</sup> prepared by the political advisers, Robertson reviewed briefly following subjects:

a. Participation in international organizations Robertson requested Adenauer to nominate some one to discuss with representatives of HICOM certain constitutional and other questions involved in Germany's participation in international organizations. He stated, however, that each case would be decided on its merits.

b. Termination of state of war. Adenauer stated that he has set up a committee to study individual problems resulting from the "existing state of war" without attempting to deal with entire problem. He stated that this report would be submitted to HICOM when completed. Later in meeting it was agreed to include present text in paragraph IX of final "protocol of agreements" referred to above.

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<sup>1</sup> *Supra.*

<sup>2</sup> This draft has not been found in Department of State files.

c. Shipbuilding. Adenauer was given copy of HICOM statement on shipbuilding (forwarded Department in Bonn's 45) plus a copy of Article XI of Washington agreement. Adenauer replied German shipping interests were complaining of unemployment and desired to know if foreign vessels could be constructed or repaired in German yards. Robertson pointed out that construction of ships for export beyond limits prescribed is a matter which is now under consideration. Adenauer implied that limits in shipbuilding prescribed in HICOM paper given him may be so strict as to make the document meaningless. Robertson replied that service speed of twelve knots would place ships in competitive position. Later in meeting agreement was reached on present paragraph VII of "Protocol of agreements" reached.

d. Attitude to be adopted by Western governments respect to German democratic republic. On a confidential basis, Robertson informed Adenauer that Foreign Ministers agreed that governments of Western world should adopt a common attitude toward German democratic republic. i.e., all action should be avoided which involves recommendation [*recognition?*], express or implied, *de facto* or *de jure*, of German democratic republic. Adenauer assured council that FedRep would conform in every respect. Robertson in reply to a query of Adenauer, indicated that this decision did not mean that trade agreements, railroad and post negotiations, et cetera, could not be continued and in fact should not be renewed at such time as they lapse. Adenauer repeated he did not wish to take action which might be interpreted by the Germans in the East Zone that they were being abandoned.

2. Comments with respect to "protocol of agreements reached," referred to above.

a. It was agreed that subject protocol would be made public at 5 p. m. on Thursday 24 November in order that it could be synchronized with Schuman's statement and Adenauer's statement declaration in the Bundestag same date.

b. Adenauer laid great stress on receiving German public support for subject protocol.

c. Adenauer questioned concept of German membership under Article 33 [31] of Ruhr Statute.<sup>3</sup> It was agreed not to refer to German "full membership" in IAR. My talks previous evening with Schumacher convinced me that Adenauer would have trouble in obtaining agreement to German accession to IAR and we worded Article II of protocol in order to help strengthen his case. It was agreed that Adenauer could make statement in Bundestag with respect to the question of review of the Ruhr Statute in the light of conditions existing at the time of such review particularly with respect to occupation statute.<sup>4</sup>

d. Adenauer requested that equipment for the production of synthetic ammonia and menthanol used in production of synthetic fertilizer at I. G. Farben plant at Ludwigshaven (see paragraph VIII paragraph C of protocol) should not be dismantled and cited statistics

<sup>3</sup> For the text of the agreement for the establishment of the International Authority for the Ruhr, see *Foreign Relations*, 1948, vol. II, pp. 581 ff.

<sup>4</sup> For the text of the Allied Occupation Statute for Germany, agreed by the Foreign Ministers at their meetings in Washington, April 6-8, see p. 179.

to support his case. Poncet cited figures which were in partial contradiction to Adenauer's figures stating that they were based on ECA studies. At one point Poncet threatened to remove this plant from list of plants to be removed from reparations list but later in private negotiations agreed to its inclusion in protocol.

e. Poncet assured Adenauer that equipment in the process of being dismantled at Borsig would not be removed. (See paragraph VIII (D) of protocol.) It was agreed that general ruling with respect to dismantling equipment would not apply to Berlin.

f. Adenauer agreed to give confidential note to HICOM giving his assurance that rest of dismantling program would be carried out smoothly. It was agreed not to include such a statement in protocol. High Commissioners and Adenauer will call attention to Adenauer's assurances in press conferences.

g. Adenauer laid great stress on a concluding statement which referred to preamble and which re-emphasized need for integrating Western Germany into community of nations of Western Europe. Adenauer stated that he wanted protocol to represent to the German people a final attitude of the FedRep with respect to integration of Germany into Western Europe as opposed to Eastern Europe. Article X of protocol represents my compromise proposal.

h. It was agreed that Adenauer although making public protocol at five o'clock in the Bundestag on Thursday would not hold a press conference until Friday afternoon. Council agreed to hold a press conference at 11 a. m. on Friday prior to regular meeting of Council scheduled that day.

i. Translations of French and German text of protocol as forwarded in Bonn's 45 to Department will be agreed upon and circulated for signature on 23 November.

j. In reply to a query of Adenauer, Robertson stated that Adenauer could announce to Bundestag on the twenty-fourth "that orders are now going out in UK zone to stop dismantling in the plants listed in protocol."

3. Adenauer stated that with approach of Christmas he would like to renew a plea for return of German prisoners of war from abroad; that Germans held for trial in foreign countries be tried quickly, and that the several thousand German soldiers in Belgium, France and Italy who have not yet been tried or sentenced be dealt with at once. Council agreed to discuss this subject at its meeting on Friday 25 Nov.

4. Except for acrimonious discussion between Adenauer and Poncet with respect to I. G. Farben plant at Ludwigshaven, meeting of Council with Adenauer was carried on in a very harmonious atmosphere. Adenauer appeared to be most pleased with protocol and in fact pressed for its signature at this meeting. He appears confident that he will gain support of Bundestag on 24th.

Sent Department, repeated Frankfurt 47.

McCLOY

740.00119 Control (Germany)/11-2349: Telegram

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

TOP SECRET PRIORITY LONDON, November 23, 1949—4 p. m.

4669. Personal for the Secretary from Douglas. ReDeptel 4124, November 15.<sup>1</sup>

Bevin has asked me to deliver the following personal message to you in reply to yours to him of November 15:

"It was most good of you to give me an account of your discussions with Adenauer and Schumacher in Germany. As you know, I am following the situation with the greatest interest and was therefore particularly glad to get your message.

You will have seen that in my statement in Parliament I played Germany down as much as I could. I did not want to make it more difficult for Monsieur Schuman, but this made it politically difficult for myself."

DOUGLAS

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<sup>1</sup> Same as telegram 4415, November 15, p. 316.

740.00119 Control (Germany)/11-2549: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET PRIORITY BONN, November 25, 1949—11 p. m.

50. From political liaison. Following last night's suspension of Schumacher for 20 Bundestag sessions and SPD absence from session's end, we have this afternoon and evening had talks with Blankenhorn, Schmid, Gerstenmaier (CDU), Schaeffer (FDP faction leader) and Schumacher to determine probabilities of compromise. Other leaders not available.

Trouble last night arose when SPD understood Adenauer to call them party supporting dismantling although they agree that record now shows he did not say that. Some CDU, however, had same impression. Someone called "are you German Chancellor." Then Schumacher in heat of moment called Adenauer "Chancellor of Allies." Koehler, presiding, called him to order, then announced motion to refer to Committee of Elders.

In this meeting it appears Schumacher was ready to apologize, although he now denies it, but an FDP representative said Schumacher was against the wall and this was the time to destroy him politically. That ended compromise. Koehler reconvened session at 6, waited fifteen minutes, sent for SPD, they would not end faction meeting, so



session proceeded without them. Committee of Elders met this afternoon at 3 but made no progress toward settlement.

Majority of those interviewed believe it too early to expect agreement, but several believe that it will be possible after week-end cooling period.

Excepting Schumacher and perhaps FDP, those interviewed agree that last night's performance was serious reflection on German parliamentary capacity, that its foreign repercussions must be most unfortunate, and that Adenauer's own course contributed to the result.

We get the definite impression that the rank and file, both CDU and SPD, are critical of their respective leaders and SPD especially is resentful of position Schumacher has put them in. This applies not only to immediate situation but also to policy of complete opposition.

Nevertheless, coalition action has now forced SPD faction to support Schumacher, at least publicly. In addition, they feel that Adenauer is putting personal government over on them and ignoring Parliament and indeed Constitution. They say Constitution requires accession to Ruhr agreement and to bilateral agreement to take form of Bundestag law which might have consisted of one sentence.

Accordingly SPD faction this afternoon issued press statement that Koehler had let Adenauer insult to SPD pass unrebuked, then called Schumacher to order for his insult, and then contrary to the rules imposed a second penalty (reference to Committee of Elders). Adenauer's and Schumacher's words must be taken as a whole, not separately. The coalition has now forged a new link in its plan, illegally to eliminate the opposition. Therefore the SPD declares its political and personal confidence in Schumacher, and faction had intended to absent itself from the Bundestag for the period of Schumacher's suspension. But Schumacher persuaded them not to do this because of the effect which this course would have on the vital questions coming up. The SPD will therefore conduct the sharpest fight both inside and outside Parliament against the attempt of the government and its parties to abandon parliamentary democracy and to establish an authoritarian regime.

Schumacher in words remains intransigent and talks about unity of party behind him. At same time, he speaks of probable suspension till June. He also indicated that a mutual withdrawal of insults might be acceptable if made in the order in which given. In other words, Adenauer first. We have some reason to think Schumacher only heard of this idea a little while before we saw him. If so, it indicates Schumacher ready to accept face-saving device.

We [*He?*] also suggested both sides might ignore insults, but had no answer when we pointed out this would leave him suspended for

some months. He spoke of protest action by Ruhr workers. This seems to us unrealistic because of advantage Ruhr miners get out of cessation of dismantling. He also mentioned demonstrations planned for tomorrow in several cities of federal territory.

FDP seems least anxious to make peace. We do not believe this is Schaeffer's view but he has reactionary members who hate SPD and have no concern except to destroy it. It will probably require strenuous work to get Adenauer in line. In parliamentary sense he knows he has a great victory. Truth is that Adenauer with his age and dictatorial tendencies and Schumacher with his sensitivity and excitability are problem children for their respective parties.

SPD will, among other things, try to make Koehler the scapegoat for the row and displace him on ground he is incompetent and was responsible for situation.

While SPD finds itself in false position due to Schumacher's lack of control and would like to retrieve itself, there remains a fundamental cleavage which will produce continuing difficulties. Adenauer undoubtedly will by-pass Parliament when he can, and even FDP resents this. He will also take final action himself when he can instead of requesting Bundestag action under Constitution. SPD would not vote for his measures anyway, but this method of handling matters is additional serious irritant.

Schumacher and Schmid both said SPD would not have voted for law for accession to Ruhr Authority because agreement only binds Germany and does not bring other countries under control, and because Germany should have tried to bargain and get changes in her interest. On the other hand, SPD might have voted for law authorizing bilateral agreement, depending on its review of contents of the agreement. It has no basic position against the bilateral agreement.

To summarize, we think this particular fight will be smoothed over, but the serious implications are, first, foreign reaction, and second, failure to settle differences over respect for Parliament and Constitution. We suggest serious consideration of approach to Adenauer pointing out relation between his present and prospective course and his undertaking to advance democratic and anti-authoritarian government.

Summary of Adenauer press conference dispatched in separate cable.<sup>1</sup>

Sent Frankfurt 52 for Lightner; repeated Department 50, London 22 for McCloy, Berlin 17 for Wendelin.

McCLOY

<sup>1</sup> Telegram 51, November 25, from Bonn, not printed (862.001/11-2549).

862.00/12-249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the  
Secretary of State*

CONFIDENTIAL      PRIORITY      FRANKFURT, December 2, 1949—4 p. m.

4505. For Acheson and Byroade. The Adenauer-Schumacher fracas assumed some rather serious aspects recently which threatened to impair much of the good work done at Paris and at Bonn in connection with the protocol, Acheson's visit, et cetera. At a series of SPD meetings violent attacks on Adenauer and the occupation policies were made in an effort to counteract the doubtful impression Schumacher's attitude had created in the Bundestag and elsewhere. The nervous tensions always present in the German post-war scene were substantially increased and in some circles it was felt they might lead to dangerous results. Accordingly though I felt it was not wise to intervene directly with the principals, I took advantage of a dinner meeting with Bluecher, Von Brentano and Hellwege on Wednesday night to point out to them the very unfortunate aspects of this affair; above all the lack of confidence it generated throughout the world in the ability of the Germans even to conduct a serious Parliamentary debate, the threat that this lack of confidence saw[*was?*], not only to German development but to the settlement of the whole European order, and did not omit to refer to the jeopardy in which it put the continuance of a substantial German aid program. Whether due to this talk or not Von Brentano busied himself yesterday in Bonn and initiated discussions between Adenauer and Schumacher which led to this morning's published general statement and will probably lead to further action today in the Bundestag.<sup>1</sup> I do not suppose that this action will mean anything more than a minor truce but I think it at least will relieve the rather high tensions. I did not report the details of my conversations to my colleagues on the commission though I did advise them both that I had seen these leaders.

McCLOY

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<sup>1</sup> Under reference here is a joint declaration by Schumacher and Adenauer of mutual good will, which also stated that Schumacher's suspension had been rescinded. The SPD leader conceded that he had been wrong in casting a slur on Adenauer, while the Chancellor stated that he was convinced of the sincerity of Schumacher's views.

740.00119 Control (Germany)/12-1449

*Memorandum by the Special Assistant to the Director of the Bureau of German Affairs (Cheseldine) to the Director of the Bureau of German Affairs (Byroade)*

SECRET

[WASHINGTON,] December 14, 1949.

Subject: A Personal Opinion (No distribution)

It is perhaps fortunate that pressures build up only infrequently within me. When they do, I must find escape for them.

I am very worried about the "German problem." I feel that our policy is so infirm that iron shots and vitamins will do it no good; or else it is so firm in the wrong direction that we owe it to the public to publish our retreat from realism so our people can be prepared.

First let me repeat that last March I opposed granting Western Germany a government; I stated my position in a meeting in Murphy's office one night in the presence of Dorr, Voorhees, Murphy, you and several others. That is water over the dam. I continued against "too much, too soon" in a memo<sup>1</sup> to you before the Paris conference. That too, is history. I mention these things only to lend emphasis to my next alarm.

We do have a German government and it is hanging on by the skin of its teeth. We believe it is the best we could get and we want to keep it and make it strong so we come out of the dilemma of "unconditional surrender" with something of lasting value. Having a bull by the tail is not a pleasant diversion and since we can't hang on forever, we must look for a soft spot on which to light as our hands continue to slip.

So what are we doing as a matter of international policy and diplomacy? As a government, we state our belief in "integration" of Western Europe; we offer dollars to help strengthen economies and try to use their emphasis to force "economic integration." We offer an Atlantic Pact and Military Aid to strengthen European defenses, and try to use their emphasis to force "military integration." Both of those attempts have inherent in their structure some loss of sovereignty by European nations. We use ERP, MAP, NAP, as a security background for the creation of a Western German government; we advance our security offers, which include also a Military Security Board and pious words about decartelization and deconcentration, as protection for Western Europe against a resurgent Germany. And we point with pride to the reserved powers in the Occupation Statute!

<sup>1</sup> The memorandum under reference here has not been identified further.

Thus we have a sufficient array of words and names and alphabetical agencies to permit any official spokesman to write or speak in such manner as to make it appear that the peoples of other nations can safely hover beneath the benevolent wings of a gentle but powerful American Eagle.

Are we so naive as to believe that all other people are simple minded? What becomes of our "protection" when Johnson announces proudly a saving of two billion dollars in the Department of Defense—by reducing the size of the Army, Navy, Air Force? What becomes of our economic integration when returning Senators announce a cut in ERP aid next year? Why should Western Europe rely on us for protection and willingly give up sovereign rights for "political integration" when we have made no commitment as to what armed forces we will place or maintain in Europe, while at the same time our military leaders(?) feed the fire which would forge a German army? [And as sure as death and taxes, the Germans know that 5 German divisions (or 10 or 20!) will mean nothing as defense unless *we* provide 100 or 200 of our own and, therefore, as the talk builds up, pressure on Adenauer will force him more and more to insist upon a real German Army, and then where goes your assurance to France—and others? And don't forget that ingrained in the German nationalist is the firm conviction held for centuries that Russian manpower and German know-how and leadership are invincible—that *Der Tag* will come!]<sup>2</sup> Why argue that France is our greatest problem in Europe when the French, living with the realities of history, have only words as defense and the evidence of an ever stronger Germany as a growing offense? [Whoever believed we could give Germany a government without sovereignty, and what is sovereignty today without the inherent means of military protection; and who can deny the cry of the Germans that they are menaced by the threat of advancing Russia; and who is bold enough to say that we do not intend to revise the occupation statute to relinquish more controls; and doesn't the world know that we have done nothing of importance in decartelization and deconcentration and nothing in the field of the Military Security Board?]

We have two inherently strong powers in the world today, Russia and the United States. But Russia has *immediate armed* strength and knows it, and the world knows it. She can, therefore, afford to refrain from an overt act of war because she can revert to that at any time. The world wants protection against war and in all realism, *might* is still the greatest immediate and realistic protection against war—or for war! The Russians respect strength; the Germans respect strength. The longer we cling to the position of "world leader" into which we

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<sup>2</sup> All brackets are in the source text.

have been thrust by circumstance backed by *might*, while at the same time we flaunt our growing weaknesses in the face of the world, the more we destroy our chance of really leading the world.

This ranting is a composite of statements made to me in letters I have received and in many conversations with people who are as worried as I am as to our "policy." They are not new; many will feel that they are much over-drawn. Sure, we have "contained" Communism in Western Europe—while it spreads throughout the Orient. True we have rebuilt Germany from ruins of war—while her people smirk at our naivete and eat our food. Yes, we have again demonstrated our sincerity of purpose to seek no territorial expansion, no gain from war, and our sincere open-handedness toward the needy of the world—while we talk openly of returning sovereignty to our recent enemies, East and West, in the same breath as we express surprise that the world does not accept our assurances of security from its former enemies of peace.

Can the world fail to note the juxtaposition of our intent to consider the ending of a state of war with Germany and the continued discussion of some German rearmament?

Yes, I am frankly confused. In the face of a definite and powerful aggressor nation, sitting literally across the top of the world, what is our policy? With two defeated enemies on our hands, what do we intend to do with them, the world situation being what it is? It sounds logical, perhaps, to argue that we cannot keep them in bondage, that we must get them on their feet and oriented toward "our side," and set them free! But Japan has renounced war! The Adenauer government has pledged against a return of militarism. Who, then, protects the new sovereignty? Not we, who have no military! Not the NAP because we can't assure the other nations of the extent of our participation. The MAP is still in chaos. Must we arm our former enemies and gamble on their choice of allies?

More specifically, accepting the present facts as to Germany and the job of Ger, what are *we* doing? Those who return from Germany deplore the "lack of continuity" in HICOG, the inadequacy of personnel, the inaptitude of some in higher echelons and the inability of the new staff to get under way, yet we apparently studiously avoid giving real help in the form of interpretation and advice because, I am told, McCloy was promised a "free hand" and we must "back him up." Yet we argue among ourselves about a fiscal policy, about deficit financing, about investment policy, about trade controls, or lack of them, and still apparently have no clear concept about the terms of reference of Ruhr Control, its relation to Steel and Coal Controls, the competency and actual operation of the Military Security Board, and

certainly are doing nothing to clarify our policy with respect to decartelization, deconcentration and removal of other restrictions to free enterprise, which should, of course, come first before we can embark on either public or private investment and fiscal programs. And as far as I know, although it was talked about weeks ago, nothing has been done of any consequence to develop an information program for the German people to secure cooperation for whatever "free enterprise" program we might have in mind. If Mr. Sawyer believes it is necessary to do a public orientation job in this country re monopoly and the limits within which industry can operate, wouldn't you think it might be a good idea to let the Germans in on our secret?

I have attended several very interesting conferences with Reinstein since his return from Germany and I have learned a great deal. I think all the others have gained much from these discussions. But I am most impressed with the fact that we are still debating the interpretations of the articles of the Occupation Statute or the terms of reference of the multitudinous Control agencies or "what our policy is" with respect to decartelization. I have the feeling that although we realize we have a set of facts to deal with, i.e., a government in Germany and a set of reserved powers, none of us is clear enough about U.S. policy to have nerve enough to try to interpret that policy in terms of a given problem. Must we, then, sit and wait for McCloy to act in his role of independent operator and then rush to back him up, no matter what the cost?

It becomes clearer each day to me that we have permitted ourselves to get over the barrel. The new theory which was evidenced in our pre-conference policy discussion called "advance credit," and which I tried to warn against, is now giving us the inevitable reaction. We did give Western Germany advance credit in the recent Paris conference. Sure, we said we were getting a quid pro quo from Adenauer and it appeared in the protocol of agreement between Adenauer and the High Commission, but what is happening now on two of the points: (a) although Adenauer agreed to resist the re-militarization of Western Germany, he is now openly demanding "equal rights" in European defense, (b) although he gave assurance of joining in the IAR, he now balks at formal adherence. Why? Well, he is now the Chancellor of a sovereign nation and he intends to act as such and to demand his rights. And we gave him the opportunity to do so!

You probably do not like this type of violent objection to our "policy," to destructive criticism. Well, here's a recommendation:

a. Let the Secretary go to the public with a frank statement of over-all policy, saying flatly that we are tired of Russian lies and the

apparent willingness of other nations to misunderstand us; that once and for all here is our position :

(1) We desire peace, but are prepared to fight to secure and maintain it.

(2) We will keep armed forces in Europe until we are convinced they are not necessary to maintain peace.

(3) We have given Germany all the authority we intend to give her and no further release of controls will be permitted until she proves her inherent strength; this includes no revision of the Occupation Statute.

(4) We intend to emphasize the activity of the MSB as a means of anticipating violations of the PRI agreement rather than waiting for commission of an overt act.

(5) We intend to enforce controls over foreign trade and to cause the German government to implement export controls.

(6) We intend to cooperate in every way in the development of a free-enterprise economy in Germany and to that end will continue a vigorous decartelization and deconcentration program.

(7) We do advocate admission of Germany into international organizations as a means of assumption of international responsibilities.

(8) We do not intend to permit any rearmament in Germany until such time as the Western Defense Organization shall voluntarily request such action.

(9) We do not intend to press for a peace treaty at this time nor for an end to the state of war, believing rather that the international political situation makes such policies unrealistic.

(10) We seek now a full economic integration of European nations because of the ever present threat to free enterprise, and realizing that such integration will mean the loss of some so-called sovereign powers, we are prepared to meet those sacrifices with whatever aid is required because we realize that a close union of free peoples is essential to resist the advance of communism, despite the cost.

(11) We realize that such a program will mean further sacrifices at home, but that is a price we must pay for peace and freedom.

Do I expect to hear such a statement? Of course not. We still have internal politics. But it would be refreshing to hear something other than double-talk and understatement. No, we will continue from one retreat to another in Europe, giving more and more to Germany because we have started a new government, it will demand its "rights" and because we fear it will fall, we can do nothing less than pay its black-mail price.

Again let me repeat that I am discouraged. I feel that our strength is ebbing daily, our power is slipping away; that we are living in fairy-land believing in the sweetness of the reformed German who, in fact, is laughing at us and is making his own plans as he measures our weakness and the Russian strength. The aged Adenauer will soon pass; the younger German will come to power and in the insolence of that power will demand that which we have encouraged him to expect. Call me a



reactionary if you will, but twice in my life-time the German has upset my life; I am not ready to accept him as my brother, not until he gives evidence *which I can accept* of his inner reformation. If there were no Russian threat, I could feel differently. Then I would have only the German to fear; now I have the unreformed German as a potential ally of Russia whose motives are clear. I feel strongly that we have gone too far, too soon, and that we are now faced with the irresistible glacial movement which we may be unable to combat—unless we are prepared to face facts and act with the leadership of courage. The daily evidences I have of the thinking of the people with whom I work indicate that they are willing only to deal with immediate problems in the frame-work of what they have accepted as “our policy” without relating each of those problems to the ultimate result. That way, in my opinion lies the danger of failure. I do not want to live in fairy-land and rely upon Santa Claus. I refuse to shut my mind to facts; and constant “giving” to new German government is not making it stronger except as our ultimate opponent. I think it is time to put our policy under the microscope and look at it in its entirety; then when the stated policy seems sound, give prompt attention to the sincerity of its implementation. Somewhere in this Bureau there should be an over-all planning unit which is not harassed by the pin-pricks of hour-to-hour operating requirements.

R M C[HESELDINE]

Enclosure

2 news clippings<sup>3</sup>

<sup>3</sup> Neither printed. The first considered the possibility of rearming Germany and concluded that this could be done safely only as part of an integrated European Legion, while the second, by Drew Middleton in the *New York Times*, December 15, 1949, reported that nationalism was the big peril facing the Federal Republic and the Occupying Powers.

862.00/12-949 : Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

SECRET

WASHINGTON, December 23, 1949—6 p. m.

3556. Since receipt urtel 64 Dec 9 from Bonn<sup>1</sup> Brit Emb has furnished us paraphrase UK HICOG's tel reporting in detail Adenauer's request for Allied assurance of defense for Fed Rep.<sup>2</sup> UK HICOG

<sup>1</sup> Not printed; it reported on the High Commissioners' meeting with Adenauer on December 8 at which the West German Chancellor, *inter alia*, requested Allied assurances of Germany's security from a Soviet attack. (862.00/12-849)

<sup>2</sup> Not printed. The paraphrase had been delivered to Geoffrey W. Lewis, the Acting Assistant Chief of the Division of German Economic Affairs, on December 16 by J. H. Penson, the Advisor on German Affairs at the British Embassy. (740.00119 Control (Germany)/12-1649)

expressed opinion it will not be possible sustain indefinitely attitude these matters no concern of Fed Rep head. He requests specific instrs from his FonOff on subj.

Prior receipt this tel, we were considering desirability further US govt statement re our policy on Ger rearmament including ref to defense of Fed Rep territory. On balance we believe matter shld properly be subj tripartite assurances, if any. We are developing statement which might be made either to Adenauer or publicly and will seek US views on text if further study here indicates desirability of any statement.

In meantime we have received urtel 5143 Dec 22.<sup>3</sup> Perkins is arranging furnish you background info. Subj being considered here and we will communicate with you further. Suggest you delay talking to Adenauer until further word from Dept.

ACHESON

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<sup>3</sup> Not printed; in it McCloy reported that Adenauer wanted to discuss informally with him the defense of Germany. McCloy felt he should be better advised on the latest policy before he offered any comments, but would report the Chancellor's ideas on the subject if the Department of State so desired. (862.20/12-2249)

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**C. THE STATUS OF BERLIN: TRIPARTITE AND QUADRIPARTITE NEGOTIATIONS LOOKING TOWARD "NORMALIZATION" OF THE STATUS OF BERLIN; THE QUESTION OF INCLUDING BERLIN AS THE 12TH LAND IN THE FEDERAL REPUBLIC OF GERMANY**

740.00119 Control (Germany)/6-2549: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET

BERLIN, June 25, 1949—9 p. m.

1012. Re mytel 986, June 22.<sup>1</sup> Although no reply has to date been received from Chuikov re quadripartite meeting proposed for June 28,<sup>2</sup> three Western deputy military governors met today and decided upon following course of action when meeting takes place:

1. Following was agreed re machinery of quadripartite consultations in Berlin.

2. There should be no formal committees or councils. There would be meeting of four deputies on Tuesday, 28 June provided Soviet

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<sup>1</sup> Not printed; it reported the dispatch of a letter to General Chuikov suggesting a meeting of the Deputy Military Governors on June 28 to begin quadripartite consultations pursuant to the decision of the Council of Foreign Ministers. (740.00119 Council/6-2249)

<sup>2</sup> In telegram 1022, June 28, from Berlin, not printed, Riddleberger reported that Chuikov had agreed to a meeting of the four Deputy Military Governors on that day. (740.00119 Control (Germany)/6-2849)

agreed. Thereafter four deputies would again meet at request of any one of them. There would be no established frequency of meetings.

3. At first meeting we should agree to the problems being remitted for discussion to not more than three groups of experts, i.e., economic experts, Berlin experts and if necessary political experts.

The economic experts should comprise the four economic advisers with power to include in their discussions financial, transport or other experts as required.

The Berlin experts would be the four commandants.

The political experts would be the four political advisers.

4. Terms of reference of

(a) Economic experts would be paragraphs (A) and (B) of Paris agreement (except as regards movement of persons).<sup>3</sup>

(b) Berlin experts would be paragraph (C) of Paris agreement.

(c) Political experts. Any matters of a political nature specifically referred to them either by the four deputies or by one of the other groups of experts.

5. Chairmanship will be in rotation, changing after each meeting. Chairman of first meeting to be chosen by ballot, sequence being also fixed by ballot.

6. Meetings will be for consultation only. There will be no voting procedure and no agreed minutes. Each power will produce its own minutes.

7. There will be no quadripartite secretariat. Each power will produce its own secretaries and interpreters for meetings.

8. Initial meeting will take place in ACA building. Later meetings can be held there or anywhere else by mutual agreement.

Sent Department 1012; repeated London 329, Paris 443.

RIDDLEBERGER

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<sup>3</sup> For the text of the Council of Foreign Ministers' communiqué, see p. 1062.

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740.00119 Control (Germany)/6-2849: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET

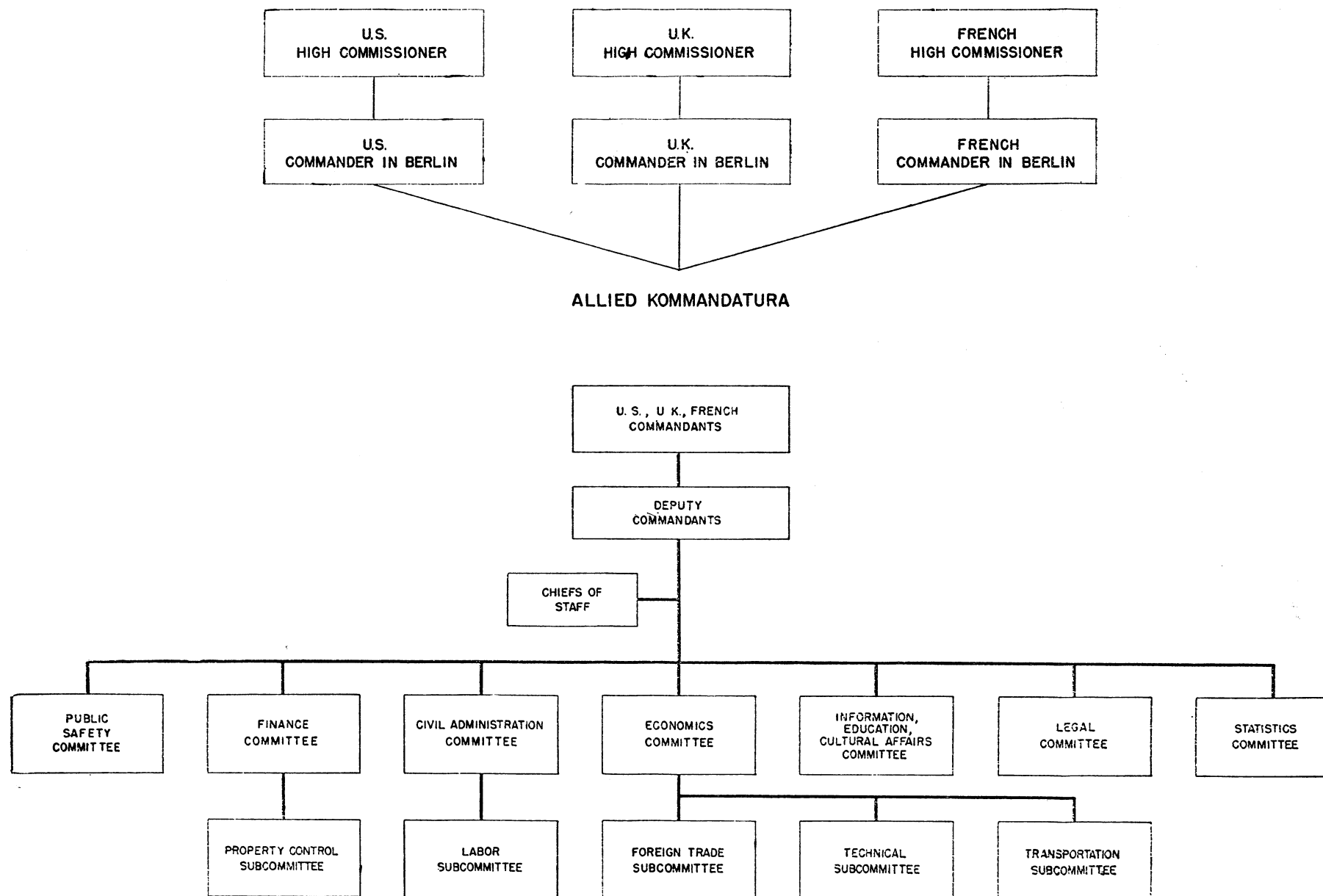
BERLIN, June 28, 1949—7 p. m.

1027. At meeting of four deputy military governors this afternoon French representative introduced orally proposal outlined mytel 1012 June 25<sup>1</sup> with exception of any reference to political questions and political advisers which he omitted. He recalled that CFM com-

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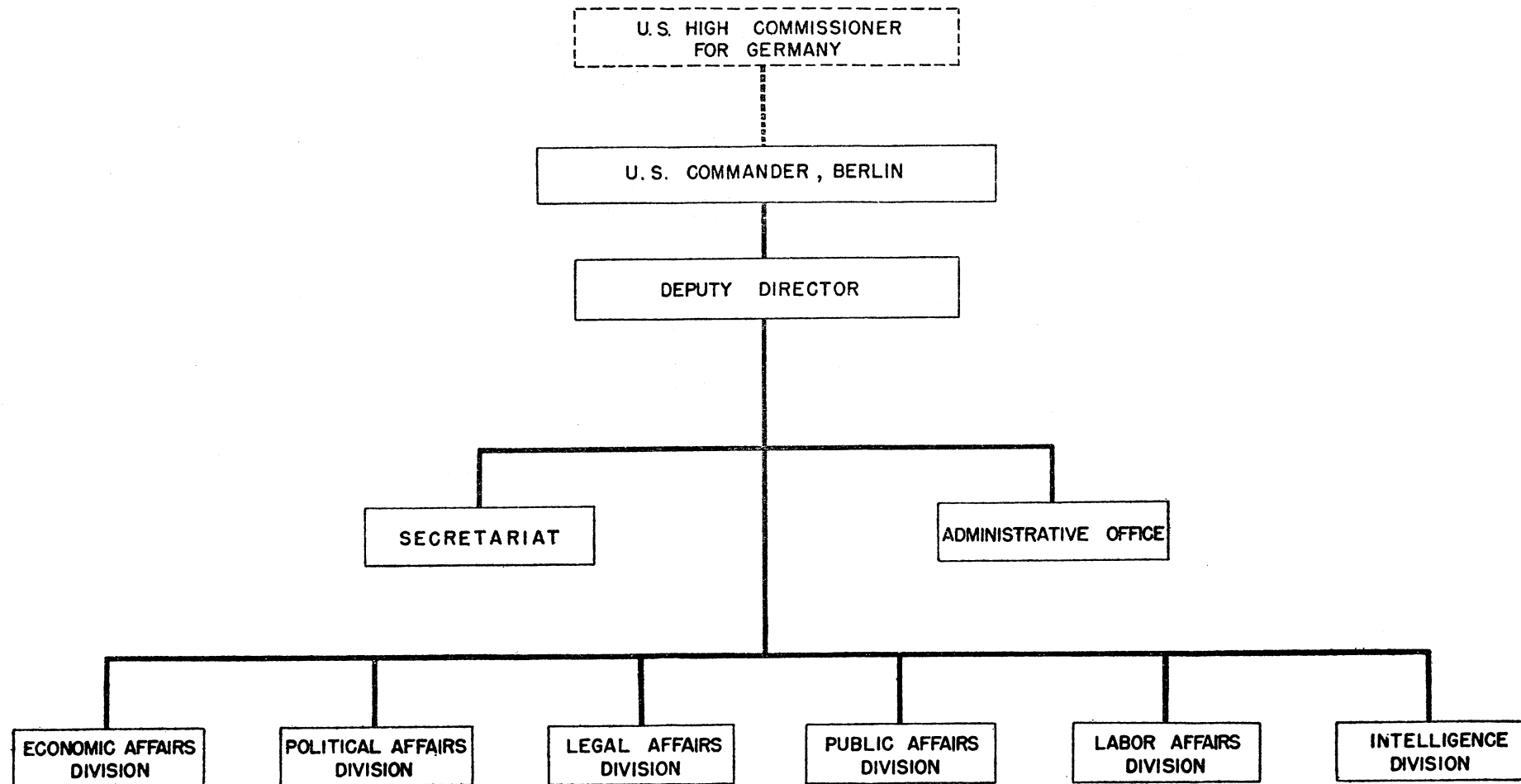
<sup>1</sup> *Supra*.

# ORGANIZATION FOR ALLIED CONTROL OF WESTERN BERLIN



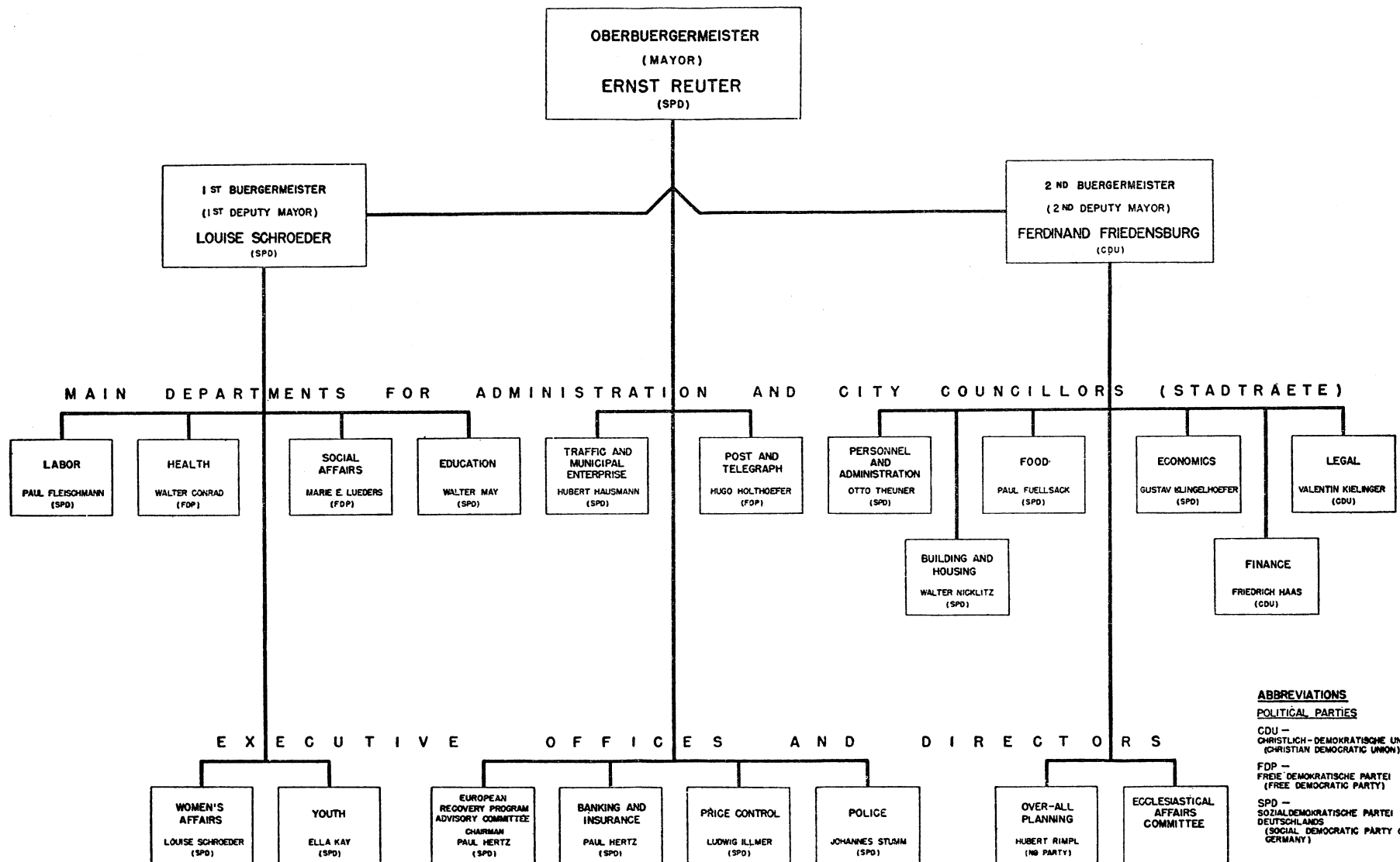
MAY 20, 1950

**BERLIN ELEMENT**  
**OFFICE OF U.S. HIGH COMMISSIONER FOR GERMANY**



SOURCE: Guy A. Lee and Rodney C. Loehr, *The Establishment of the Office of the U.S. High Commissioner for Germany* (Historical Office, Office of the Executive Secretary, Office of the U.S. High Commissioner for Germany, 1951), following p. 86.

# MAGISTRAT OF GREATER BERLIN



SOURCE: 2d Quarterly Report on Germany,  
January 1-March 31, 1950, p. 23.

MAY 20, 1950

munique had emphasized economic questions and Berlin and therefore that the first two groups of experts should convene to consider those subjects set forth particularly in paragraph three of CFM communiqué. General Bapst said that other groups of experts could later be established for other subjects if necessary. He suggested that any reports of the experts would be submitted to their respective deputy military governors and, after consideration by latter, meeting of deputy military governors or military governors could be called at request of any element. He thought that meetings at deputy military governor or military governor level would under this procedure be only at irregular intervals depending upon progress of experts consultation.

General Dratvin spoke next for SMA and, after asking few clarifying questions, stated that French proposal was interesting and should be thoroughly studied. Dratvin requested that the proposal be submitted in writing and stated he would express an opinion after study thereof. At this point he concluded his remarks and McLean, who was in the chair, tried to find out if Dratvin had any proposals to advance as he had not commented on substance of General Bapst's remarks. Dratvin replied pleasantly but firmly that he would prefer not to present any proposals at this meeting and desired to study General Bapst's proposals in written form first.

General Hays thereupon stated that he was willing to study French proposals and thought that better progress could perhaps be made if discussions are kept on informal basis as suggested by Bapst. Hays preferred that deputy military governors or military governors meet when some agreement has been reached by experts but thought that disagreements by experts could be considered at his level if one element so desired. McLean likewise agreed to study French proposals.

Date of next meeting was then considered and it was decided that deputy military governors would meet on July 5 at same time and in same place on understanding that General Bapst would submit his proposals in writing to other deputy military governors tomorrow.

With respect to press, it was decided upon proposal of McLean that only brief statement be given out to effect that four deputy military governors had met with McLean in chair and had had preliminary discussions on arrangements to carry out decisions of CFM and that further meeting will be held July 5.

Soviet representatives were affable and friendly both in meeting and in subsequent tea table conversation but completely uncommunicative on matters of substance. I have impression that either they have not received their instructions or were under strict instructions not to com-

ment or to advance proposals until they have had opportunity to examine ideas of Western representatives.

There was no mention whatsoever of the strike.<sup>2</sup>

Sent Department 1027; repeated Paris 447, London 333, Moscow 104.

RIDDLEBERGER

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<sup>2</sup> For documentation on the Berlin railroad strike, see pp. 840 ff.

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740.00119 Control (Germany)/7-549: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

BERLIN, July 5, 1949—8 p. m.

1065. Re ourtel 1027, June 28.<sup>1</sup> Deputy Military Governors after lengthy discussion agreed upon method of procedure to implement CFM communiqué of June 20. It was decided that consultations on Germany should be held at two levels: (1) Military Governor or Deputy Military Governor level, and (2) expert level. It was agreed that the commandants of four sectors of Berlin should meet to consider implementation of paragraph 3 (c) of CFM communiqué and that they would be authorized to deal with all matters within their competence without reference to Deputy Military Governors. For questions that exceeded their competence, such as interzonal trade, commandants would refer them to Deputy Military Governors for final confirmation. After considerable debate in which Dratvin first desired a discussion at Deputy Military Governor level of paragraphs 3 (a) and (b), it was decided upon proposal of General Hays that group of special experts would be established to draft terms of reference of the consultations and to consider implementation of paragraphs 3 (a) and (b) taking into account paragraphs 4, 5, and 6 of CFM communiqué. Members this group will be Semenov, Weir, Leroy-Beaulieu and Wilkinson and they will meet upon call of French member.

Date of next meeting of Deputy Military Governors will depend upon progress of special experts and will be convoked by Dratvin who will be in the chair.

It was also agreed that short communiqué would be released to press explaining procedure which had been agreed upon.

Sent Department 1065, repeated London 348, Paris 455, Moscow 105.

McCLOY

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<sup>1</sup> *Supra.*



740.00119 Control (Germany)/7-1249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL

BERLIN, July 12, 1949—8 p. m.

1106. First meeting of 4 Berlin Commandants in accordance Paris CFM agreement and decision of Deputy Military Governors (reference our 1065 repeated London 348, Paris 455, Moscow 105<sup>1</sup>) was held in Allied Control Authority Building this afternoon with French Commandant in the chair. General Kotikov, Soviet Commandant was accompanied by Colonel Yelisarov, political advisor Maximov.

General Ganeval, in his opening statement, emphasized that this meeting was not for the purpose of reviving the Quadripartite Kommandatura but only to implement paragraph 3 (c) of Paris CFM agreement. He expressed hope that good will on all sides would make it possible to solve some of Berlin's basic problems, but, short of this, attempt would be made to normalize certain aspects of life in Berlin. He emphasized that the Paris and New York agreements<sup>2</sup> must be respected and the transport situation reestablished as it existed on March 1, 1948. General Bourne seconded Ganeval's comments and pointed out specific obligations resulting from paragraph 5 of Paris agreement. He declared that communications between the British zone and Berlin were not normal and outlined recent restrictions placed on road traffic between West zones and Berlin (mytel 1092, July 11.<sup>3</sup>) General Howley expressed his agreement with the statements of his French and British colleagues and emphasized fact that these transport restrictions could only be considered as a violation of international agreements by the Soviets.

Following close on discussion of other subjects, Howley returned to problem of Soviet restrictions on road transport. He stated his desire to know exact Soviet intentions on following points: (1) Was the Soviet Commandant not familiar with facts outlined by West Commandants? (2) Is the problem outside his competence? (3) If so, would he refer the problem to his superiors? Earlier in meeting, General Kotikov indicated that he was not aware of any restrictions on road traffic but following Howley's specific proposals, he stated he would be willing to transmit these questions to his superiors if they were furnished in writing by Howley or one of the other Commandants. General Ganeval reiterated that it is not possible to discuss

<sup>1</sup> *Supra.*<sup>2</sup> For the text of the New York four-power agreement lifting the Berlin blockade and convoking the Council of Foreign Ministers, see editorial note, p. 750.<sup>3</sup> Not printed.

implementation of the Paris agreement if the New York agreement, out of which the Paris agreement grew, was not adhered to. Howley closed this discussion with a proposal that the 4 Commandants agree to refer a recommendation in the following sense to the Deputy Military Governors as being outside the competence of the Commandants: Any restrictions imposed upon traffic from East to West or West to East which concern Berlin should be immediately removed unless they were in effect on March 1, 1948, and regardless of who imposed them. Kotikov stated that he had nothing to add to his earlier statement on this subject.

An inconclusive discussion developed on the question of procedure. Ganeval, in emphasizing his point that this meeting did not constitute a renewal of the old Kommandatura, proposed that the individual delegates prepare their own minutes; that if questions not extending beyond Berlin were agreed upon, the Commandants would proceed immediately to implement them; that if such questions extend beyond Berlin they would be referred to the Deputy Military Governors, providing agreement was reached at the Commandants' level; that if questions were not agreed, they would merely be withdrawn. In his insistence that the Commandants request the Deputy Military Governors to instruct them formally concerning procedure, it seemed apparent that Kotikov was anxious to establish as far as possible a formalized procedure which could in effect be considered as a new Kommandatura procedure. The West Commandants did not accept Kotikov's proposals and the latter finally agreed to study the French proposal if presented in writing. Ganeval agreed to furnish this.

In attempt to determine Kotikov's intentions with respect to specific problems in Berlin, the British Commandant brought up the following 3 points: (1) That the legal validity of postage stamps issued in the West sectors be recognized by the Soviet sector postal authorities and that special surcharges on postal stamps imposed by both sides be withdrawn. (2) The routing of mail cars coming into Berlin. (3) *Propusks* (Soviet zone licenses) for West sector vehicles. In each case, Kotikov requested that these proposals be presented in writing. Bourne handed him 3 memoranda which he agreed to study and to discuss at a subsequent meeting.

When queried by the chairman, Kotikov stated that he had no points to raise. He added, however, that he does have proposals but is not yet prepared to raise them. It was agreed that the next meeting would be held when desired by any one Commandant, and that General Kotikov would be in the chair.

As in the case of the first meeting of the 4 Deputy Military Governors, it was apparent that the Soviet delegate had no intention of

advancing proposals until they had an opportunity to observe the West delegates' ideas and proposals.

Sent Department 1106; repeated London 365, Paris 467, Moscow 109.

McCLOY

740.00119 Control (Germany)/7-2849: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL

BERLIN, July 28, 1949—noon.

1186. Mytel 1106, July 12.<sup>1</sup> Second quadripartite meeting of Berlin commandants was held July 27 with General Kotikov in the chair. Latter was accompanied by a new political adviser whose name is still unknown.

Following lengthy discussion a procedural paper was agreed subject to confirmation at next meeting. Amendments were based on procedural decisions reached by Deputy Military Governors July 26 (mytel 1171 July 26<sup>2</sup>).

Kotikov presented five memoranda for consideration of other commandants on following subjects:

- (1) Removal of obstacles to use of hospitals and clinics by Berlin population regardless of sector;
  - (2) City-wide measures to exterminate agricultural vermin;
  - (3) City-wide orders and prophylactic measures to protect against epidemic diseases;
  - (4) Normalization of and unified control of city's water supply system;
  - (5) Normalization of and unified control of city's sewage system.
- Western commandants agreed to study memoranda and discuss them at subsequent meeting. It was evident from nature of Soviet proposals that they were anxious to make use of paragraph 4 of Paris communiqué through orders to legal magistrat and Soviet magistrat to meet together on these problems and work out solutions. Kotikov stated openly that his memoranda were not written for action by commandants but merely for purposes of agreed orders to the two magistrats to solve these problems.<sup>3</sup>

In contrast British memoranda presented at first meeting required action primarily by Soviet authorities. Kotikov introduced compro-

<sup>1</sup> *Supra.*

<sup>2</sup> Not printed.

<sup>3</sup> At their 25th meeting on July 28, the Western commandants discussed what attitude they should take toward Kotikov's five proposals, and agreed that no action should be taken which would constitute *de facto* recognition of the Soviet magistrat. It was also agreed that General Bourne would talk to Mayor Reuter concerning the possibility of technical discussions between the two magistrats. (740.00119 Control (Germany)/7-2849)

mise proposal re routing of mail trains from Western zones whereby mail and gift parcels from West would be loaded in separate mail cars according to whether addressed to Soviet zone and sector or Western sectors. Latter would be sent direct to West sector post office, former to Soviet sector post office. US and UK delegates accepted Soviet proposal and French commandant agreed notify other commandants his acceptance within few days.

Brief discussion developed over question of *propusks* for Western sector vehicles going into Soviet zone. It was obvious Soviet commander had no intention of relaxing requirements for *propusks* and matter was withdrawn. Kotikov also indicated he was not yet prepared to discuss question of postage stamps pending further study by Soviet financial authorities.

At end of meeting General Ganeval made strong representations to Kotikov concerning General Kvashnin's failure to answer Western commandant's letter of July 19 re strike pay (mytel 1140, July 19<sup>4</sup>). Kotikov indicated that he would inform appropriate Soviet organs of Ganeval's request and that answer would be forthcoming.

Sent Department, pouched Moscow, London and Paris.

McCLOY

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<sup>4</sup>Not printed; in the letter the Western Commandants had protested against the failure of the *Reichsbahndirektion* to pay in West marks 60% of the wages of railroad workers, who lived in West Berlin but worked in East Berlin. (740.00119 Control (Germany)/7-1949).

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740.00119 Control (Germany)/8-149

*Memorandum by the Acting Chief of the Division of German Political Affairs (Laukhuff) to the Acting Director of the Office of German and Austrian Affairs (Murphy)*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON,] August 1, 1949.

Subject: Berlin's status in the new Federal Republic.

The Germans, and especially the Berliners, appear to be maintaining a steady pressure on us to permit Berlin to enter the new Federal Republic as a full member, with the status of a *Land* and full representation and voting rights. This question should be reexamined and the following thoughts are submitted for your use in case you wish to discuss the question afresh in the Department.

There are five *arguments in favor* of permitting full membership in the republic for Berlin.

1. Such permission would elicit a very favorable political response in Berlin and to a lesser extent in Western Germany, and coming at

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<sup>1</sup>The memorandum was initialed by Murphy.

this time would be most helpful in counteracting the unfavorable effect of three actions which we have taken or are about to take. These three actions are the announced removal of the main part of our headquarters to Frankfurt, the withdrawal of the 16th infantry without replacement (according to press reports), and the imminent reduction of the air lift almost to the vanishing point. While each of these three actions may be fully justifiable and capable of explanation, it must be recognized that each is also capable of adverse exploitation by Communist propaganda media and in so far as they are already known appear to have had a depressing effect at least in Berlin.

2. Such permission would constitute recognition and reward for the political steadfastness and growth of the Berliners during the past year and would indicate that it really is possible for Germans to "work their way back", so to speak. This is an important psychological point. We have said on innumerable occasions that the Germans must prove that they are fit to be taken back into polite international society. At some point or other we must begin to do the taking back if this half-promise is ever to become anything more than a carrot dangling from the end of the stick ahead of a rabbit.

3. Full participation by Berlin would strengthen the more democratic elements in the new federal government. These elements will need all the strength they can get. There is precious little in the political parties in Western Germany to give us any great confidence about the future attitude of the German government. The outlook of the Berliners is more sane and more sound than that of any other Germans and we ought to welcome full Berlin representation in the new Parliament. It is of little consequence that Berlin participation would probably strengthen the SPD. We have very little to look for from the national leadership of the SPD, but we likewise have little or nothing to look for from the national leadership of the CDU-CSU.

4. Such permission for Berlin would give a practical touch to our often-repeated statements that we look upon the new federal government in the West as a means toward the eventual reunification of Germany. We could start with Berlin. If our statements are to have any serious propaganda value they ought to be followed up by some constructive action. In this way we would advance the federal republic into the very heart of the Soviet zone.

5. Finally the German leaders in Berlin themselves insist (and perhaps they are in a better position to judge than we are) that admission of Berlin to the republic would bolster the hope of Germans in the Soviet zone and would have favorable repercussions even further behind the Iron Curtain.

On the other hand the *arguments against* permitting Berlin to join the federal republic appear to be three in number.

1. It is contended that the practical difficulties arising out of Berlin's isolated geographic position and special political and economic conditions would be exceedingly troublesome. Doubtless they *would* be troublesome, but they have been through all these months when we have had to struggle with them in order to govern Berlin more or less

as a part of Western Germany. No doubt they could be overcome one by one on a practical basis as they would arise. The federal legislation would have to take account of Berlin's special position.

2. The main argument of the opponents of this proposal is that we have derived our rights in Berlin from its special status as a quadripartite city and that we have consistently maintained that it should again be governed as a unified quadripartite city. This argument is perhaps unduly legalistic. Whatever our rights in Berlin are, they have been disregarded by the Soviets under any and all circumstances. The circumstances in Berlin are not now what they were when we originally went, but that has not induced us and cannot induce us to abandon the city. The Soviets have disregarded our rights when the city was ostensibly under four-power control, they have disregarded our rights all during the blockade when they were denying vigorously that it was a quadripartite city and they will continue to disregard our rights whether we hang on to the fiction of quadripartite control or whether we take steps which we believe to be warranted and necessitated by the *actual* circumstances.

It is improbable that it will ever again be possible or desirable to reestablish any real measure of quadripartite control. That being the case, it can be argued that we have the privilege and the duty, exactly as we had in Western Germany to take those steps which seem best suited to advance the political and economic well-being of the areas under our control and to advance our larger and long-range political objectives. It is difficult to see how the joining of the Western sectors of Berlin to the federal republic could jeopardize our position or make the difficulties any greater than they already are.

3. Possibly as a third point there might be mentioned the fact that the French are apparently strongly opposed to any close tie-up of Berlin with the West. It is not necessary to examine the reasons for the French opposition which are perhaps more emotional than rational. At any rate the fact of French opposition should not influence us in our own attitude. It may be that French opposition would make the proposal impossible of fulfillment but if the proposal is sound we ought to exert our influence on its behalf.

### *Conclusion:*

I conclude that the arguments in favor outweigh the arguments against. This is one of those questions which shows signs of following a course all too familiar from past experience in Germany. We are in danger of opposing this project for a considerable period of time but finding ourselves in the end obliged to give way before the pressure of stronger political forces. The only result of that pattern of events is that we create a lot of irritation along the way and are eventually represented as having given way under pressure. If the situation is as analyzed above, it seems that it would be politically wiser to get some credit this time for advocating a policy in advance of its consummation.

740.00119 Control (Germany)/8-949 : Telegram

*The Acting United States Political Adviser for Germany  
(Gantenbein) to the Secretary of State*

SECRET

BERLIN, August 9, 1949—7 p. m.

1248. At their 27th meeting on August 9 commandants agreed that emergency financial assistance to political parties (SPD, CDU, FDP), which has been furnished during large part of blockade to assist parties in adjustment to currency reform, would (1) be cut to one-half for August and (2) not be furnished subsequent to August unless unforeseen emergency arises. Commandants agreed that as in past this info would be given verbally and confidentially to party leaders and not published. Commandants also agreed that monthly financial assistance to UGO (independent trade union organization) would cease with the loan advanced in July. Same qualification re unforeseen emergencies will apply to UGO.

Under other business, British commandant stressed urgency of handling Berlin budget question promptly. He stressed that although budget by no means perfect, for political reasons it should be approved provisionally without delay. French and US commandants agreed that political factors were most important in consideration this question. In informal discussion of Berlin financial difficulties, Gen. Bourne suggested possibility continuing monthly sum of 45 million DM from counterpart funds until German federal representative in position to deal with question. Commandants agreed to consider budget at their next meeting, Tuesday, August 16.

In restricted session following regular meeting, Western commandants discussed manner in which Soviet proposals at last quadripartite commandants meeting (ourtel 1186 July 28<sup>1</sup>) should be handled. They agreed that reply should be that these suggestions are all within German competence under Berlin occupation statute and, therefore, no orders can be issued to magistrat. They will state, however, that they have no objection to German agencies getting together on these problems, if they so desire. In considering tactics at next quadripartite meeting, tentatively scheduled for Thursday August 18, they decided that somewhat more important problems should be raised from their side. Possible suggestions will be discussed between them prior to that meeting.

Howley informed his colleagues that he would turn over his duties to Major General Taylor on September 1 and would leave Berlin Sep-

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<sup>1</sup> Ante, p. 367.

tember 7. He added that General Taylor was expected to come up to Berlin approximately a week before he takes over his new duties.

Repeated London 413 pouched Moscow and Paris.

GANTENBEIN

740.00119 Control (Germany)/8-849: Telegram

*The Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger), at Berlin*

TOP SECRET

WASHINGTON, August 10, 1949—1 p. m.

869.<sup>1</sup> You may convey to Suhr and other leaders informally following ideas, if you so desire (urtel 1241 Aug 8<sup>2</sup>). We have no intention of telling the Germans how to treat overtures from the Communists or the Soviet authorities. Dept holds steadily however to position that elected city Govt is only legal Govt in Berlin. We cannot encourage any polit rapprochement with so-called Govt in East Sector which would weaken legal or moral position of legal Govt. While constantly seeking basis for reunifying city in fact, Dept can only visualize such reunification on basis of new free elections and disappearance of Sov puppet Magistrat in East Sector.

ACHESON

<sup>1</sup> Repeated to London as 2836, Moscow as 571, and Paris as 2956.

<sup>2</sup> Not printed; it reported that Suhr and some of his SPD colleagues had been approached by former SPD members with Soviet/SED contacts and that Soviet officers had sent a friendly message to a Western sector city government official inviting him to call on them. Suhr expressed the fear that the United States might tacitly approve of these approaches and asked whether it was part of the United States policy to seek or encourage *rapprochement* between the elected Berlin Government and Soviet sector elements. (740.00119 Control (Germany)/8-849)

740.00119 Control (Germany)/8-2049: Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, August 20, 1949—11 a. m.

1289. Ourtel 1186, July 28.<sup>1</sup> Third quadripartite Berlin Commandants meeting held August 18 under US chairmanship. Soviet Political Adviser was again Kovalev. (Our A-495, July 30<sup>2</sup>).

Lengthy discussion occurred re signing agreed papers, General Kotikov contending that on basis paragraph six of Deputy Military Governors' "agreement on procedure for quadripartite consultations of occupation authorities in Germany", all agreed papers should be

<sup>1</sup> *Ante*, p. 367.

<sup>2</sup> Not printed.



signed by four Commandants. (Soviet version this paragraph reads "records of meetings need not be agreed quadripartitely. When, however, an agreed quadripartite point of view has been reached, such would be recorded as an agreed quadripartite document." Final word in English and French versions is "view"). General Howley maintained latter versions did not necessitate signing of any papers and that it would be sufficient if each Commandant had noted on his copy of paper that agreement had been reached on it. He stated he would not put his signature on any paper that "might be interpreted as setting up organization which would compete with Allied Kommandatura established at Potsdam." British and French remained neutral in dispute, indicating willingness follow either procedure. Soviet expressed intention notify his Military Commander that US position was "contrary to procedure agreed by Deputy Military Governors" and that agreement re paragraph six was not being fulfilled.

Kotikov also wished issue signed quadripartite communiqué indicating Commandants' agreement on procedural paper discussed at previous meeting and more or less confirmed this meeting, but Howley registered same objections re signing, saying Commandants' instructions, based on CFM agreement, were to take action to normalize life of city, not set up new organization.

Re postage stamp question raised by British at first meeting (our despatch 867, July 21<sup>3</sup>), Kotikov submitted paper proposing (1) that legality of postage stamps issued by postal authorities of Soviet Zone and Soviet sector be recognized in Western sectors and vice versa, and (2) that additional franking collected on mail to Soviet sector and Soviet Zone from West sectors, and to West sectors from Soviet sector and Soviet Zone, be rescinded. British and French Commandants expressed readiness accept proposal. US Commandant agreed telephone his reply after studying proposal and consulting financial experts.

Routing of mail trains (ourtel 1186) then discussed. Although British, French and US Commandants stated orders had been issued in their areas of control to execute agreement, Kotikov declared all mail from Western Zones for Soviet sector was now arriving in US sector, therefore US not fulfilling agreement. Howley promised investigate matter.

Re five Soviet proposals submitted second meeting (ourtel 1186), Western Commandants said Germans on both sides of city had undertaken discussions which were proceeding satisfactorily.

Kotikov then read memo enlarging upon theme of collaboration between German organs, in obvious attempt achieve at least indirect

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<sup>3</sup> Not printed.

recognition of Soviet Magistrat. Memo stated certain details re normalizing city's life could be successfully discussed by German organs, thus "easing" work of quadripartite Commandants' meetings. Memo therefore proposed that Commandants consider establishment of "acceptable form of contact between two magistrats or their organs" re concrete questions of normalization and re methods "mutually acceptable to us all, of convoking representatives of German organs for consultation." Western Commandants agreed study memo and discuss at next meeting but made it clear they did not recognize Soviet magistrat and would not exceed their authority under Occupation Statute for West Berlin<sup>4</sup> by issuing orders to Germans in matters not falling within reserved powers. Howley added that although out of politeness he would study Soviet memo, he could not accept proposals without "considerable change in US policy."

Commandants also agreed discuss at next meeting four other Soviet proposals re uniform control venereal disease and certain animal diseases, restoration of shops and restaurants where Berliners, regardless of place of residence, can buy food stuffs on ration cards, and take meals, removal of limitations on supplying health establishments and pharmacies with medicines and medical instruments; two US proposals re judicial jurisdiction over offenses committed on railroad and S. Bahn property (Soviet controlled railroad police have been arresting offenders on such property and detaining or trying them in Soviet sector instead of sector where offense committed), and re reporting to West sector telegraph offices telegrams telephoned to Soviet sector offices by West sector residents so that payment can be collected; and one related French proposal re telephone traffic and telephone taxes.

Sent Department, pouched London, Paris, Moscow.

RIDDLEBERGER

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<sup>4</sup> For the text of the Occupation Statute for West Berlin, see *Germany 1947-1949*, pp. 324-326.

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761.00/5-949: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET NO DISTRIBUTION

BERLIN, September 5, 1949—1 p. m.

1335. In conversation with McCloy yesterday, François-Poncet related his conversation with Chuikov when making courtesy call on September 3. The interview was amiable but exceedingly outspoken. Chuikov declared that present difficulties stemmed from obvious preparations by Western Powers and particularly U.S. for eventual war

against Soviet Union. François-Poncet denied this intent and declared that Western Powers had precisely same impression of Soviet policy. Chuikov agreed that this mutual suspicion was important cause of present tension. Chuikov then went on to complain that so little progress had been made since CFM in implementing decisions of that body on Germany. He said that in meetings subsequent to CFM he had little criticism to make of the French attitude, but that the Americans blocked every effort to reach agreements. He cited particularly the failure to make any progress on the unification of Berlin and implied that much more could be done in this regard than had resulted to date. François-Poncet indicated the wide difference in Soviet and Western interpretation of political democracy and thought there had to be a better meeting of the minds before real progress on Berlin was possible. Chuikov replied that Soviet ideas of democracy were also good and that more progress could be made. He intimated he might have more specific ideas to lay before François-Poncet when he returned his call. François-Poncet promised to inform McCloy of any subsequent conversations.

RIDDLEBERGER

761.00/9-849 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

TOP SECRET      PRIORITY      FRANKFURT, September 8, 1949—5 p. m.

2178. (OMGUS CCF 1134) For Acheson (Eyes Only, no distribution) from McCloy. Mytel September 5 from Berlin re François-Poncet-Chuikov conversation.<sup>1</sup>

Poncet yesterday gave Robertson and me summary of Chuikov statement when latter returned visit. Chuikov reiterated that he was disappointed in failure to make progress after Paris CFM, that Berlin conversations had resulted thus far in only minuscule results, and no important matters had really been discussed such as settlement of Berlin currency question. For this failure he said he blamed the French least and the Americans most. He spoke not only of the currency question but the unity of Berlin. Poncet again indicated that the unity of Berlin was dependent upon free elections as they were understood in the Western nations, and again Chuikov, according to Poncet, asked for specific proposals both in relation to currency and free elections adding, however, free elections could be guaranteed as well by the Soviet as by the Western nations. He proposed that the conversations be elevated to higher level, that he was prepared to sit

<sup>1</sup> *Supra*.

with the other commissioners to discuss such questions. Poncet again emphasized the cordial character of Chuikov's attitude, and I gathered that Poncet was rather eager to take advantage of this attitude and to press Robertson and me to some definite action in response. His suggestion was that we should immediately ask our financial advisers to reexamine the currency question sitting with the Russians, and perhaps also calling in German advisers.

Robertson was cautious stating that he felt immediate conferences with the Russians might be misunderstood while the Bonn affairs were at their height. I told Poncet that I thought that we ought to consolidate our position both in respect of currency and free elections before any approach could be made to Chuikov but that I was prepared to review our position on this at once. I also feel that the situation does require some action on our part. Due to problems of getting acclimated here and the harassments of reorganization, recruitment, and preparations for Bonn I have not followed the conversations in Berlin as closely as I should have liked. Think further lack of progress at low levels may be cause of embarrassment to us in the future, particularly if nothing transpires before any new CFM meeting.

Accordingly, I agreed to following plan: In spite of failure of Chuikov to return my call which, according to Poncet, Chuikov laid to my absence from Berlin (which must be an excuse as I have been there a number of occasions and he has made no effort to inquire as to my whereabouts in the meantime) I propose through my staff to indicate that I have learned from Poncet that he had been unable to call due to my absence, and that I am prepared to be in Berlin at his convenience. At this time, I would endeavor to find out whether he adopts the same attitude with me as he does with Poncet, or whether this is merely an effort to drive a wedge between us, and if he does take somewhat the same position he took with Poncet I will arrange for a private meeting with Robertson, Poncet and Chuikov perhaps in the course of the next two weeks.

Meanwhile we would instruct Western finance advisers to review situation to see if we could not arrive at a common position on the currency. In this connection, would appreciate best thinking of State, Army and Treasury as to what specific proposals, if any, we could put to Chuikov on the Berlin currency and relationship between East and West mark, and what our minimum position on trade agreements would be. I would also like reconsideration of our minimum position re unification of Berlin; how any elections should be supervised, etc. Incidentally, Chuikov indicated to Poncet that Western powers ought

to be more receptive to unification of Berlin as they were the greatest sufferers under present arrangements.

New subject. Adenauer has indicated he wishes to talk to me about dismantling;<sup>2</sup> and Robertson tells me he understands his Foreign Minister is to bring subject up while in Washington. Yesterday's SPD maneuvers at end of session have greatly irritated Robertson. Indications are that SPD intends to adopt tactics it used in campaign to maintain its record of resistance to occupation. Robertson's annoyance comes, I am sure, from his knowledge that his own government is considering some modification of dismantling program, and his antipathy to taking any action along this line under what seems to be German pressure. Most anxious to be kept advised on any overtures on this subject which British bring up, particularly as both Adenauer and Schumacher wish to talk to me about this subject in the near future.

McCLOY

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<sup>2</sup> For documentation on the question of dismantling in West Germany, see pp. 594 ff.

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761.00/9-1349: Telegram

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

TOP SECRET

Moscow, September 13, 1949—noon.

2295. Eyes Only for the Secretary. While I do not feel qualified express views on specific issues on which McCloy requests expression Department's thinking (Deptel 644, September 12, repeating Frankfurt's 2178, September 8<sup>1</sup>), venture for what it may be worth that timing approach arouses Embassy's admittedly sensitive suspicions.

While ascription Soviet motives as further customary tactic create confusion in light current establishment West German Government, and during forthcoming GA, and as facet "peace offensive" may be unjustified on facts, it may be noted that since last CFM Soviets have hitherto apparently consistently stalled on substantive German negotiations unification, currency, etc., which would seem raise question why new high level approach this time. On other hand, I note from Moscow angle that since I have been here my admittedly primarily courtesy contacts with Vyshinski and Stalin have met cordial reception and, aside from continuing acid press treatment US and all its works, there have been no Soviet outright government level outbursts against US. Therefore possible that impact on Soviet thinking of determined US policy recent months evidenced Marshall

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<sup>1</sup> *Supra*.

Plan, Atlantic Pact, MAP, coupled failure Soviet expectations depression US, Soviet weakness home front vis-à-vis Tito, etc., may be reflected in this move, although I would hesitate go so far as suggest this indicates any important changes Soviet policy as yet.

In circumstances, believe willingness Soviets participate in private meeting four representatives may well be crux situation. If they agree such privacy, would seem likely they might be willing make substantive contribution solution problems.

On general subject German developments Embassy had, prior receipt Deptel under reference, prepared telegram transmitted as my immediately following which supplements foregoing.<sup>2</sup>

Sent Department 2295, repeated Paris 327, London 238, Frankfurt 16.

KIRK

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<sup>2</sup> Telegram 2293, September 13, from Moscow, not printed (740.00119 Council/9-1349). In this cable Kirk speculated that the Soviet Union would probably urge another session of the Council of Foreign Ministers to support its worldwide peace offensive with the idea of lulling the Western world and undermining United States public and congressional support for the North Atlantic Pact and the military assistance program. In the projected session, however, the Soviet Union was unlikely to make any concessions on Germany and would not expect any from the West. In Berlin Kirk felt that as long as the Soviets continued to receive critical materials from the Western zones, they would not seriously interfere with the city's communications, but at the same time they appeared uninterested in restoring political unity to the city, seeking only recognition of their puppet magistrat.

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740.00119 Control (Germany)/9-1349: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, September 13, 1949—4 p. m.

1356. For McCloy from Taylor and for USPolAd. Fourth quadripartite commandants' meeting held September 12 under British chairmanship in atmosphere of unusual amiability. Deputy Soviet Commandant, Col. Yelisarov, attended in place of Gen. Kotikov who is reportedly on leave. A. G. Kovalev was again Soviet political adviser.

Two substantive agreements reached: (1) re postage stamps and (2) re meetings of German experts. Western commandants agreed accept Soviet proposal re stamps submitted at August 18 meeting (mytel 1289 August 20<sup>1</sup>) provided (a) wording was changed to make clear that mutual recognition of "legal validity" of stamps was "for purposes of delivery" only, and (b) that Soviet commandant understood recognition applied only to mail with Soviet Zone/Soviet sector stamps mailed in those areas and to mail with West sector stamps mailed in

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<sup>1</sup> *Ante*, p. 372.

West sectors. Wording was also expanded, at Western commandants' request, to include opening paragraph stating that the agreement had been reached in discussions undertaken in accordance Paris CFM communiqué and that each commandant would undertake to implement it unilaterally in his own sector (mytel 1351 September 10 repeated Frankfurt for McCloy from Taylor and for USPolAd 113<sup>2</sup>). Yelissarov raised no objections to changes and, although question of signing agreement was not reopened, four commandants concurred in its publication as agreed paper to become effective September 16.

Discussion re meetings of German experts was based on Soviet proposal presented at August 18 meeting (mytel 1289) which had appeared to be attempt to obtain recognition of Soviet magistrat by having agencies of the "two magistrats" collaborate. Western commandants, in accordance agreement reached at private meeting September 9 (mytel 1351) expressed readiness to further collaboration of German "experts" on normalization measures, but emphasized that in so doing they would not take any steps which might involve recognition of Soviet magistrat or establish any fixed German body composed of elements from two sides of city. They further stress that Germans participating in such discussions should be true experts in respective fields and not politicians. Yelissarov somewhat surprisingly replied that when Soviets had made proposal they "had in mind nothing except normalization of city's life and did not intend that Western commandants recognize (Soviet) magistrat." It was therefore agreed (1) that German experts be designated by both sides (methods of designation to be left up to each side) to discuss any proposals for normalization made in quadripartite commandants meetings which latter agreed were worth discussion; and (2) that commandants will "recommend" to respective experts that talks be expedited and any agreed reports submitted to commandants.

During discussion this matter Western commandants, by prearrangement, raised question of their letter to Gen. Kvashnin re railroad workers wages and dismissals (mytel 1350 September 10<sup>3</sup>). They

<sup>2</sup> Not printed; it reported on a private meeting of the Western commandants, September 9, preparatory to the quadripartite commandants' meeting on September 12. At the meeting the British suggested that the Western commandants were too prone to turn down Soviet proposals and should change their tactics. It was agreed that the commandants would go further to meet the Soviet commandant, but would not depart from the principle of taking no action which might involve direct or indirect recognition of the Soviet magistrat. The United States commandant then proposed that quadripartite agreements might be signed provided it was clear that they would be implemented unilaterally by each commandant in his sector and that they resulted from the Paris agreement, not from a revival of the allied Kommandatura. (862.00/9-1249)

<sup>3</sup> Not printed; it transmitted the text of a letter from the Western commandants to General Kvashnin which stated that the agreement which settled the Berlin railroad strike in June was "... being constantly violated, both in spirit and in the letter, by the *Reichsbahndirektion*." (740.00119 Control (Germany)/9-1040)

pointed out difficulty of maintaining spirit of confidence during quadripartite commandants talks when Soviets were simultaneously flagrantly violating commitments made only three months ago. They asked Yelisarov what Soviets intended to do towards fulfilling promises re railroaders. Yelisarov said he was not in position to comment on letter himself, but gave assurance he would tell Kvashnin of Western commandants' anxiety "so answer may be given as soon as possible".

Other questions discussed were :

I. Release of West Berlin public and private funds impounded in Soviet sector (US proposal submitted at August 18 meeting). Yelisarov said matter was being "studied" and he could not reply now. US commandant pointed out importance of subject and fact that way it was handled would influence confidence between commandants. Yelisarov indicated he would try to answer at next meeting.

II. Reports from telegraph office in Soviet sector (US proposal) and routing of telephone traffic and collection of charges (French proposal) (mytel 1289) referred to German experts.

III. Judicial jurisdiction over offenses committed on railroad and S. Bahn property (US proposal). Yelisarov deferred reply till next meeting as matter was "under study". Western commandants stressed study unnecessary since it was merely question of right or wrong, and hoped Soviets would give favorable reply next meeting.

IV. Four Soviet proposals re venereal disease, swine fever, etc. (mytel 1289), were either dropped from agenda as unimportant or already adequately covered, or it was agreed that Germans would exchange information as necessary between various city districts.

For discussion at next meeting, British submitted proposal re judicial jurisdiction over *Reichsbahn* property in West sectors, and French Zone re parcel post and gift parcels for Berlin.

Sent Department 1356; repeated Frankfurt 116; pouched London, Paris and Moscow.

RIDDLEBERGER

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761.00/9-849 : Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

TOP SECRET

WASHINGTON, September 13, 1949—5 p. m.

1512.<sup>1</sup> To McCloy (Eyes Only) from the Secretary.

#### PART I

I agree with your feeling it wld be desirable take advantage any opening which Chuikov's attitude may offer to press Berlin discussions

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<sup>1</sup> Repeated to London, Eyes Only for Holmes, as 3317; to Moscow, Eyes Only for the Ambassador, as 647; and to Paris, Eyes Only for the Ambassador, as 3411.



re interzonal trade to a conclusion. Reur. 2178, Sept 8.<sup>2</sup> These talks were apparently bogged down over long period largely because of difficulties raised on Soviet side. Most recent reports from Berlin (CCF-1067 Aug 31 and CCF-1093 Sept 2<sup>3</sup>) indicate many of these difficulties have been cleared away. Ger economic authorities seem to be on their way to agreement.

It wld seem to me desirable for you to go into situation in detail to see if an informal discussion on your level might be helpful in resolving remaining issues. I wld like to see agreement reached on trade, both in order to carry out fully intent of Paris agreement<sup>4</sup> and because we are interested in improving trade position.

On currency and question of Berlin elections and reunification of the city, further talks at this stage may serve useful purpose in demonstrating whether Soviets have constructive proposals to make. Positions on both sides were made clear at Paris.<sup>5</sup> They are far apart and reflect fundamental differences in approach to problem by the two sides. Positions which have been taken by Western Powers go as far as we think safe to go without jeopardizing substantial advantages of our present position. In absence of fundamental change in Sov attitude, new discussions would, it seems to me, lead only to restatement of same positions, same arguments, and same recriminations as in past. Initiation of such discussions might well be misunderstood, especially at time when our plans are materializing in Western Ger in a positive way. I think it of utmost importance that nothing be done which could weaken position and prestige of Bonn Govt or to cast doubt upon our determination to go ahead with the Western Ger program. As far as substantive questions go, our moral and propaganda position is good, our attitude is clear and has the support of the Germans, and we must be most careful not to jeopardize these gains.

The Chuikov approach may be timed, as so many such Sov moves are, to produce confusion. Matters specifically referred to by Chuikov in his conversation with François-Poncet, unification of Berlin and question of restoring common currency, have not been under discussion in current Berlin talks. It had been our hope that the continuing contact envisaged in Paris agreement would enable us to work out with Soviets some amelioration of conditions in Berlin and as between the zones, proceeding from a recognition that the four governments had not been able to overcome the split in city or in Ger. If Sovs are going to import into these discussions same old issues between USSR

<sup>2</sup> *Ante*, p. 375. McCloy's telegram had been repeated to Moscow, Paris, and London on September 12.

<sup>3</sup> Neither found in Department of State files.

<sup>4</sup> For the text of the Paris communiqué, June 20, see p. 1062.

<sup>5</sup> For documentation relating to the discussion of Berlin at the Council of Foreign Ministers, see pp. 915 ff.

and the West re Germany, we wld doubt that the talks would produce any constructive result. In point of fact, we understand that lack of progress in trade talks at German level is caused in part by introduction on Sov zone side of essentially same proposals re an all-German economic organization which were rejected by Western powers at Paris.

There follows statement of our position on specific matters mentioned urtel.

## PART II

### *Berlin City Administration:*

In dealing with this subject, we have always considered that any plan for reunification of Berlin involves new city-wide elections, revision of city constitution, and new plan for quadripartite Allied Kommandatura. We accordingly presented proposals on all three points at Paris, to which USSR raised objections which amounted either to outright rejection of our proposals or their complete distortion through amendments. We simply never began to have meeting of minds. Position taken at Paris was agreed Western position, and proposals set out below were agreed proposals, supported by Brit and Fr.

### *Elections:*

We proposed that four Allied commandants in Berlin arrange for free city-wide elections under Four Power Control on basis of procedure employed in Oct 1946. This election procedure wld be modified in four ways: (a) In absence of city-wide administration, temporary body shld be established to take place of Magistrat functioning under 1946 election law. This temporary body wld be composed of equal number of Germans selected by each of Allied commanders in Berlin; (b) electoral law wld be modified only by unanimous consent of four commanders; (c) any political party authorized in one sector wld be free to operate in all sectors; (d) Allied body designated to supervise elections shld be quadripartite in composition and wld operate in all sectors of Berlin. (This proposal is contained in paper CFM/P/49/21.<sup>6</sup>)

USSR accepted proposal for city-wide elections in Berlin in principle, but proposed fol amendments: (a) temporary Ger body shld be composed of equal number of representatives of Sov sector on one hand, and three western sectors as unit on other; (b) public organizations authorized by the former Kommandatura, as well as political parties, shld have right to nominate candidates in elections. (CFM/P/49/20 Rev.<sup>7</sup>)

<sup>6</sup> See footnote 1 to USDel Working Paper/13 Rev. 1, p. 1043.

<sup>7</sup> Not printed; but see footnote 3 to CFM/P/49/20, p. 1048.

Since Sov proposal re composition of the Ger supervisory body wld give undue representation to Germans from Sov sector, and since permission for public orgs to submit candidates wld result in large number of Communist front candidates, Sov amendments wld radically change conditions under which elections wld be carried out. These amendments were not accepted by us and we consider them impossible of acceptance.

*Preparation of Permanent Constitution for Berlin:*

No serious disagreement existed between Western Powers and USSR concerning desirability of preparing new constitution for Berlin. US proposed new constitution be prepared along lines of Constitution of Apr 1948, which was adopted in Western sectors of Berlin, while USSR merely advocated that a new constitution be drafted in accordance with Art 35 of temporary Constitution of 1946.<sup>8</sup> Issue as to nature of a permanent constitution was not really joined at the Paris CFM. However it is clear from debates on powers of Magistrat and Kommandatura that USSR wld oppose liberal constitution such as that of Apr 1948.

*Powers of Berlin City Govt:*

Pending adoption of new constitution it wld of course be necessary to define clearly powers to be granted to new all-city Govt which wld be elected in new elections. We did make proposals on this score at Paris and Sov reaction and counter-proposals indicated clearly gulf which separates us on this question. We proposed that reconstituted Berlin Magistrat shld function under organizational structure provided for in the temporary constitution of Greater Berlin of Aug 1946 with appropriate modification of Art 36. This Art really is one of keys to whole problem. It was Sov "Trojan horse" from moment it was adopted until adoption of new constitution in Berlin in 1948 after Sov authorities left the Kommandatura. Art 36 enabled Sov Commandant to veto any appointment and any action of city govt and functioning of city govt was to all intents and purposes completely hamstrung as result. We cld never agree to go back to any such system. In general our proposal at Paris therefore sought to give Magistrat much greater powers vis-à-vis Kommandatura than it enjoyed under former quadripartite system of control. (CFM/P/49/10<sup>9</sup>). We defined three categories of activities of the Magistrat: (a) in such areas as disarmament, reparations, security, prisoners of war, and supervision of elections, Allied authorities wld act directly, and the Magistrat wld conform to these decisions; (b) in such areas as amendments to the

<sup>8</sup> For the text of the temporary constitution for Berlin of 1946, see Plischke, *Berlin*, pp. 214-229; regarding the constitution of 1948, see *ibid.*, pp. 69-78.

<sup>9</sup> Not printed.

constitution and internal restitution, Magistrat wld have authority to act only after receiving written approval of Allied authorities; (c) in all other matters Magistrat wld be free to act, unless such acts were specifically disapproved by Allied Kommandatura within 21 days. (USDel Mins, 12th Mtg, Jun 4 <sup>10</sup>)

Unchanging determination of USSR to retain complete stranglehold on govt of Berlin was clearly illustrated in their counter-proposal. Sov delegation proposed that Art 36 shld be revised to read as follows:

"The Administration of Greater Berlin is subordinate to the Inter-Allied Kommandatura and in the sectors to the Military Authorities of the respective sector, except in cases which may be specifically provided for by the Allied Control Authorities.

All legislation adopted by the City Assembly of Deputies, as well as decrees and orders issued by the City Magistrat shall conform to the laws and orders issued by the Allied Authorities in Germany, through the Inter-Allied Kommandatura of Greater Berlin. The decrees of the City Assembly and Magistrat on matters which fall within the competence of the Inter-Allied Kommandatura, are subject to approval by the Inter-Allied Kommandatura; the same applies to decrees of the City Assembly or Magistrat in the event of any of the Sector Commandants raising objections to such a decree with the Inter-Allied Kommandatura.

The approval of the Inter-Allied Kommandatura of Berlin must be obtained for effecting changes in the Constitution, resignation of the City Magistrat as a whole or of its individual members as well as the appointment or dismissal of administrative personnel of the City Administration.

The activity of the district Administration is subject to approval by the Commandants of the sectors." (CFM/P/49/20 Rev.)

While foregoing Sov proposal introduced much new verbiage it cld not disguise fact that situation wld remain unchanged with Sov authorities able effectively to veto anything done by city govt even with approval of other three Commandants.

#### *Reconstitution of Allied Kommandatura:*

It was feeling of our delegation at Paris and continues to be our feeling that it wld be politically ruinous to return to type of Kommandatura which existed before June 1948. With that thought in mind, our delegation at Paris put forward suggestion that Kommandatura shld exercise its powers in the following fashion: (a) action of the Kommandatura wld be by unanimous decision in matters of security, independence of Magistrat's authority, and control of certain convicted persons, if unanimous action not possible, each power wld take whatever action necessary in its own sector; (b) in area of

<sup>10</sup> *Post*, p. 949.

"reserved powers" Kommandatura wld act directly; (c) in certain other areas, Kommandatura wld reserve right of direct action unless specifically authorizing Magistrat to act in its place; (d) in area of normal administration, Kommandatura wld block Magistrat only by unanimous action. Basic purpose of Amer proposal was to avoid stalemate in administration of Berlin arising from need for unanimous affirmative action in any and every case, as provided by terms of reference in Allied agreements of 1945 (CFM/P/49/18<sup>11</sup>).

USSR however desired reconstruct Kommandatura on same basis as originally laid down in agreements of 1945. Sov proposal defined certain areas in which (a) Kommandatura wld act directly, (b) which wld come under joint competence of Kommandatura and Magistrat, and (c) which wld be dealt with primarily by Magistrat. Nevertheless, Sov proposal permitted any one power to block any action taken by the Magistrat (CFM/P/49/20 Rev.) and thus, in effect sought to reestablish the veto.

As you know, there have not been any quadripartite talks on these subjects since Paris meeting, but we doubt if Sov viewpoint has altered and nothing in record of Paris discussions gives us any hope that agreement is possible in foreseeable future. It is barely possible that Sov position on holding of new elections wld be moderated sufficiently to make such elections possible. But our feeling here is that it wld be folly to elect a new city govt even under terms most favorable to us unless we can agree as to terms on which that govt and four occupying powers wld subsequently operate. In considering these questions we feel that fol principles are vital. First, election arrangements must not be rigged in favor of Communist and Communist front organizations. Second, we have made great steps forward in Western sectors of Berlin in granting greater powers to Germans. We cannot permit new arrangement which wld be substantially less liberal than that which we now have. Third, we cannot under any circumstances permit reestablishment of Sov veto.<sup>12</sup> Reunification certainly remains our ultimate goal but reunification on terms other than above wld appear necessitate payment of too high a political price.<sup>13</sup>

### PART III

#### *Currency and Trade:*

As you know, we have spent great deal time this subj, both in connection direct negots with Sovs and in discussions with UN Committee

<sup>11</sup> *Post*, p. 1044.

<sup>12</sup> At this point in the source text Murphy had deleted the following sentence: "Frankly we doubt that there is any possibility of reaching an agreement based on these principles."

<sup>13</sup> At this point in the source text Murphy had deleted the following sentence: "We incline to view that present split in Berlin will last just about as long as split in Germany since it is caused by precisely same factors."

as well as during Paris CFM. Since results of discussions within USDel at Paris not readily available to you, we have set forth our thinking this subject at some length. Conclusions we reached were as follows:

*a.* Restoration of currency unity in Berlin can be effective only if city is politically unified.

*b.* No satisfactory arrangements cld be worked out under which East mark cld be accepted as currency for a unified city. While various attempts to work out safeguards were made during consideration of problem by neutral commission appointed by Chairman Security Council, we believe interests involved are irreconcilable and that use of East mark on any terms Sovs cld accept wld involve leaving economic life of city, and eventually its political life, to mercy of Sovs.

*c.* Only solution to problem, therefore, wld be adopt West mark or establish third currency. Since it is scarcely conceivable that Sovs wld agree to West mark, third currency seems only possible solution if currency issue is to be subject of agreement with Sovs.

(At Paris CFM, Brit, particularly Robertson, expressed opposition to third currency on ground it wld involve various technical difficulties and that we shld not subject population of Berlin to new currency conversion. While we recognize that independent currency in area which is as small as Berlin and has a deficit economy involves extremely difficult problems, we have not felt these problems wld be insuperable if West Ger and US continued provide aid to Berlin.)

*d.* Our experience in previous negots with Sovs leads us feel any attempt negotiate currency plan in detail with Sovs wld involve risk that plan wld have serious defects. Lack of common approach to problem by two sides in itself involves major difficulties in negotiating on so technical a subject. Currency plan so negotiated cld not be worked out in all its details but wld have to be confined to certain principles. Negot of these wld necessarily involve compromises, significance of which cld not be seen in absence of having worked out full plan.

All these considerations led us to conclusion at Paris talks that best solution, given premise that agreement cld be reached on political unification of city on terms acceptable to us, wld be to leave to Gers preparation of currency plan which cld at least eventually be activated without being subj to unilateral veto of any Occupying Power. Our proposals were never submitted to Sovs, but they were worked out in paper prepared in USDel, of which Riddleberger has copy (USDel/Working Paper/24 Rev. 1, June 7, 1949<sup>14</sup>). This paper was cleared at technical level with Br and Fr, but altho considered briefly by Ministers, was tabled by them without action pending further developments on political reunification. When US presented in CFM general proposals on municipal administration and Allied controls (CFM P/49/18 of June 6, 1949), it was explicitly stated this paper did not

<sup>14</sup> Not printed.

purport to cover special problem of administration of currency and banking. Substance of this paper is as follows:

a. Political unification of Berlin is an essential prerequisite to currency unification.

b. Detailed agreement on currency could not be negotiated by CFM.

c. New Magistrat (to be established in accord with US proposals on political reunification) should be charged with development of proposals for solving currency problem. Proposal to be submitted to representatives of Four Powers in Berlin. If they are unable to agree, to be submitted to Govts.

d. Pending solution, existing dual currency system would continue with each Occupying Power reserving control over financial matters in its sector.

e. If within six months after submission of proposal by Magistrat no solution agreed by Four Powers, Magistrat would have authority to deal with financial questions in Berlin subject only to directives agreed unanimously by Kommandatura.

Foregoing proposal thus envisages reestablishment of political unity, retaining the dual currency system for at least an interim period, but then giving new Magistrat opportunity (after six months) to make its own determination with regard to currency standard of city, subject only to unanimous veto. We recognize chances of acceptance of this proposal by Soviets were extremely dubious, since democratically elected Magistrat unlikely to adopt East mark. We also recognized risks to ourselves but concluded these were worth taking if our proposals generally were adopted. We felt that if Magistrat adopted West mark or third currency, we could maintain reasonably effective control over currency administration through indirect powers deriving from our control over external aid (and in case West mark was adopted, our control over currency source). We were unwilling to consider further concessions to Soviets, feeling that perpetuation of dual currency system subject to Soviet veto in Eastern sector might result in breakdown of unified political administration and reversion to present situation.

Desirability of permitting Berliners to wrestle with this problem seems to us pointed up by developments since lifting of blockade. While our thinking some months ago was in terms of use of West mark or third currency pegged to West mark, problem deserves analysis and review in light of Berlin's current difficulties. As we understand it, Berlin is being squeezed now from competitive viewpoint by its high costs vis-à-vis Western Germany and exchange ratio with Soviet Zone. From this viewpoint, there is something to be said, assuming political unification of city, for third currency which might not be rigidly pegged. An independent, flexible currency, however, would involve all sorts of problems, both political and economic, and we think it dangerous to adopt any *a priori* position.

If discussions on Berlin currency were to be resumed, we believe position in paper referred to above shld be that which Western Powers shld put forward. However, we do not believe subj of currency shld be even discussed unless there is evidence of substantial agreement on political unification of Berlin.

*Relationship between East and West marks in general:*

As in case of Berlin, political reunification of Ger. is essential precondition to restoration of currency unity. In view differing economic systems in East and West Zones, different policies and different stages and direction of economic development, we see no possible basis for any arrangement under which East and West marks cld be made freely interchangeable or converted into new all-Ger currency.

In existing situation principal significance of relationship between East and West mark is with ref to interzonal trade, discussed below. Among other reasons in order not to prejudice results of eventual discussions on terms of exchange of currencies, we have consistently opposed in current negots re interzonal trade any provision which cld imply parity between two currencies or lead to suggestion we are fixing rate of exchange. We have felt that, with differences in price levels which exist between East and West and different situation respecting price control, as practical matter trade wld have to be carried on on West mark basis.

*Interzonal trade:*

This matter is, of course, now under negot, and we are not certain we have complete and up to date picture of what is taking place. Since you are in position to get full briefing on what has transpired, we believe it will be most helpful to you to state our gen. views on this subj, rather than comment in detail on various proposals which have come up in negots.

a. We have felt that trade between West Zones and Sov Zone cld be substantially increased over levels envisaged in 1948 trade agreement<sup>15</sup> without harm to us, providing we can obtain from Sov Zone imports of commodities which will be genuinely useful to West Germ recovery.

b. We believe that controls must be exercised over trade. There has been much misunderstanding on this point and of our obligations under New York Agreement.<sup>16</sup> Interzonal trade prior to March 1948 was subj to control by zonal occupation auth pursuant to Four Power agreement. We have not construed New York Agreement

<sup>15</sup> An excerpt from the trade agreement for 1948, signed on November 25, 1947, is printed in *Germany 1947-1949*, pp. 483-485.

<sup>16</sup> For the text of the four-power communiqué on the agreement to lift the Berlin blockade and convoke the sixth session of the Council of Foreign Ministers, see editorial note, p. 750.



as requiring us to permit unrestricted trade with Sov Zone or to require exact reestablishment of trade pattern existing at time blockade was imposed. We know considerable concern has been expressed by some people in Germ on this subj, since they feel that to exercise control over interzonal trade or even to change form of controls existing prior to March 1948 wld open us to charge by Sovs that we were violating New York Agreement. Since Sovs impose controls themselves over interzonal trade, it has always seemed to us difficult for them to make great point of control arrangements on our side. We have been inclined feel that their interest was not so much in formal aspects of matter but in question of what trade they cld carry on, and on this we have been prepared negotiate with them and make reasonable attempts increase interzonal trade.

c. As to character of trade, we must insist that items of strategic importance (1A list and AEC list) not go to Sov Zone and that 1B list items be subjected to appropriate quantitative limits.<sup>17</sup> We reluctantly agreed in spring to allow any 1A items covered by 1948 trade agreement or existing contracts to go forward but made plain that we were not disposed to approve any new business in these articles.<sup>18</sup> To do otherwise wld completely destroy our efforts to persuade ERP countries to adopt lists.

d. Aside from security items, our preoccupation has been that (1) shipments to Sov Zone of short sup. items shld not be permitted on scale which wld interfere with West Ger essential requirement or obligations to export to ERP countries and (2) that we shld receive goods of comparable essentiality for essential goods sent to Sov Zone. In other words, we do not wish trade with Sov Zone to divert West Germ resources from ERP. Obviously, Sov Zone will want essential goods and we are prepared see such goods move if properly compensated, but we have been disturbed over pattern which appears to be emerging of exchange of West Ger hard goods for Sov Zone soft goods.

e. It has always seemed to us difficult to incorporate our position on trade in any form of words. It must come out eventually in form of trade and payments agreement with Sov Zone. We wld welcome conclusion of agreement consistent with instructions which have been given OMGUS, which have among other things envisaged possibility of clearing system which wld enable Sov Zone to acquire essential goods in West Zones only against payment from proceeds of deliveries of essential goods to West Zones. It has seemed to us that in general West Zone Germans are going along right line in their discussions with DWK and that lack of progress in these discussions has resulted largely from introduction by DWK of extraneous political issues and DWK unwillingness to engage in genuine negots. How to deal with West Berlin trade with Sov Zone and sector in context of these negots presents extremely difficult problem. We have expressed to OMGUS our concern that whatever arrangements were worked out shld not

<sup>17</sup> Documentation relating to East-West trade in prohibited (1A list) and restricted commodities (1B list) is in volume v; documentation relating to the AEC list of strategic commodities is in volume i.

<sup>18</sup> For documentation relating to the discussions of the Military Governors for the resumption of trade with Berlin and between the four zones of Germany, May 12-June 13, in Berlin, see pp. 751 ff.

unduly impede this trade, but have not felt sufficiently close to situation to make specific suggestions.

Ur 2178 being repeated Paris, Moscow, London.<sup>19</sup>

ACHESON

<sup>19</sup> In telegram 3707, September 14, from London, not printed, Holmes reported that he had been shown a copy of Robertson's report on François-Poncet's conversation with Chuikov which corresponded closely with McCloy's. At the same time he was shown a copy of the Foreign Office's instructions to Robertson which called his attention to the position taken by the Western powers at the Council of Foreign Ministers and advised him that this position had not changed. Robertson was informed that he could attend an informal meeting of the four Military Governors, but should enter no commitments. (862.5151/9-1449)

740.00119 Control (Germany)/9-1449: Telegram

*The Acting Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

TOP SECRET

WASHINGTON, September 22, 1949—12 noon.

1684. Re Berlin's 1361, Sept 14.<sup>1</sup> Dept much concerned over situation West sector railroad workers and wld support any further action on part West sector Commandants which gives promise of influencing Sov Auths toward fulfilling agreement but which at same time runs minimum risk of causing additional complications or stoppages. Dept believes final recommendation as to course of action must come from Commandants, but offers fol suggestions for consideration:

1. Additional pressure may be exerted on Sovs because of their apparent desire to continue quadripartite talks. It might be made clear at next quadripartite Commandants' mtg that as far as we are concerned additional progress in normalizing situation in Berlin may be very dependent on degree to which unsatisfactory Reichsbahn situation is rapidly bettered. Additionally, if Chuikov displays any real desire to McCloy for informal quadripartite talks on Berlin, trade, currency, etc., McCloy cld indicate that before any such talks wld have prospect of success we wld desire to discuss and clear up Reichsbahn problem.

2. Renewed consideration might be given to plan discussed at various times in past to confiscate all Reichsbahn property in West sectors and transfer title of same to Magistrat. As former Reich property, this property is legally subj to such seizure and shld eventually be so seized and transferred to Magistrat as legitimate successor Govt in Berlin. Since it includes much property not of railroad nature, it might be important source of West Mark revenue to Magistrat. Possibly some

<sup>1</sup> Not printed; it reported on the thirty-second meeting of the Allied (Western) Commandatura on September 13, at which *inter alia* the problem of the railroad workers had been discussed. (740.00119 Control (Germany)/9-1449)

proceeds cld be used to maintain West Mark payments of railroad workers.

3. In East-West trade discussions it shld be stated at some appropriate moment that we are interested in expanding such trade but that our efforts in this matter will of course be conditioned by Sov performance on some of its commitments—specifically payment West Marks to Reichsbahn employees.

4. Dept wary of suggestion to enter West sectors stations and seize West Mark intake. This impresses Dept as provocative step which might lead to new tense situation.

5. Dept not favorably impressed by numbered suggestions 1 and 3 of reftel because these solutions appear to penalize either railroad workers or Magistrat or both.

6. Dept wld like to have any recommendation by Commandants which involves the seizure of stations cleared here before adoption.

WEBB

862.00/9-2249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

TOP SECRET

FRANKFURT, September 22, 1949—3 p. m.

2474. Acheson from McCloy. We note in your report on conversations with Schuman and Bevin (Deptel 1576, [September] 16<sup>1</sup>) that consideration is being given to removal of Berlin issue from Security Council agenda. Following considerations should be taken into account before decision is made:

(a) Soviets have not lived up to their agreements in many respects regarding Berlin (see MG report for July);

(b) Critical situation exists regarding payment of West sector workers of Stadtbahn in West marks and definite action along one of following lines may have to be taken very shortly:

(1) Real threat of break-off of "normalization" talks in Berlin due to failure to meet agreement on Stadtbahn;

(2) Possible legal action to impound West mark receipts of Stadtbahn;

<sup>1</sup> Not printed; it transmitted a résumé of the Foreign Ministers' talks on Germany, September 15, in Washington. With regard to the Berlin question on the Security Council agenda, the Department of State felt that it would be more effective to reintroduce the question, if it should arise again, than to merely reopen discussion. With regard to the possibility of another session of the Council of Foreign Ministers, there was general agreement to avoid at an early date any meeting on Germany. In other sections of the telegram the problems of German participation in international conferences and dismantling were discussed. For documentation relating to the latter subject, see pp. 594 ff.

(3) Possible physical action to take over West mark receipts at stations in West sector as a last resort to enforcing Soviet agreement on Stadtbahn.

If one of courses in (b) above becomes necessary at same time or shortly after item is removed from agenda, situation could be most embarrassing to Allies. Also, removal of Berlin issue from agenda, might be used as argument against making any of above steps even though vitally necessary.

Realize that Soviet or satellite member might request removal. However, if Soviets make this move they open up subject which they maintained not in jurisdiction of Council and are open to charges of violation of agreement.

Request that any action taken on Berlin issue in Security Council be made only after thorough check on your part of actual situation existing in Berlin at the time. In short we should not be under any illusions that situation in Berlin is now normalized.

No word yet from Chuikov as to whether he will return call. Expect be Berlin Thursday evening through Saturday evening.

McCLOY

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740.00119 Control (Germany)/9-2549: Telegram

*The United States Commander, Berlin (Taylor) to the Acting Secretary of State*

SECRET      PRIORITY

BERLIN, September 25, 1949—4 p. m.

1391. Reference Deptel 951, September 22, sent Frankfurt 1684.<sup>1</sup> After Western Commandants' invitation to Soviets for quadripartite meeting September 21 was refused on grounds Soviet Deputy Commandant Col. Yelisarov "out of town" (Commandant Gen. Kotikov also away), High Commissioners met in Berlin September 24 with Western Commandants re railway workers pay. After general discussion of problem and lack of fulfillment by Soviets and RBD of agreements reached at termination of S-Bahn strike (PolAd's telegrams 980 and 981, June 22 and 1010 June 25 repeated London 328, Paris 442<sup>2</sup>), High Commissioners took following decisions:

(a) If Soviets fail to respect agreements, Western Commandants are authorized to discontinue quadripartite commandants' "normalization" discussions. If this step is taken, Western Commandants will make public statement reviewing measures taken by them to assist

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<sup>1</sup> *Ante*, p. 390.

<sup>2</sup> Telegrams 980 and 1010, pp. 850 and 851. Regarding telegram 981, see editorial note, p. 849.

Berlin railroad workers and underlining Soviet failure to fulfill obligations.

(b) Western Commandants will examine and report to High Commissioners other ways of exerting pressure on Soviets, including consideration of consequences of impounding Reichsbahn revenues in West sectors.

(c) Western Commandants will inform Magistrat that 40 percent Westmark exchange for railway workers will be discontinued on expiration of agreed three months period, but that Westmark exchange up to 60 percent of pay of railroaders living in West sectors but working in Soviet sector is authorized as long as Soviets refuse pay them this 60 percent in Westmarks.<sup>3</sup>

In reaching these decisions the High Commissioners were guided by the feeling that it is useless to continue normalization talks in Berlin in an atmosphere of lack of confidences, created by failure of Soviets to keep their agreements re railway workers. In breaking off these discussions, they considered it important to expose bad faith of Soviets and to present in their proper light the efforts of the allies to protect the interests of the workers.

Re continuation of the 40 percent Westmark exchange, High Commissioners felt that now if ever is the time to stop this exchange. The three month exchange period was approved at termination of strike to allow Reichsbahndirektion time to accumulate sufficient Westmarks from ticket sales in West sector to pay railroaders living in West sectors in agreed proportions. There is now definite evidence that Reichsbahn Westmark income has been sufficient for this purpose, so that there is no reason for Western allies to bear burden which properly belongs on Reichsbahn. High Commissioners noted there are limits on financial aid for Berlin and no longer felt justified in expending for the benefit of a small segment of Berlin workers funds which might better be applied on a citywide basis.<sup>4</sup>

Sent Department 1391; Department pass Moscow 125; repeated London 443, Paris 496, Frankfurt 129.

TAYLOR

<sup>3</sup>Next to the first paragraph of the source text was the handwritten notation: "According to Byroade, Murphy and he agree with me to let things proceed on this basis. P[erry] L[aukhuff]."

<sup>4</sup>In his next telegram Taylor advised McCloy and the Department of State that General Kotikov or his deputy would be invited to the quadripartite commandants' meeting on September 28. If Kotikov failed to appear or did not guarantee fulfillment of the Soviet commitments to the railroad workers, the Western commandants would issue a press statement reviewing the history of the dispute and announcing the decision to halt quadripartite commandants' normalization talks. (862.01/9-2349)

862.77/9-2849 : Telegram

*The United States Commander, Berlin (Taylor) to the United States High Commissioner for Germany (McCloy), at Frankfurt*

PLAIN PRIORITY

BERLIN, September 28, 1949.

135.<sup>1</sup> For McCloy. Allied Kommandatura met September 28 to discuss problem of railway workers. Since September 24 French Commandant has sent repeated messages to Soviet Commandant Kotikov, and his deputy, Colonel Yelisarov, inviting them to attend quadripartite Commandant meeting September 28. Reply was Kotikov was out of town indefinitely and Yelisarov also away but expected back, first September 26th then 27th, and would answer immediately upon his return.

No reply received before today's Kommandatura meeting, however. Western Commandants therefore agreed in accordance with High Commissioners instructions, to write new letter to Kotikov, issue two communiqués, and send order to magistrat. Action involved is explained in texts of documents which follow. All are being released to press 6 p. m. September 28 at press conference held by three Commandants. Letter to Kotikov was delivered before release of communiqué. Oberbürgermeister Reuter was informed of planned action informally several days ago by Ganeval, and officially this morning during Kommandatura meeting which he attended briefly. Texts are as follows:

Letter to Kotikov from Western Commandants:

"At our last consultative meeting held on the 12th of September,<sup>2</sup> we all agreed that there could be no hope of a successful outcome of any quadripartite talks, held in accordance with paragraph three (c) of the Paris communiqué,<sup>3</sup> for the normalization of the city of Berlin unless each Commandant could have confidence that agreements freely negotiated would be adhered to by all of his colleagues.

At the same meeting we drew the attention of your deputy Colonel Yelisarov, to a letter which we had sent to Kvashnin, chief of the Transportation Department, Soviet Military Administration of Germany, on the 9th of September, with a copy to you.<sup>4</sup> In that letter we had protested against the repeated violations by the Reichsbahndirektion, which the Soviet authorities claim to control, of its agreement for ending of the railway strike. We stressed the importance which we attached to the receipt of a satisfactory reply from Kvashnin, a reply which would create that confidence which all four Commandants agreed was vital. Yelisarov undertook to see Kvashnin and to request a speedy reply.

<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Regarding this meeting see telegram 1356, September 13, p. 378.

<sup>3</sup> Post, p. 1062.

<sup>4</sup> Not printed, but see footnote 3 to telegram 1356, September 13, p. 378.

Since that date, Ganeval as chairman, twice, on the 17th of September and again on the 24th of September requested you or your deputy to attend a quadripartite consultative meeting. In answer to his request, he was informed that both you and your deputy were out of Berlin. He has received no reply to his second.

On the 24th of September, Kvashnin replied to our letter of the 9th of September.<sup>5</sup> This reply can only be described as a cynical repudiation of the undertakings which Kvashnin gave, both verbally and in writing. Kvashnin infers that there have been no dismissals of workers. He states that certain transfers have taken place in no way connected with the strike, but purely in order to effect economies.

The facts, of which both Kvashnin and you must be aware, are that more than 2,000 men of the Western sectors have received dismissal notices from the Reichsbahn. Of these more than half have actually been dismissed, and in almost every case they have been replaced by Communist sympathizers from the Soviet sector or zone. This cannot be a question of reorganization to effect economies. Kvashnin's statement shows both a contempt for the workers and a disregard for his obligations.

Kvashnin's letter of the 24th September, and your failure to attend a quadripartite consultative meeting make it impossible for us to retain any confidence in the willingness of the Soviet authorities in Berlin to abide by any agreements reached except when it suits them to do so. Without mutual confidence these quadripartite discussions are valueless. We have, therefore, been instructed by our High Commissioners to state that we are not prepared to continue with the discussions on the normalization of the life in Berlin until we can be confident that agreements freely negotiated will be honored in the letter and spirit by the Soviet authorities."

#### COMMUNIQUE No. I

"During the railway strike contacts took place between the three Commandants of the Western sectors and Kvashnin, chief of the Transportation Department of the Soviet Military Administration of Germany.

During these contacts, Howley, the US Commandant, defined as follows the obligations to be assumed by the Reichsbahndirektion which the Soviet authorities claim to control.

1. The Reichsbahndirektion will pay in West marks at least 60 percent of the wages of railway workers residing in the Western sector of Berlin, beginning with return to work.

2. The Reichsbahndirektion will pay more than 60 percent to eligible persons insofar as its West mark income permits.

3. The Reichsbahndirektion will require West mark payment for all revenue collected from the sale of tickets and other services rendered by the Reichsbahn in relation to the three Western sectors of Berlin, as a basis for providing funds to pay salaries and wages in accord with this agreement.

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<sup>5</sup> Not printed; for the text of Kvashnin's letter, see *Berlin; Quellen und Dokumente*, Hlb. 2, p. 1774.

4. The Reichsbahndirektion will take no punitive action against railway workers who have participated in the strike.

5. This assurance is intended to apply to all railway workers living in the Western sectors, regardless of union affiliation.

Kvashnin confirmed these commitments, first on 10th June, verbally, to Howley, then on 20th June by letter, to the three western Commandants.<sup>6</sup>

The terms of this agreement enabled the resumption of work on 28th June. Since that date, however, the Soviet authorities, through the Reichsbahndirektion, have continually violated their commitments, to wit:

(i) The Reichsbahndirektion has paid 60 percent of their wages in West marks to railway workers living and working in the Western sectors, but declined to pay anything whatsoever in this currency to workers living in the Western sectors and working in the Soviet sector;

(ii) Although its receipts in West marks are now amply sufficient to pay all the workers concerned much more than the 60 percent minimum in this currency, it declines to do so under the pretext of reduction of personnel.

(iii) Finally, it has issued notices of dismissal for more than 2,000 employees of the Western sectors. Now the Western Commandants have ascertained beyond doubt that reprisals are involved in nearly every case. The railway workers affected are, as a fact, being immediately replaced by Communist sympathizers from the Soviet sector or zone.

This constant violation of commitments given has evoked action on the part of the Commandants of the Western sectors.

On 9th September, they sent a joint letter to Kvashnin, inviting his attention to the failure of the Reichsbahndirektion, to fulfill its commitments and requesting firm action on his part to remind it that a commitment should be respected.

On 12th September at a quadripartite meeting, the three Western Commandants stressed to the Soviet Commandant the importance they attached to receiving a prompt and satisfactory reply. They gave him clearly to understand that a matter of confidence was involved.

On 17th September, Ganeval, Commandant of the French sector, convened in his capacity as chairman, a meeting of the four Commandants for 21 September. He received a reply that General Kotikov and his deputy were away for an indefinite period.

On 21 September, Ganeval sent a second letter to Kvashnin inquiring whether he intended to abide by his commitments or not, and asking once again for a prompt reply to the joint letter of 21 September.

The reply finally arrived on 24 September. But it amounted in effect to a cynical repudiation on the assurances given, verbally and in writing, by Kvashnin.

The text of this letter, which is attached, shows clearly to what point distortion of the truth can be carried.

<sup>6</sup> Regarding Kvashnin's letter to the Western Commandants, see editorial note, p. 849.



On 28 September the French, British and US Commandants studied the situation arising as the result of this letter, as well as of the failure of the Soviet Commandant to reply to the invitation repeatedly extended by Ganeval since 24 September to attend a quadripartite meeting on 28 September.

The three Commandants have concluded, therefore, that the Soviet authorities are not willing to compel the Reichsbahndirektion, which they claim to control, to respect the commitments entered into by it in June last, under their own guarantee.

They consider that consequently the quadripartite conversations in accordance with paragraph three (c) of the Paris communiqué for the purpose of normalizing the situation in Berlin for the present have become futile.

Under these conditions they informed Kotikov by a letter, the text of which is appended hereto, that they were no longer prepared to continue these conversations so long as they have no assurance that obligations entered into freely by the Soviet authorities will be respected."

#### COMMUNIQUE No. II

"The Allied [Kommandatura decided on?] 28th September 1949, that:

1. The Magistrat is not authorized from 29th September 1949, to effect additional exchanges which might be necessary to bring the wages of the railway employees residing in the Western sectors up to 100 percent in West marks.

2. The Magistrat is authorized from 29th September 1949, to convert through the Lohnausgleichskasse up to 60 percent of their wages in respect of Reichsbahn employees residing in the Western sectors and working in the Eastern sector or zone.

The history of this deplorable affair clearly illustrates how the railway workers, living in the Western sectors of Berlin, have been deliberately victimized by the Reichsbahndirektion, over which the Soviet authorities have constantly claimed control. This history is summarized in a communiqué issued today.

During the past three months it has been the hope of the Western Commandants that the Reichsbahndirektion would conform to the letter and spirit of the agreement which terminated the strike, and would assume the full payment in West marks to the railway workers resident in the Western sectors.

Although there is definite evidence that the Reichsbahndirektion's West mark receipts are now sufficient to pay well over 60 percent, it refuses to discharge its formal undertakings which were confirmed by Kvashnin. It would be wholly unjust to require the Magistrat to continue to bear a financial burden which is clearly the responsibility of the Reichsbahndirektion. Consequently, the Western Commandants have today relieved the city government of the requirement to effect the West mark conversion necessary to bring the wages of the West Berlin railway workers up to 100 percent.

However, to avoid a cruel injustice to those workers who live in the Western sectors but work in the Soviet sector or zone, the Magistrat

is still authorized to exchange up to 60 percent of the wages of this category of worker.

The Western Commandants consider that, whilst the Reichsbahndirektion pay less than 100 percent in West marks, the balance to make up 100 percent remains a debt due to the workers by the Reichsbahndirektion. They will not cease in their efforts to oblige the Soviet authorities and the Reichsbahndirektion to recognize and fulfill the proper duties of an employer to the workers under his charge, including the eventual reimbursement of this debt."<sup>7</sup>

Sent Frankfort 135; repeated Department 1399, London 447, Paris 500; Department pass Moscow 127.

TAYLOR

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<sup>7</sup> The text of this telegram was repeated to Secretary Acheson in New York on September 29.

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862.00/10-149: Telegram

*The United States Commander, Berlin (Taylor) to the United States High Commissioner for Germany (McCloy), at Frankfurt*

SECRET

BERLIN, October 1, 1949—3 p. m.

140. For McCloy.<sup>1</sup> Thirty-third meeting Allied Kommandatura held September 30 under French chairmanship.

[In the first part of this cable Taylor reported on the use of Berlin printing facilities by the Federal Government and the exemption of certain properties from the Berlin emergency building tax.]

Commandants then discussed subsequent steps which might be taken to induce Soviets and Reichsbahndirektion to fulfill agreements re railway workers' West mark wages (mytel 135 September 28, repeated Department 1399, London 447, Paris 500, Moscow 127<sup>2</sup>). After considerable discussion it was agreed that Kommandatura's civil administration committee will explore urgently with transport, legal, public safety and other experts, favorable and unfavorable results which might be expected from following possible courses of action:

1. Seizure of West sector Reichsbahn property not directly used for operating railways.
2. Repudiation of Soviet claim to control of Reichsbahn—a claim which has hitherto been recognized only tacitly and not in any written agreement.
3. Seizure of West mark intake from West sector ticket offices.
4. Authorization to Magistrat to continue distraining on increased scale revenue from nonoperational West sector property of Reichsbahn, on grounds that such revenue is not being paid into blocked account in West sector bank in accordance with regulation 14 of currency

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> *Supra*.

conversion ordinance of May 31. (Magistrat had already collected 270,000 marks in this fashion and had requested Kommandatura approval for carrying out distraints on all nonoperational Reichsbahn property in West Berlin.)

French Commandant then raised subject of removals of railway equipment from West sector installations and said that since such removals had, especially in last fortnight, reached rather serious proportions in French sector, he intended inform Soviets early next week, as US Commandant had done some time ago, that removals could henceforth not be made without his express permission. He suggested British Commandant might wish do same thing simultaneously. British agreed he would seek authority from superiors to do so.

Sent Frankfurt 140, Department pass to Moscow 130, repeated London 449, Paris 501, and Department 1404.

TAYLOR

862.00/10-449: Telegram

*The Acting Secretary of State to the United States High  
Commissioner for Germany (McCloy), at Frankfurt*

SECRET PRIORITY  
NIACT

WASHINGTON, October 5, 1949—midnight.

1966.<sup>1</sup> Personal for McCloy. From your reports and others today it is apparent we face probability that so-called National German Govt will be set up by German Peoples Council Fri, with Berlin as Capital.<sup>2</sup> We note from Berlin's 1409 Oct 4<sup>3</sup> that Berlin City Assembly will probably react by demanding annexation to Fed Republic. We also note with general approval preliminary views which Riddleberger has prepared for your consideration as reported in Item 13 of HICOG's Telecon of Oct 5 with GAI.<sup>4</sup>

Dept's view is that if Soviets take action indicated, reaction of Western Powers as regards Berlin's status should be immediate and unmistakable. We believe such Soviet action would remove one of principal arguments which has hitherto influenced some quarters, particularly French, in opposing inclusion of Berlin in Fed Republic, namely, fear of Soviet reaction. In Dept's opinion, new situation which will exist if Eastern govt formed with Berlin as "capital" will make it politically imperative to remove Berlin from anomalous position it now occupies. Continued insistence on keeping Berlin out of Fed

<sup>1</sup> Repeated to New York as 525 for the personal attention of the Secretary of State, to Paris as 3795, to London as 3631, and to Moscow as 742.

<sup>2</sup> For documentation relating to the establishment of the "German Democratic Republic," see pp. 505 ff.

<sup>3</sup> Not printed.

<sup>4</sup> No record of this telecon has been found in the Department of State files.

Republic would then create bitter disillusionment in Berlin, would give both Soviets and Germans impression that West is weak and irresolute and would arouse fears as to our future intentions with regard to Berlin.

Foregoing represents Dept's position and we have so informed Br and Fr Embassies here. However we have not yet been able obtain clearance these views in Washington. Dept therefore suggests you discuss problem with High Comm at Oct 6 meeting. Please report your colleagues' views and your own recommendations as to desirability of having High Comm lift Mil Govt's suspension of Art 23 of Bonn Const as it applies to Berlin at earliest possible date subsequent to Sov action if latter taken in Berlin.

Paris and London please ascertain views of FonOff.

WEBB

862 :01/10-649

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

NEW YORK, October 6, 1949.

PARTICIPANTS

UNITED KINGDOM

Mr. Bevin  
Mr. Barclay

FRANCE

M. Couve de  
Murville

UNITED STATES

Mr. Acheson  
Mr. Yost  
Mr. Jessup

Mr. Bevin said that he understood that I wished to raise with him the question of lifting the suspension of Article 23 of the Bonn Constitution in order to permit the immediate attachment of the Western sectors of Berlin to West Germany as a twelfth *Land*. Bevin said that we had always envisaged that sooner or later there would be an Eastern German Government and that we had nevertheless opposed the inclusion of our Berlin sectors under the Bonn system. Why should we change now? I pointed out the reason why we had advocated suspension of Article 23 was because we feared that its implementation might precipitate the creation by the Soviets of an East German Government. It appeared that such a government was now about to be established anyway and the reason for suspension of Article 23 therefore no longer exists. I read from Berlin's telegram no. 1409 of October 4<sup>2</sup> the report that the Berlin City Assembly would, immediately after the establishment of the East German Government, pass a resolution urging the immediate implementation of Article 23. I said if this happens our people feel we should agree as otherwise the Western sectors of Berlin will be left hanging in the air, unattached either to

<sup>1</sup> The memorandum was prepared by Yost.

<sup>2</sup> Not printed.

Western Germany or Eastern Germany. To Bevin's inquiry as to what the Soviets might do in such a case, I replied that we favor this action only if the Soviets set up an Eastern German Government with Berlin as its capital. In this case our treatment of the Western sectors of Berlin would be no different than their treatment of the Eastern sector.

Couve de Murville expressed the view that there was a certain practical difference in that Western Berlin is separated from Western Germany and is a mere tiny island in the Soviet zone. He said that M. Schuman is opposed in principle to the application of Article 23 because of the essential difference of the Western sectors of Berlin from the other Western *Laender*. To Bevin's inquiry as to how we would maintain the Western sectors of Berlin if we do not permit the application of Article 23, Couve suggested that the effect of the two possible alternatives on problems of trade, currency, transport and so on should be carefully studied before decision is taken.

Mr. Bevin pointed out that it is extremely difficult for the Ministers to take an immediate decision without a more careful study of the facts. He felt that the three High Commissioners should confer on the subject. I mentioned that Mr. McCloy has already been instructed to take the matter up in the regular meeting of the High Commissioners scheduled for today and to urge that they report their views to the three governments. Bevin endorsed this procedure and said that we should consult further in Washington, Paris and London when the recommendations of the High Commissioners had been received. He asked Mr. Barclay to instruct Kirkpatrick to take the matter up immediately with Attlee since, as far as he could recollect, the decision to suspend Article 23 had been a Cabinet decision which would require Cabinet action to be reversed.

Couve said that this had also been a government decision in France. In answer to an inquiry from Bevin, he admitted that the present Cabinet crisis in France might well delay French action on this matter. He expressed the view that the High Commissioners should also be asked at the same time to make recommendations for dealing with the very critical economic situation in Berlin, particularly on problems created by the large deficit and by growing unemployment. Mr. Bevin said that what he fears most is that the Soviets may be able to capitalize on these economic difficulties by stirring up what would amount to civil war in the Western sectors of Berlin. He is not sure how we would be able to meet such a situation and asked that the High Commissioners also be requested to submit their recommendations for dealing with such a contingency. I urged that we should consider whether the Soviets would be more or less likely to succeed in such an effort

if Berlin were a twelfth *Land* in the Bonn system. I pointed out that the State Department fears that the Berliners may well take a refusal on our part to lift the suspension of Article 23 as an indication that we intend to abandon them. Action by us is urgent in these circumstances in order to maintain the morale of the Berlin population. Couve concluded the discussion by repeating that the problem is not only one of morale but also of meeting the critical economic situation which he considers worse than that created by the Soviet blockade.<sup>3</sup>

DEAN ACHESON

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<sup>3</sup> A summary of this memorandum was transmitted to Washington at 5:47 p. m. and relayed to London, Paris, and Frankfurt at 7 p. m., October 6.

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862.01/10-649: Telegram

*The Ambassador in France (Bruce) to the Acting Secretary of State*

SECRET      PRIORITY

PARIS, October 6, 1949—5 p. m.

4187. Foreign Office this morning had not yet received report Dept's approach to Washington Embassy re action to be taken by West powers in regard Berlin (Deptel 3795 Oct 5<sup>1</sup>) nor had Foreign Office itself apparently yet taken matter under consideration at high levels. Similarly Foreign Office doubted any authoritative discussion of problem in High Commission today possible on part François-Poncet since he had no instructions on subject.

At working level Seydoux, new European director and Sauvagnargues, Acting Chief Central European Division, recalled firm position France had hitherto taken in opposition inclusion Berlin as twelfth *Land* and emphasized complex situation which would arise as result such inclusion, citing amongst other things likelihood inclusion Berlin would reserve [*reverse?*] present balance of power in Bundestag.

Seydoux brought forward his now favorite theme that problem was one which might most properly and expeditiously be treated by reference to the three Foreign Ministers in New York. He also remarked that Foreign Office's continued emphasis on necessity specifically refuting Soviet accusation of violation Paris decisions in our eventual reply to Soviet note<sup>2</sup> (Embtels 4153, October 4 and 4165, October 5<sup>3</sup>) was based in great part on feeling that if we were not able to head off Soviets from including Berlin in new all-German government at least we would have made fully clear for record in advance

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<sup>1</sup> Same as telegram 1966, October 5, p. 399.

<sup>2</sup> *Ante*, p. 275.

<sup>3</sup> Neither printed.

of such act our own willingness to have reached a working four-power arrangement in regard administration Berlin.

In conclusion, however, Seydoux undertook to bring matter urgently to attention Parodi and both he and Sauvagnargues admitted that if Soviets did in fact make Berlin capital of new state claiming comprise all Germany then lifting suspension Article 23 "would be difficult to oppose".

Embassy fully agrees unified and decisive attitude West allies on Berlin question psychologically necessary in regard both Soviets and Germans. In light today's conversation seems probable French will come along with us when question becomes actual. It would seem desirable, however, West German Government should also have part in this united front and Embassy suggests therefore [might?] be well sound out West German leaders as to whether their desire include Berlin as twelfth state now as determined as heretofore. In this connection point raised by French as to possible effect on Bundestag may have significance.

Sent Department 4187, repeated London 688, Frankfort 81. Department pass Moscow 81, New York 4.

BRUCE

862.00/10-749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

SECRET PRIORITY  
NIACT

FRANKFURT, October 7, 1949—1 a. m.

2846. Reference Niac 1966 of 5 October.<sup>1</sup> Have discussed improving position of Western Sectors Berlin, in event Soviet action includes Berlin, with British and French colleagues. British (Robertson) feels strongly action should be taken, but not necessarily in form of full recognition as twelfth *Land*. These are his personal views and not British Government's, since he has not been able to reach Bevin. French (Bérard acting since François-Poncet absent) could not state French Government view, but would have to consult Paris. He, personally, thinks French position opposing inclusion Berlin will remain unchanged. In his opinion, French Government would probably consider Soviet action strengthened their argument, since inclusion Western Sectors in Federal Republic would increase tension in Berlin, if latter became capital of East Zone. He will consult Paris and seek urgent instructions.

<sup>1</sup> *Ante*, p. 399.

I feel French agreement to inclusion Western Sectors in Federal Republic most improbable, despite feeling that they appreciate need for strengthening vis-à-vis East Berlin as Soviet Zone capital. They will probably attempt advance formula short of full inclusion. Have some doubts as to wisdom of full *Land* status for Berlin, which is awkward and unnatural in many ways. My hesitation in going all out for inclusion of Berlin as twelfth *Land* is more technical than substantial. Feel that Berlin is in so unique a situation that it will be almost impossible to apply to Berlin many of the laws which the Western Government would pass for itself. Therefore, feel it might be more practicable to treat Berlin as a territory or protectorate of the Western Republic with full right to vote on all matters affecting Berlin. The latest information we have is to effect that Berlin will not be included in the Eastern Zone, although this is only intelligence report gossip thus far.

Draft of statement<sup>2</sup> by US being considered by French. Bérard has indicated he prefers general background statement rather than direct quotation of the Commissioners, and I have agreed, as has General Robertson.

However, I will agree to full *Land* status if French and British agree.

As to method removal of present suspension by Military Governors of Article 23 of Bonn constitution will most probably be followed by prompt action of Federal Republic giving Berlin full *Land* status and immediate acceptance by Western Magistrat. Hence, limited suspension of Article 23 to permit territorial relationships referred to above might be preferable.

To summarize, I shall (a) agree to full *Land* status if French and British agree. If no agreement on (a) is reached, will propose or accept if proposed limited suspension of Article 23 as indicated above.<sup>3</sup>

Sent Department 2846, repeated London 201, Paris 225, Bonn 4 for Riddleberger.

McCLOY

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<sup>2</sup> The draft statement under reference has not been identified further.

<sup>3</sup> In a subsequent telegram Riddleberger reported that he had made the proposals indicated in this cable in a discussion with the other allied political advisers and had met French opposition to both the proposals and to the issuance of a statement. The French political adviser stated that his government's view on Berlin as a twelfth *Land* had not changed and that the French Government was opposed to any Western moves with regard to the city, since it appeared that Berlin would not be included in the new East German Government. The political advisers agreed however to meet again as soon as more specific information on the East German Government became available. Telegram 14, October 7, 7 p. m. from Bonn, not printed (862.00/10-749).



862.00/10-749: Telegram

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

SECRET PRIORITY

LONDON, October 7, 1949—5 p. m.

4038. Although fully concurring in view that imminent establishment "national German government" with capital in Soviet sector Berlin will require prompt counter-action by West powers, Kirkpatrick does not feel that it would be desirable to proceed with lifting of suspension of Article 23 of Bonn Constitution until high commissioners have studied implications this step and submitted their recommendations to Governments (Deptel 1966, October 5 to Frankfort, repeated London 3631, Paris 3795, Moscow 742, New York 525<sup>1</sup>). Foreign Office he said, has not yet received complete reports on yesterday's meeting of high commissioners and their subsequent discussion with Adenauer.<sup>2</sup> Therefore views set forth below represent tentative Foreign Office thinking and are susceptible to modification in light of high commissioners' recommendations.

(a) Inclusion Berlin deputies in Bundestag which would naturally follow establishment *Land* Berlin liable upset equilibrium of Adenauer Government since most of them would be SPD members. Kirkpatrick indicated British Labor Government would prefer to see present West German Government replaced by SPD-headed coalition. However existing situation in Germany too delicate to permit national interests to be subordinated to those of purely political nature.

(b) Formation *Land* Berlin would mean occupation statute would automatically come into force there instead of present "little occupation statute". (Our powers under latter more extensive than in Occupation Statute) itself and it would seem unwise to relinquish any of them at this critical juncture.<sup>3</sup>

(c) Soviet broadcast referred to Embtel 4019 to Department October 6 (repeated Frankfort 113, Paris 760, Moscow 152, USUN unnumbered<sup>4</sup>) implies tacit recognition right of Western powers to remain in Berlin despite absence European [*Western?*] power control. On other hand, formation *Land* Berlin would probably result in change Soviet attitude and might induce them to raise issue of legality our presence there. Kirkpatrick admitted that broadcast does not constitute formal recognition of our right but nevertheless felt that it tended to strengthen our case.

Since problem of Berlin's status is of primary concern to Germans as well as occupying powers, Kirkpatrick considers that we should

<sup>1</sup> *Ante*, p. 399.

<sup>2</sup> The High Commissioners had discussed the Berlin question before their meeting on October 6, but had not discussed the matter with Adenauer. Regarding their discussion, see telegram 2846, *supra*.

<sup>3</sup> For the text of the Occupation Statute for Berlin, see *Germany 1947-1949*, pp. 324-326. For the Occupation Statute for Germany, see pp. 179.

<sup>4</sup> Not printed.

consult with Adenauer re steps to be taken. In doing so, however, we should carefully avoid giving him impression that we will necessarily act on his suggestion.

Kirkpatrick inclined to view that action to be taken re West sectors Berlin should be half-way between full recognition as twelfth *Land* and present status. For example, we might propose establishment of Bonn Government commission in Berlin to take charge of financial matters in which Federal Government exercises jurisdiction. Similarly, we might agree that representatives of West sectors should enjoy full membership rights in Bundesrat although not in Bundestag.

McCloy's suggestion that Berlin might be treated as territory or protectorate of Federal Republic had not occurred to Kirkpatrick. We feel, however, that British would probably be receptive to this idea since it tends to coincide with Kirkpatrick's half-way concept.

Kirkpatrick said that message from Bevin re his conversation with Secretary and Couve de Murville on afternoon October 6 (USUN's 123 to Department repeated London 23, Paris 22, Frankfort 2<sup>5</sup>) did not contain suggestion that he discuss with Attlee possibility of lifting suspension on Article 23 (original of message which Dean has previously shown us confirmed this statement). Accordingly he did not feel that it would be necessary to consult with Prime Minister until situation had clarified somewhat as result receipt high commissioners' recommendations.

Sent Department 4038, repeated Paris 767, Frankfort 115. Department pass Moscow 155 USUN unnumbered.

HOLMES

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<sup>5</sup> Not printed; a memorandum of this conversation is printed, p. 400.

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#### *Editorial Note*

On October 7 Gordon F. Corrigan, a Foreign Service Officer at Heidelberg, cabled McCloy that General Huebner, in response to a telegram from the Chief of Staff of the United States Army, had just held a meeting with his General Staff to consider the military implications of including Berlin in the Federal Republic of Germany. The meeting concluded that, after the establishment of an East German Government, Soviet military activity would be ". . . more or less the same whether or not a 12th *Land* is established." However, if Berlin became the capital of the East German Government, the Soviet Union might withdraw its forces from Berlin and demand that the Western powers do the same. Since the latter would reject such a demand, the blockade might be reestablished and the Soviet Union would make

every effort short of war to force the withdrawal of all military forces from the city. (Telegram 37, October 7, from Heidelberg to Frankfurt, not printed, 862.00/10-749)

862.00/10-949 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

SECRET NIACT

BONN, October 9, 1949—8 p. m.

15. Following is proposal of UK High Commissioner to be discussed at meeting 1100 hours October 10 of three High Commissioners at Frankfurt. This is strictly raw.

"The High Commissioners have reviewed the political status of the city of Berlin in the light of

(a) The desire of the people of Berlin for incorporation within the German Federal Republic.

(b) The dependence of Berlin on the German Federal Republic for assistance.

(c) The establishment of a so-called government in the Eastern zone of Germany with its seat in Berlin.

2. According to article 23 of the basic law, Greater Berlin is a *Land* within the German Federal Republic. The application of this article to Greater Berlin has been suspended by the occupying powers when they gave their approval to the basic law. The High Commissioners today see no objection in principle to the withdrawal of this suspension but they observe that certain practical considerations make it impossible for Greater Berlin to be treated as having the same position in the German Federal Republic as any other *Land*. Not only is Greater Berlin divided so that one part of the city is deprived of the opportunity to join the German Federal Republic or even to enjoy normal democratic rights, but also the whole city is geographically isolated from the other *Laender* which at present, form part of the German Federal Republic. The economy of the city presents problems which are quite special and distinct from those concerning the economy of the Western zone of Germany. The financial position in the city is also special and is affected by the fact that the city is surrounded by a different currency area. Finally the internal affairs of Berlin are so involved with major questions of international relations that the occupying power must have a greater voice in them than they do in other *Laender* of the federation where their vital interests and those of the other Western nations are less directly engaged. For these reasons, if Berlin were given the same status in the German Federal Republic as any other *Land* it would be found that Federal Legislation and the acts of the Federal Government could not in the majority of instances be made effective in Berlin.

3. The High Commissioners accordingly put forward the following recommendations:

(a) Berlin shall be recognized as being included in the German Federal Republic with the status of a *Land* in accordance with article 23 of the basic law, but subject to the following stipulations:

(b) The city government of Berlin shall enjoy the powers accorded to a *Land* government under the basic law. In the field of concurrent legislation the city government shall retain all competence and the federal government shall not exercise the competence afforded to it under article 72 (11) and article 105 (11) in respect to Berlin. Federal legislation in this field may, however, be adopted for application in Berlin by legislative action in the city council subject to the rights of the Allied Kommandatura under (d) below.

(c) The Federal Government may arrange with the Berlin city government such measures as may be necessary to ensure that requests for its assistance are properly substantiated and that the assistance which it provides is properly used. This might be done by the establishment by the Federal Government of an economic mission in Berlin with defined powers agreed to by the city government.

(d) The relationship between the occupying powers and the Berlin city authorities will continue to be governed by the statement of principles issued in May 1949.<sup>1</sup>

(e) Berlin shall be given full membership in the Bundesrat.

(f) In view of (b) above, Berlin shall continue for the present to be represented in the Bundestag by observers without voting rights.

(g) Allied organization in Berlin, should be reviewed to ensure that in title and character it is appropriate to the new arrangements.

(h) The High Commissioners having received the approval of their governments to the above proposals in principle will wish to discuss them in detail with the Federal Government and the responsible German authorities in Berlin and might wish to make some amendments of detail but not of principle as a result of this consultation."

Sent Department 15, repeated Frankfort 19, Berlin 5, London 6, Paris 5. Frankfort pass Berlin, London, Paris, Niact. Department, Paris, Berlin, London please notify Bonn time of receipt and repeat to Bonn for information any replies to this cable.

McCLOY

<sup>1</sup> For the text of the Berlin Occupation Statute of May 14, 1949, see *Germany 1947-1949*, pp. 324-326.

862.00/10-1049: Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

SECRET NIACT

FRANKFURT, October 10, 1949—7 p. m.

2940. In addition to French opposition to US suggestions for dealing with the Berlin problem in face of East German government, it became clear from conversations which I had this morning with Bérard that the French are equally opposed to the UK proposal set forth in Bonn's 15, October 9 to Department.<sup>1</sup> Bérard indicates that the French Government remains unalterably opposed to Berlin as a twelfth *Land* and believes that this position will not change upon the formation of a new French Government. He claims to have had several conversations over the weekend with German political leaders of the present coalition in which the leaders displayed a lukewarm attitude toward Berlin as a twelfth *Land*. This impression is somewhat confirmed in my mind by reports I had received of Adenauer's attitude, which is likewise described as lukewarm. Obviously the coalition is disturbed by the prospect of increased SPD representation which would probably result from the inclusion of Berlin as a twelfth *Land*.

Bérard indicated, however, that his government was now prepared to consider certain steps for the strengthening of the Berlin position. They would agree to the establishment of Kaiser's Ministry in Berlin and perhaps certain other federal representation. They would also agree to an acceleration of cultural activities in Berlin and would support additional economic cooperation.<sup>2</sup>

In this situation it seems unlikely that we shall make much progress in the Commission meeting scheduled for this afternoon,<sup>3</sup> but in view of the urgency of taking some action within the next two days, I am most anxious to have some specific announcement prepared for early issuance. Therefore, I plan to propose the financial assistance program indicated in the succeeding paragraphs and would enlist the Department's aid in obtaining the required clearance as quickly as possible.

<sup>1</sup> *Supra*.

<sup>2</sup> In telegram 4255, October 11, from Paris, not printed, Bruce reported that the French Foreign Ministry had expressed similar views to him. It considered that the Soviet Union was hoping to stampede the Western allies into some act with respect to Berlin that would leave their rights in the city open to question. Because of this the Foreign Ministry was agreeable to measures assisting Berlin, but was wary of any act that might change its juridical status. (862.00/10-1149)

<sup>3</sup> In telegram 2943, October 10 (9 p. m.), from Frankfurt, not printed, McCloy reported on the High Commission meeting. As anticipated Bérard had opposed Robertson's proposal and the lifting of the suspension of Article 23, since Berlin had not been included in the East German Government. In response to requests for some action by the High Commission with regard to Berlin, Bérard, acting as French High Commissioner, indicated that he could proceed no further, but would refer to Paris for instructions. (862.01/10-1049)

In addition to financial assistance, we are examining the possibility of creating some sort of "territorial status" for Berlin, and I propose to discuss this idea with the Germans, if it obtains any acceptance in principle in the Commission.

Recent survey of Berlin financial and economic situation reveals the following approximate status. A 90 day food stockpile is deemed necessary for the coming winter. This would require a minimum of DM 20 million and actual amount is probably higher. Present five months' coal supply stockpile presently established is adequate but needs to be financed which will require approximately an additional DM 35 million. Propose to have Federal Republic establish a corporation and vest title to food and coal stockpiles in the corporation. Corporation could then obtain loan from BDL utilizing food and coal as collateral. Subsequent sales of food and coal to individuals would finance additional purchases in order to keep stockpiles at desirable levels.

Survey further indicates immediate needs of city of Berlin for other purposes a total of approximately DM 150 million to be disbursed between now and January 1, 1950. This is resulting deficit after considering maximum amount of tax receipts and other income for the city. Propose to recommend the following program to Adenauer. Federal Republic should make application through High Commission to ECA for release of DM 75 million from ECA counterpart funds to meet emergency condition of city of Berlin.

If approved, ECA could deblock to credit of High Commission who in turn could divert this amount to GARIOA counterpart and thereupon make this amount available to city of Berlin as a GARIOA grant. High Commissioners would also signify their intent to repay to the ECA counterpart fund DM 75 million when such amount has accrued to the GARIOA counterpart fund by reason of current and future GARIOA dollar expenditures for aid. Would also require that Adenauer agree to raise the remaining DM 75 million by direct tax measures authorized by Federal Republic. This equal division of ECA versus Federal Republic aid might have to be adjusted for practical considerations. Simultaneous with above would recommend that Federal Republic, with some assistance from Allied High Commission, appoint an expert committee with powers to survey Berlin municipal finance condition and make recommendations soonest on measures to be taken by Berlin Magistrat to bring municipal budget as near to balance as is practical. ECA loan could also contain conditions along above lines in order to apply pressure for financial housecleaning. Nevertheless, urgent requirements of Berlin make it mandatory that assistance be given immediately and not await further financial studies. Believe earliest date for effecting economies in Berlin budget would be January 1.

Above program could be legally made under existing bilateral agreements since High Commissioners have already in case of Berlin certified that Western sectors are a part of occupied areas. It would require promptest action by OSR/ECA Washington, and NAC if it is to accomplish its objectives. If Adenauer agreeable would recommend he make press announcement of this aid and the manner in which he is making application for counterpart. I would also make press announcement that I recommend ECA approval.

McCLOY

862.77/10-1149 : Telegram

*The United States Commander, Berlin (Taylor) to the  
Secretary of State*

RESTRICTED      PRIORITY

BERLIN, October 11, 1949—6 p. m.

1431. Following is text of letter from General Kotikov dated October 10 in reply to letter addressed to him by Western commandants on September 28 (Berlin's Nbr. 135 to Frankfurt of September 28, repeated Department 1399, London 447, Paris 500, Moscow 127<sup>1</sup>).

"Dear General: I received your letter of 28 September, 1949.

1. You state that you have been instructed by your high commissioner to terminate any discussions on questions pertaining to the normalization of life in Berlin. I am compelled to declare that the high commissioners are not in a position to annul the decision adopted by the Council of Foreign Ministers in Paris on 20 June, 1949,<sup>2</sup> which serves as a basis for the consultative conferences by the Berlin commandants. The Soviet Kommandatura, in strict observance of paragraph 3/c of the Paris communiqué, had on its part, taken all measures to insure a positive solution of all questions concerned with the normalization of life in Berlin. Toward that end, certain positive results were achieved during the consultative conferences and were met favorably by the entire population of Berlin.

Your refusal to continue with the consultative conferences at a time when they have already begun to yield positive results does not, in any way, testify to a desire on your part to normalize the city's life or to act in a spirit of mutual cooperation. The position which you are taking cannot lead to an improvement in the difficult economic position of Berlin's Western sectors or to a decrease of mass unemployment developing there; such unemployment might not prevail if steps were taken to insure the city's normal economic life.

2. As to your assertion that the railway administration does not, ostensibly, adhere to the agreement, reached at the time of liquidation of the railwaymen's strike in Western Berlin, I must say that it is unfounded and unsubstantiated. According to our information, the Berlin Railway Administration, which is under the supervision of the

<sup>1</sup> *Ante*, p. 394.

<sup>2</sup> *Post*, p. 1062.

Soviet authorities is adhering strictly to that agreement. Not [only does] the administration refrain from applying any repressive measures by way of laying off any of her railwaymen who took part in the strike, but, as it came to my knowledge, is hiring in the Western sectors of Berlin workers and employees for the needs of the railway. If what you have in mind are certain concrete instances which cause you to have any doubts, such instances might be examined in a spirit of friendliness, without permitting them to create dissensions or complications between us.

Thus, your assertions concerning some violation of an agreement, allegedly perpetrated against railwaymen in Western Berlin, are without foundation.

I am convinced that public opinion will correctly evaluate the fact that you are indulging in an artificial attempt, by means of groundless and invented charges, to mask your unwillingness to abide by the decision of the Paris [conference of] the Council of Foreign Ministers concerning normalization of life in Berlin. Under the circumstances, the responsibility for undermining the implementation of paragraph 3/c of the Paris communiqué rests entirely on you.

The Soviet Kommandatura, on its part, adheres firmly to the instructions of the Paris Conference of CFM and will also insist that the other participating parties abide by them as well.

Letters of analogous content have been forwarded by me also to Major General Bourne and Division General Ganeval."

Sent Frankfurt 167; repeated Department 1431; London 464; Paris 514; Moscow 142.

TAYLOR

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862.00/10-1149: Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

SECRET      PRIORITY

WASHINGTON, October 11, 1949—7 p. m.

2072.<sup>1</sup> Dept's views concerning status of Berlin as contained in Deptel 1966 of Oct 5<sup>2</sup> have now been fully cleared in Wash.

These views were predicated on assumption that Sov action wld clearly include eastern Berlin (or "greater Berlin"). Dept is not sure at this moment however what status has been given to Sov sector of Berlin and believes we must all have clearest possible answers to fol questions:

1. Is the capital of the East Ger republic to be physically located in Berlin? If the answer is yes, this creates a strong presumption that Berlin forms part of the "Ger Democratic Republic".

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<sup>1</sup> Repeated to Paris as 3879, London as 3694, and Moscow as 754.

<sup>2</sup> Ante, p. 399.



2. Will legis and admin acts of Eastern republic have validity in Sov sector Berlin? If not, are there indications that they will in practice be given validity by action of Sov Magistrat and Sov Assembly?

3. Is Berlin represented in lower house of Sov zone Parliament? Dept assumes it is, since East Berlin participated in Volkskongress elections from which Volksrat derives its "mandate". We note from Berlin's 1423 of Oct 8<sup>3</sup> that Berlin is given seven "observers" in upper house of Sov zone Parliament.

If the weight of answers of foregoing questions (or other evidence available) indicates either *de jure* or *de facto* inclusion of Berlin in East republic, Dept adheres to views expressed in its Niac 1966. Given this conclusion, Dept would favor its original solution advanced in reflet (and which appears to be same as General Robertson's second proposal in second para ur 2943, Oct 10<sup>4</sup>), to lift suspension of Art 23 and let Germans work out problem. We wld also willingly support Robertson's original detailed proposal (Bonn's Niac 15, Oct 9<sup>5</sup>), except that in view of all the proper safeguards outlined therein we do not see why Berlin shld continue to have only non-voting observers in Bundestag, a limitation which would mar the political effect of the action taken. We leave this to your judgment on the spot, however.

Fr arguments do not impress Dept. Opposition to action only because Berlin may become German capital strikes us as windmill-tilting and is untenable position in long run. It is inconsistent with their willingness to allow Kaiser's Ministry and other Fed offices to be set up in Berlin, which wld be a more effective wedge than "*Land*" status toward making Berlin the capital.

Dept rather doubts practicability of your suggestion of "territorial" status for Berlin. We believe this would create very involved constitutional questions, would hardly achieve the political objective we aim at, and on basis of past experience wld be avidly seized on by Sov propaganda to demonstrate how Western powers are imposing colonial status on Berlin.

We hope foregoing will give you sufficient indication of Dept's views to permit you to go ahead in effort to reach tripartite agreement if possible. Wld appreciate most definitive replies you can give at this time to questions posed in second para. Pls give Dept opportunity to study any final recommendations you make singly or collectively.

ACHESON

<sup>3</sup> Not printed.

<sup>4</sup> Not printed; but see footnote 3 to telegram 2940, October 10, p. 409. Robertson's second proposal was the lifting of the suspension of Article 23.

<sup>5</sup> *Ante*, p. 407

862.00/10-1049: Telegram

*The Secretary of State to the United States High Commissioner for  
Germany (McCloy), at Frankfurt*

SECRET

PRIORITY

WASHINGTON, October 12, 1949—7 p. m.

NIACT

2093. Retel 2940.<sup>1</sup> Fol is agreed State-Treasury-ECA position.

We agree that it is imperative to provide in a satisfactory manner for the financial requirements of Berlin without delay. The amt of funds needed stipulated in your Niac 2940 seems to be in line with our understanding based on prior studies of the problem. It seems to us, however, that the methods suggested for raising the required amts present peculiar difficulties in some respects which we would like to avoid. The proposed financial program is acceptable subj to fol reservations and suggestions:

1. In our opinion, the NAC wld probably object to an advance of ECA counterpart funds to take care of Berlin city deficits even though future GARIOA counterpart funds wld be pledged as security, since the use of ECA counterpart funds is clearly stipulated by congressional legislation.

2. Present and future commitments and allocations of GARIOA counterpart funds might be rescheduled so as to make some funds available on temporary basis for Berlin needs without affecting investment program unfavorably. It might be possible to transfer to ECA financing of selected investment projects (e.g., Reichsbahn). Suggest you discuss this possibility with OSR.

3. Within a few weeks, GARIOA counterpart receipts shld increase substantially over scheduled figures due to mark devaluation which may enable you to find funds for Berlin stockpiling and subsidy needs and to restore funds shifted in accordance with para 2. GARIOA counterpart availabilities wld also be substantially increased if immediate arrangements made for deposit counterpart upon notification as in case of ECA imports. This procedure will be required under terms of new bilateral. Recognize difficulties financing, perhaps arrangements cld be made for self liquidating bank loans. It is also our understanding that the requirement that all GARIOA imports be charged in at the uniform conversion rate has not been fully enforced. If this is true, it is our view that enforcement be no longer deferred. Accruals of GARIOA counterpart funds would thus increase soonest.

4. The proposed public corporation stockpiling supplies for Berlin shld be restricted by charter to the activities outlined urtel and expansion into other fields prevented by all means. Only in this manner

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<sup>1</sup> Dated October 10, p. 409.

old we have reasonable assurance that the procedure of financing specific public needs with the help of a public corporation will not become a vehicle for the German Government to evade existing fiscal regulations.

5. Wld prefer to avoid using central bank credit, in connection with stockpiling in Berlin, but wld agree to temporary use such credit in case procedure outlined in 2 not satisfactory, subj to the condition that a schedule for repayment not exclusively conditioned on reduction of stockpiles be arranged within a comprehensive plan for financing Berlin.

6. We note from your Berlin 1422<sup>2</sup> that the Berlin magistrat has been ordered to revert to the pre-blockade procedure of financing supply of food and coal. It seems to us that the financing methods which were designed to cover an emergency period might well be continued until a more permanent solution to the Berlin problem could be found. This might possibly obviate establishment of stockpiling corporation.

7. Also wld like to call to your atten that the German Government may dispose for Berlin needs of some DM 120 million now held in specific account as proceeds of STEG imports (see ourtel 1510, Sep 14<sup>2</sup>).

Please repeat your 2940 to Paris for OSR.

ACHESON

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\* Not printed.

862.00/10-1349: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

FRANKFURT, October 13, 1949.

3026. ReDeptel 2072 of October 11.<sup>1</sup> Following are best current answers to questions posed in reftel:

1. Best available information to date indicates that capital will be physically located in Berlin in former *Landtag* building on Prinz-Albrecht Strasse where reconstruction work has reportedly been speeded in night and day shifts during past few weeks. This information from West-licensed press is confirmed by statement of F. Ebert in Soviet-licensed press that government offices will be located in Soviet sector Berlin.

2. To date the question of validity of legislative and administrative acts of the Eastern Republic in Berlin has been left vague, probably purposefully, by SED and Soviet authorities. The only statement of even semi-official nature have been those of Ebert who was quoted in the Soviet licensed press as stating Berlin would not become part of

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<sup>1</sup> *Ante*, p. 412.

the new republic and Hoffman in the Soviet-licensed *Berliner Zeitung* to the effect that quadripartite agreements re Berlin would be respected and new efforts would be made to overcome differences on quadripartite level.

3. Ebert and Geske, both Berliners, have been appointed be Presidium of Lower House as "Beisitzer" or "observers". Other Berliners have membership in Lower House and also in German Economic Commission (DWK) which has been taken over by Eastern Republic. However, both in Lower House and DWK the principle of district representation has never existed inasmuch as members or participants were chosen arbitrarily to represent zone as whole. Berlin participants in Upper House or Laenderkammer where district representation does come into play have been carefully labelled as "observers".

In summary the Soviets seem to have taken extreme care in avoiding charges of *de jure* inclusion of Soviet sector Berlin in new government. They have everything to gain by continuing to camouflage *de facto* inclusion as the new regime commences operations. Eventual *de facto* inclusion will unquestionably occur. Whether Berliners are voting members or "observers" makes no difference since applicability of Volkskammer measures to Berlin will be decided in private caucus not in public session. With a nod from Ebert the Soviet sector magistrate will adopt similar measures. However, Soviets may even delay [application of?] legislative and administrative acts of Republic to Berlin indirectly in endeavor to embarrass West. At any rate it appears certain they will cling to *de jure* exclusion long enough to be able to accuse West of final splitting of city in event West sectors are incorporated as Twelfth *Land* and in meantime to reinforce French unwillingness to take this step.

Sent Department; repeated Paris 232, London 206.

Department pass Moscow as 31.

McCLOY

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740.00119 Control (Germany)/10-1549: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL      PRIORITY      FRANKFURT, October 15, 1949—5 p. m

3136. 1. The Allied High Commission met today with Chancellor Adenauer at Petersberg at 9:30 and 3:30 and with IAR at 11 o'clock.

[In numbered paragraphs 2-4 McCloy summarized the discussion with Adenauer concerning Franco-German relations and European integration. For further documentation relating to these subjects, see pages 266 ff.]

5. At 3:30 p. m. the discussions resumed with statements made by Adenauer concerning Berlin. He maintained that SPD factions in

the Bundestag were going to raise the issue of the admittance of the Western sectors of Berlin as a 12th *Land*. This he attacked as appeals to "cheap nationalism". He made it clear that in his opinion, giving *Land* status to Berlin would not solve the present difficulties in Berlin. Regarding the financial status of Berlin, he stated that money poured into Berlin is being wasted and that orders which should have been filled in Berlin were being filled in Western Germany because prices were lower in the latter area; Further, that because of "Socialist" policy in Berlin, business as a whole is suffering. He proposed that Federal Republic representatives of the Economics, Food and Finance Ministries should be installed and located in one building in Berlin as soon as possible and that the Federal Republic should supervise the utilization of the money spent in Berlin including approval of the budget.

6. With respect to Berlin as a 12th *Land*, he asked the council if quadripartite agreements on status of Berlin were still in force. He pointed out that the Soviets maintain that such agreements are still valid. This is manifest in the Soviet action in not incorporating Berlin in the area under new Eastern German Government. I replied that our position has been that quadripartite agreements as to international character of Berlin are still in force and are in a state of suspended animation. Although quadripartite agreements have been violated by one party, we maintain our rights in Berlin and that any further violation of these agreements would be of greatest concern to the Western Allies.

7. I informed Adenauer that the Council was not in a position to state our opinion with respect to Berlin as a 12th *Land*, and that we reserved our position in order to study further developments and the views of the Germans. At this point, a recess was called. Upon reconvening, I declared that the Council agreed,

(1) That we welcome proposals on aid to Berlin based upon Federal Republic control of utilization of funds;

(2) That Federal Republic representatives from the Economics, [*Economics*] Food and Financial [*Finance*] Ministries in Berlin is in order;

(3) That quadripartite agreements, even though repeatedly violated by one party, do have juridicial existence;

(4) That our position with respect to Berlin must be clarified as soon as possible and measures we had discussed should be expedited. In this connection, the Council agree to make available to Adenauer the Allied financial report on Berlin<sup>1</sup> and to facilitate meetings between our experts and Federal Republic experts on this matter.

<sup>1</sup> The report under reference has not been identified further.

[In the last three paragraphs of the source text McCloy reported on dismantling, a statement to the press concerning the meeting with Adenauer, and the High Commission's meeting with the IAR. Regarding the subject of dismantling, see pages 594 ff.]

McCLOY

862.00/10-1749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

TOP SECRET

PRIORITY

FRANKFURT, October 17, 1949—8 p. m.

3218. Had long conference yesterday with Adenauer who came for luncheon with his son and daughter.<sup>1</sup> He reported that he had seen Schumacher, Karlo Schmid, and Suhr, and had talked with them about Berlin, dismantling and other pressing problems. Adenauer indicated that he had reached a general understanding with the SPD leaders on steps to be taken in Berlin along lines indicated to us at our meeting Friday in Bonn,<sup>2</sup> namely, no inclusion Berlin as twelfth *Land* for the present, second, general representation of ministries in Berlin plus definite financial aid based on certain controls of expenditures. He feels strongly inclusion twelfth *Land* inadvisable and unnecessary to maintain position and he gave every indication that Schumacher and other SPD leaders though anxious not to go on record are dubious of the wisdom of forcing the issue now. Adenauer says his attitude is reenforced by his conviction that French would strongly oppose twelfth *Land* but if they were not pressed on twelfth *Land* might go along with other concrete measures in support of Allied position in Berlin. He plans to meet with Berlin representatives today with the idea of working out a plan of financial aid which perhaps could be announced in Parliament later in the week. He said he intended to reserve his position on these measures until he saw certain Berliners and said that he would again meet with SPD representatives before announcing any plan to Parliament. I told him our position was to permit establishment of twelfth *Land* if this is what Germans desire, that we wished to be firm and definite in respect to Berlin and that all should understand we expected to remain in Berlin; that if he and his government could generally be said to be opposed to inclusion of Berlin or any part of it as twelfth *Land* at the present time I doubted that we would be disposed to press it, but we did want unequivocal

<sup>1</sup> A memorandum of McCloy's conversation with Adenauer is in file 862.00/10-1749.

<sup>2</sup> Regarding Adenauer's meeting with the Allied High Commission, see telegram 3136, *supra*.

evidence of Western government's support. Behind Adenauer's personal interest in the maintenance of his own position in the Bundestag I feel there is strong desire on his part not to press the French too hard. He relies heavily upon Schuman and other French moderates, particularly in respect of dismantling, but he made it clear that he saw no hope of proceeding specifically with dismantling discussion immediately in light of existing French political situation. He indicated he very much desired to have a further meeting with Schuman who he understood would be Foreign Minister in new French Cabinet.

During foregoing discussion he referred to Karlo Schmid's concern over embarrassments which might be raised through East German diplomatic representation in other countries, e.g., Sweden. Schmid thought if East Germans sent representative there West Germans should not follow suit.<sup>3</sup> Adenauer indicated he did not agree with this, and I refused to indicate what Commission view would be if this did occur. He also made some animadversions regarding François-Poncet's old line Franco-German approach but I indicated that I felt François-Poncet was sincerely desirous of reaching fair settlement of Franco-German relations and suggested that François-Poncet, with his knowledge of Germans and Germany was apt to be as objective as one could hope any Frenchman to be under all the circumstances.

I indicated Commission might be prepared from time to time to hold meetings in Berlin for such psychological advantages which this might have on Berliners and Germany as a whole. Adenauer indicated he planned to ask President Heuss to pay visit to Berlin but that he had opposed a visit last week of Heuss which would have looked too much like a propaganda counter to last week's events in Berlin.<sup>4</sup> He preferred to wait until definite economic plans had been announced for Berlin. Adenauer stated that he had told SPD leaders that the bar to the inclusion of Berlin as twelfth *Land* still prevailed, to which I replied that though this was true as of the present time I did not want him to indicate that it was necessarily the Allies who opposed the twelfth *Land* if the Germans themselves desired it; that he should not shift the onus of opposing the twelfth *Land* to the Allies when the Germans as he himself had indicated, were either not clear about it or really did not desire it.

<sup>3</sup> For documentation on the establishment of West German diplomatic missions, see pp. 266 ff.

<sup>4</sup> Adenauer was referring to the creation of the "German Democratic Republic", October 7. For documentation relating to its establishment and the United States attitude toward it, see pp. 505 ff.

[Here follows a discussion of the problem of refugees from the Eastern zone of Germany and the state of German railroads.]

McCLOY

862.00/10-1749

*Memorandum by the Secretary of State*

SECRET

[WASHINGTON,] October 17, 1949.

MEETING WITH THE PRESIDENT

ITEM 4.<sup>1</sup> BERLIN

I gave the President a report on developments relating to Berlin. He was anxious to know what our thought was on the struggle with the Soviet Union for Germany and how we thought we were moving in the latest developments. I told him that it seemed to us that the matter hinged on so many issues that it was very hard to make predictions. One question was whether the American people would have the determination to stay with the matter with the military and financial implications which were involved, both in Germany and in Western Europe. If we were, that was one hurdle passed. Another important question was the direction in which the French leadership moved. I had had great hopes that Schuman understood and would press for an understanding with Germany. It was uncertain as yet what his position in the new government would be. Reports are that the new Premier,<sup>2</sup> for understandable personal reasons, has an angry and uncompromising attitude toward the Germans. This would make the task of integrating Germany into Western Europe much more difficult. In the third place, the fate of Tito would have a very important bearing on whether the Soviet Union intended to reduce some of its activities in Western Europe, or whether it would be encouraged by a failure of Tito to expand some further.<sup>3</sup> All one can say is that the issue is by no means clear and depended almost equally upon ourselves and upon others.

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<sup>1</sup> Other topics discussed with the President were: Korean aid, United Kingdom recognition of China, ambassadorial appointments, and Ambassador Jessup's contemplated tour of the Far East.

<sup>2</sup> Georges Bidault.

<sup>3</sup> For documentation on the United States attitude toward the Yugoslav-Comintern dispute, see volume v.



862.00/10-2049 : Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

TOP SECRET

WASHINGTON, October 20, 1949—8 p. m.

2253.<sup>1</sup> Fr Amb yesterday called on Sec in order to emphasize Fr point of view concerning proposal to make Berlin twelfth *Land*.<sup>2</sup> He left *Aide-Mémoire* <sup>3</sup> whose contents may be summarized as follows:

Sov Govt has avoided formal inclusion Berlin as new state in East Ger Republic. Furthermore Adenauer's long interview with High Commissioners Oct 14<sup>4</sup> revealed that Pres, Chancellor, and Cabinet do not wish Berlin's polit attachment to Western Ger, although certain sentiment in favor this inclusion has shown itself in Parliament. Adenauer does not wish Bundestag to pronounce itself on this matter since this wld create risks for the equilibrium of polit parties as well as internatl risks. He needs the support of HICOM however to maintain his position vis-à-vis Parliament.

Adenauer contends that Fr Govt believes HICOM shld not adopt attitude contrary to that of the responsible Chancellor who moreover desires the maintenance of quadripartite accords relative to Berlin. Fr Govt realizes that new situation created at Berlin necessitates reaction to the unilateral action of Sovs. Such action will only be efficacious if taken before Ger Parliament takes up problem.

Fr *Aide-Mémoire* proposes that HICOM take four steps. (1) It shld authorize Fed Govt to establish mission exclusively econ in character in west sectors Berlin. (2) It shld reaffirm solicitude of three govts for Berlin population and proclaim their intention to intensify policy of assistance to city. (3) It shld declare that it maintains the suspension of Art 23 of the Bonn Constitution in interest of Berliners themselves and to avoid an aggravation of situation in western sectors. (4) It shld declare itself favorable to approval of Berlin constitution of 1948 whose preamble expressed Berlin's desire "to remain the capital of a new unified Ger", but such approval shld suspend that part of Art 1 of the constitution which speaks of Berlin as part of Ger Republic and extends to Berlin the validity of Republic's constitution and laws.

Fr Govt emphasizes urgency of taking these actions in order to forestall Parliamentary vote favoring Berlin's attachment to West Ger. If such vote shld occur HICOM wld have to take position opposed which wld have serious effects. *End summary of Fr Aide-Mémoire.*

Meanwhile we have studied your 3218 of Oct 17<sup>5</sup> which confirms Fr statements regarding Adenauer's attitudes. We are struck by fact

<sup>1</sup> Repeated to London as 3784, Paris as 4027, and Moscow as 774.

<sup>2</sup> The meeting under reference here, attended by Bonnet, Byroade, Battle, and Acheson, took place at 3:00 p. m. October 17 in Acheson's office. A memorandum of the conversation, prepared by Byroade, is in file 862.00/10-1749.

<sup>3</sup> Not printed; the French text of the *aide-mémoire* is in file 740.00119 Control (Germany)/10-1749.

<sup>4</sup> Regarding Adenauer's interview with the High Commissioners, see telegram 3136, October 15, p. 416.

<sup>5</sup> *Ante*, p. 418.

that Fr Govt and Adenauer reciprocally motivate their positions on each other's reluctance to move. It is quite clear that Fr desire HICOM action along lines of four points above in order to forestall action by Bundestag. We fear that such action by HICOM wld be misused by Adenauer as convenient excuse for saying "after all I can do nothing because HICOM is unanimously opposed to making Berlin twelfth Land."

However Dept feels that even if it shld be concluded that Berlin has been included *de facto* in Eastern Republic, it wld probably be unwise to press issue positively against Adenauer's views for moment unless internatl developments shld make it imperative. On other hand, Dept is not disposed to take action which wld forestall free expression of opinion in Bundestag. It may be doubted whether Adenauer represents preponderance West Ger opinion in this matter. Art 23 is after all part of Constitution, duly adopted and ratified, and not lightly to be suspended for any length of time for internal polit reasons. Dept of course continues to believe there is urgent need of actions calculated to counterbalance Sov action making Berlin Eastern capital and to bolster Berlin morale and wld therefore immediately be prepared to agree to points (1), (2), and (4) of Fr proposal except that no reservation shld be made concerning Art 1 of Berlin Constitution.

Weighing all these factors Dept wld not favor for present any reiteration of suspension of Art 23 of Bonn Constitution but wld prefer to await further developments clarifying East Berlin's status and West Ger's attitude. Your comments on foregoing wld be appreciated.

Question is frequently raised here and is mentioned in Fr *Aide-Mémoire* as to effect of Berlin's inclusion on position coalition govt. We note from Berlin's 1448 Oct 18<sup>e</sup> that gen opinion is SPD in Berlin wld lose some of present majority if new elections were held. We wld appreciate closest estimate you can make as to effect on coalition strength in Bundestag of elections for 23 Berlin reps.

ACHESON

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\* Not printed.

740.00119 Control (Germany)/10-2149: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET      PRIORITY

BONN, October 21, 1949—2 p. m.

25. From AGSec Bonn from Slater. Following are texts of proposals of UK and French High Commissioners with respect to the political status of Berlin, presented to an informal meeting of the Allied High Commission held on 21 October 1949. Decisions taken

at this conference follow in separate cable.<sup>1</sup> Also included herein is High Commission's communiqué released at 1500 hours this date.

Draft UK recommendation to governments concerning political status of Berlin:

"1. The High Commissioners have reviewed the political status of Berlin in the light of:

- (a) The desire of the people of Berlin for incorporation within the German Federal Republic
- (b) The dependence of Berlin on the German Federal Republic for assistance
- (c) The establishment of a so-called government in the Eastern zone of Germany with its seat in Berlin
- (d) The declared attitude of the federal government on this question

2. With reference to (d) above the federal government has expressed the opinion that any action to give *Land* status to greater Berlin and to include the city in the German Federal Republic is inadvisable on the ground that it would expose the city to measures of retaliation by the Soviet. While the High Commissioners do not suggest that they should impose a solution which goes beyond that which the federal government believes to be necessary or desirable, they consider that in response to the request of their governments they should give their own view as to the proper course to follow in the light of (a), (b) and (c) above.

3. According to Article 23 of the basic law greater Berlin is a *Land* within the German Federal Republic. The application of this article to greater Berlin has been suspended by the occupying powers when they gave their approval to the basic law. The High Commissioners today see no objection in principle to the withdrawal of this suspension but they observe that certain practical considerations make it impossible for greater Berlin to be treated as having the same position in the German Federal Republic as any other *Land*. Not only is greater Berlin divided so that one part of the city is deprived of the opportunity to join the German Federal Republic or even to enjoy normal democratic rights, but also the whole city is geographically isolated from the other *Laender* which at present form part of the German Federal Republic. The economy of the city presents problems which are quite special and distinct from those concerning the economy of the Western zones of Germany. The financial position in the city is also special and is affected by the fact that the city is surrounded by a different currency area. Finally, the internal affairs of Berlin are so involved with major questions of international relations that the occupying powers must claim a greater voice in them than they do in other *Laender* of the Federation where their vital interests and those of the other Western nations are less directly engaged. For these reasons, if Berlin were given the same status in the German Federal Republic as any other *Land* it would be found that federal legislation

<sup>1</sup> Telegram 3339, not printed, 862.00/10-2449.

and the acts of the federal government could not in the majority of instances be made effective in Berlin.

4. The High Commissioners accordingly put forward the following recommendations. In so doing they wish to emphasize that the action proposed is intended to deal with the immediate situation created by the division of the city and the dependence of the Western sectors upon assistance from the Federal Republic. The measures they propose would not affect the quadripartite status of the city and would be subject to such alteration by the occupation authorities as might be required to permit the reunification of the city under four-power control.

(a) Berlin shall be treated as part of the German Federal Republic with a special status as defined below

(b) Subject to the reservations contained in these recommendations, the city government of Berlin shall enjoy the powers accorded to *Land* governments of the German Federal Republic under the basic law. In the field of concurrent legislation the city government shall retain all competence and the federal government shall not exercise the competence afforded to it under Article 72 (II) and Article 105 (II) in respect to Berlin. Federal legislation in this field may, however, be adopted for application in Berlin by legislative action in the City Council subject to the rights of the Allied Kommandatura under (e) below

(c) The 1948 constitution of Berlin should be approved subject to the reservations or amendments necessary to bring it into conformity with (a) and (b) above and with the basic law of the Federal Republic. This approval should also be subject to the provisions of (e) below

(d) The Federal Government may arrange with this [*the?*] Berlin City Government such measures as may be necessary to ensure it that requests for its assistance are properly substantiated and that the assistance which it provides is properly used. This might be done by the establishment by the Federal Government of an economic mission in Berlin with defined powers agreed to by the city government

(e) The relationship between the occupying powers and the Berlin city authorities will continue to be governed by the statement of principles issued in May, 1949<sup>2</sup>

(f) Berlin shall be given full membership in the Bundesrat

(g) In view of (b) above Berlin shall continue for the present to be represented in the Bundestag by observers without voting rights

(h) Allied organization in Berlin should be reviewed to ensure that in title and character it is appropriate to the new arrangements

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<sup>2</sup> For the text of the Berlin Occupation Statute of May 14, 1949, see *Germany 1947-1949*, pp. 324-326.

(i) The High Commissioners having received the approval of their governments to the above proposals in principle will wish to discuss them in detail with the Federal Government and their responsible German authorities in Berlin and might wish to make some amendments of detail but not of principles as a result of this consultation."

[Here follows the text of the proposal by the French High Commissioner, parallel to the British proposal except that (a) it called for the city government of Berlin to enjoy powers similar to those accorded to a *Land* government under the Basic Law, and (b) it specified that Berlin would be represented in the Bundesrat by Observers without voting rights.]

Press communiqué—issued 15 hours 21 October 1949 by Council of Allied High Commissioners

"The High Commission has again had under consideration the special situation of Berlin and wishes to emphasize the determination of the three Allied Governments to maintain their rights and obligations in that city, and the interests, both economic and political, of its inhabitants. The High Commission understands the feelings of the population of Berlin and assures the city of its fullest moral and material support; for it regards, and will continue to regard Berlin as being confided to the care of the Western occupying powers in a special manner.

The High Commission has made a careful examination of the needs of Berlin with a view to determining both the amount of assistance required and how it can best be provided. It is impressed with the need for immediate action, to this end, the High Commission continued its consultation with the Federal Chancellor and was pleased to learn from him of the measures the Federal Government proposes to take to enable it to grant financial assistance to the Municipal Government of Berlin and assist Berlin in the revival of its economic life. These measures, which have been devised after consultation between the authorities of Berlin and the Federal Government, are welcomed by the High Commission. It has been agreed that Allied and German experts will collaborate in the working out of this assistance to Berlin.

The High Commission for its part is examining the ways and means by which it can contribute to the amelioration of the economic conditions of Berlin and has made certain specific suggestions which are now under consideration by the Federal Government."

Sent Department 25, repeated London 10, Paris 10, Berlin 7, Frankfurt 26.

McCLOY

862.00/10-2449: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

PRIORITY

FRANKFURT, October 24, 1949—7 p. m.

3376. Returning from Paris<sup>1</sup> I have considered Deptel 2253 of October 20<sup>2</sup> and also French and British proposals on Berlin reported in Bonn's 26, of October 21 (to Department as 25<sup>3</sup>). As Department will note from Bonn's 25 of October 21 [to Frankfurt],<sup>4</sup> Adenauer made plain his opposition to Berlin as a twelfth *Land* and I, together with Robertson, also made clear our position that Adenauer should not ascribe any failure on part of Federal Republic to act on Berlin as resulting from failure of Council to act as latter has never been requested for its views by Federal Government. Therefore I think this position is clear. My general attitude is that although we need all the attachment we can get between Berlin and West Germany, we should not push Federal Government beyond point where it is willing to go, nor to a point where French will definitely balk if that can be avoided. UK proposal raises complicated juridical problems whose answers I do not clearly see. In proposed meeting of political advisers this week I will therefore instruct Riddleberger to take following position which I enumerate in terms of French *aide-mémoire*:<sup>5</sup>

1. We will advocate establishment of federal government missions in Berlin but will go beyond purely economic missions. Schuman indicated to me in Paris that he might agree to this.

2. Solicitude of the three governments for Berlin has already been proclaimed by High Commission as reported in Bonn's 26.

3. We shall oppose any declaration maintenance of suspension of Article 23.

4. We shall agree to approval of Berlin's constitution of 1948 with amendments as required to bring it into conformity with basic law and these instructions.

In addition, and in order to link Berlin as closely to Federal Republic as possible without raising such thorny legal problems as representation in Bundesrat which under basic law as I read it is confined to *Laender*, I plan to propose that High Commissioners agree

<sup>1</sup> McCloy had been in Paris attending a meeting of various Ambassadors and Department of State officials, October 21-22, at which Germany, *inter alia*, was discussed. For documentation relating to the meeting, see p. 287.

<sup>2</sup> *Ante*, p. 421.

<sup>3</sup> *Supra*.

<sup>4</sup> Not printed; it reported the decisions reached by the Allied High Commissioners at their meeting on October 20 and summarized Adenauer's views on the status of Berlin following his conversation with officials and businessmen from the city. (740.00119 Control (Germany)/10-2149)

<sup>5</sup> Regarding the French *aide-mémoire* of October 17, see telegram 2253, October 20, p. 421.

upon a resolution in somewhat the following form for presentation to Adenauer as a possible manner of proceeding: "Resolved: (1) That the Federal Republic of Germany considers that Berlin is a responsibility of Federal Republic and that Federal Government is authorized to expend monies for the assistance and support of Berlin and the maintenance in Berlin of democratic government and institutions; (2) That the Bundestag may by appropriate legislation determine the extent to which Federal laws shall be applicable in Berlin and the terms and conditions on which the Federal Government shall extend aid and support to Berlin; and (3) That the proposed 1948 constitution of Berlin shall be approved with such modifications as the Federal Government shall determine to be necessary or advisable in order to carry out the purposes of this resolution and to bring it into conformity with the basic law of the Federal Republic."

With respect to final paragraph of Deptel 2253, I am certain you will realize difficulty of making an accurate estimate on effect of Berlin's inclusion on position of coalition government, particularly given the terms of the electoral law. In Berlin elections of December 1948 the SPD received approximately 64 percent, CDU 19 percent, and FDP 16 percent. Various opinions have been expressed re percentages of any new election but most estimates indicate that SPD would drop close to 50 percent with gains going both to CDU and FDP. Translated into representatives in Bundestag, this would mean that SPD would probably have 12 or 13 members and the CDU and FDP about 10. This would not upset the present Bonn coalition. If, however, SPD were to get 60 percent of Berlin vote the party might have as many as 145 seats in Bundestag as contrasted with 144 for CDU. Although SPD would then have strongest party it is still doubtful if it could find sufficient coalition partners to get majority. I emphasize that foregoing is only speculation based on Berlin situation as seen at present. Such local factors as the Friedensburg flare-up<sup>6</sup> might affect CDU strength. Re possible debate in Bundestag on Berlin, following resolution was passed by Bundestag on 30 September: "The Bundestag acknowledges Berlin as the democratic outpost of Germany. It declares solemnly that according to the will of the German people Great-Berlin shall be a part of the Federal Republic of Germany and in the future its capital. The Bundestag acknowledges explicitly Article 23 of the basic law of the Federal Republic of Germany and in its current work will draw the pertinent conclusions. The Bundestag asks the Allied powers to review their standpoint once again and to relin-

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<sup>6</sup> Under reference here was the dissatisfaction of the Berlin CDU with Deputy Mayor Ferdinand Friedensburg, who was reported to have been advocating policies and making statements not in agreement with the city assembly's position on incorporating Berlin in the Federal Republic.

quish their objection against the unlimited application of Article 23. The Bundestag orders the Federal Government to take appropriate steps at the competent Allied headquarters and to report to the Bundestag about the outcome." The Chancellor has not, however, to date brought this resolution before the High Commission.

Sent Department 3376; repeated London 217, Paris 253; Department pass Moscow 32.

McCLOY

862.00/10-2849 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

[Extracts]

CONFIDENTIAL

FRANKFURT, October 28, 1949—11 a. m.

3517. Following are principal decisions taken at meeting of Council of the High Commissioners on 27 October 1949 at Bonn-Petersberg. (McCloy US, Steel in Robertson's absence representing UK, and François-Poncet France.)

7. In response to UK request, Council considered and agreed basic HICOM recommendations to the governments with respect to political status of Berlin. This agreement is considered maximum obtainable at this time. It was agreed last meeting that each HICOM could attach unilateral views to this basic agreement. François-Poncet and I pointed out that these recommendations are submitted to the governments as HICOM views but not in accordance with any governmental instruction. Council agreed not to give publicity to this agreement. Following is text:

"1. Berlin is a German *Land* and at the same time a city. The (Berlin) Constitution of 1948 may be put into effect insofar as it is not in conflict with the terms of the letter of approval of the basic law.

2. The relations between Berlin and the federal German Republic shall be defined as follows:

(a) Berlin shall be represented in the Bundesrat and in the Bundestag by non-voting members. The number of Berlin representatives in the Bundestag shall remain as at present.

(b) Federal legislation shall, to the greatest extent possible, be adapted with a view toward its extension to Berlin by legislative action of the Magistrat in conformity with the prerogatives of the Allied Kommandatura as provided for in paragraph three below.

(c) The federal government may agree with the Berlin Magistrat upon such measures as may be necessary to ensure that



Berlin's request for assistance is met and that the assistance provided is properly used. The federal government may establish at Berlin any mission or missions required to render assistance of any nature.

3. The relations between the occupying powers and Berlin shall continue to be governed by the statement of principles of May 1949, subject to such modification of allied organization as may be required by the provisions made in accordance with the above recommendations."<sup>1</sup>

With respect to paragraph two (c) it was agreed that this wording does not prejudice possibility of other federal representative agencies being established in Berlin.

Sent Department 3517, repeated Berlin 229, Munich 13182, Stuttgart 12182, Wiesbaden 13182, Bremen 13182.

McCLOY

<sup>1</sup> In telegram 2544, November 4, to Frankfurt, not printed, the Department of State authorized McCloy to accept these recommendations subject to changing the word "Magistrat" in paragraph 2(b) to "City Assembly". (740.00119 Control (Germany)/11-449)

862.00/10-2449: Telegram

*The Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

SECRET PRIORITY

WASHINGTON, October 28, 1949—12 noon.

2371. Reurtel 3376 Oct 24 from Frankfurt.<sup>1</sup> In view numerous exchanges which have taken place, it may be useful restate certain aspects our position on Berlin.

Dept agrees that we shld not push Fr to point where they wld balk but believes we shld push them as far as we can. It seems pointless for them or us any longer to pretend that reunification of Berlin can be accomplished much before reunification of all Ger, or that Western Berlin's formal integration into Ger Fed Rep wld appreciably deepen real division which has long existed between Western and Eastern Berlin. We cannot agree that Berlin's incorporation into Fed Rep wld violate Paris agreements or in any way affect our juridical right to remain in Berlin, and Sovs probably know or cld be convinced that our determination to defend our position there is as strong as ever. Dept feels that formal non-inclusion of East Berlin into East Ger Rep was Sov trap to confuse and delay Western action, a trap into which Fr have fallen. Dept feels strongly that Berlin deserves great polit con-

<sup>1</sup> Ante, p. 426.

sideration and that West Ger needs Berlin's democratizing influence. We presume you have already stressed these points with Fr. Dept wld be prepared to use them with Fr Govt directly in reply to its *Aide-Mémoire*,<sup>2</sup> if you think desirable. In view Sept 30 Bundestag Res,<sup>3</sup> of which we were not previously aware, we do not feel that Adenauer's objections merit as much weight as we were previously inclined to give them.

However, given necessity doing something *now* on Berlin issue, even though recognizing interim quality this action, Dept agrees with your four-point proposed instr to Riddleberger.

Dept has certain reservations about your proposed HICOM Res. There shld be little difficulty about *Land* status for Berlin if HICOM approves 1948 Berlin Constitution, Art 1, Sec (1) of which states that "Berlin shall be a Ger *Land* and at same time a city." Even Fr *Aide-Mémoire* of Oct 19 [17] does not specifically ask suspension this part of Art 1, though omission was perhaps oversight in view Bérard's opposition to *Land* status. We feel you shld support Brit proposal to give Berlin full representation in Bundesrat, but if Fr are adamant you may yield. Dept prefers Brit wording in para 4(a) their proposal (urtel 25 Oct 21 from Bonn<sup>4</sup>) rather than para (1) of your Res, since words "responsibility of Fed Rep" seem to put Berlin in humiliating dependent status. Re paras (2) and (3) of your Res we feel that Berlin Govt including City Assembly shld have equal voice with Bundestag and Fed Govt on extent to which Fed laws apply to Berlin, and predominant voice in deciding amendments to Berlin constitution. In gen Berlin shld have voice in all Ger decisions made about it.

ACHESON

<sup>2</sup> Regarding the French *aide-mémoire* of October 17, see telegram 2253, October 20, p. 421.

<sup>3</sup> Transmitted in telegram 3376, October 24, p. 426.

<sup>4</sup> *Ante*, p. 422.

740.00119 Control (Germany)/11-1449

*Excerpt From the Journal of Colonel H. P. Jones, Chief of the Division of Economic Affairs of the Office of the United States High Commissioner for Germany*<sup>1</sup>

SECRET

[BERLIN,] 14 November 1949.

Dean Acheson, Secretary of State, came to Berlin. We had a small staff conference with the Secretary, Mr. McCloy, General Taylor, and myself to discuss the principal problems of Berlin. I outlined briefly the desperate economic situation of Berlin and emphasized the neces-

<sup>1</sup> Jones also prepared a 3-page memorandum on the briefing with Secretary Acheson, not printed (740.00119 Control (Germany)/11-1549). For another account of Acheson's visit to Berlin, see Acheson, *Creation*, pp. 342-343.

sity for substantial ECA assistance if further deterioration in the Berlin situation were to be prevented and Berlin started on the way to economic recovery. I pointed out that in contrast to Western Germany Berlin's industrial production was hovering around 20 per cent of 1936 levels and due to antiquated machinery, Berlin manufacturers were unable to compete in world markets.

Mr. McCloy and General Taylor agreed the urgency of economic assistance to Berlin and Secretary Acheson promised to give his full support to a request for financial assistance.

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862.77/11-2249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

CONFIDENTIAL

FRANKFURT, November 22, 1949.

Unnumbered. Herewith Berlin's 259, November 21, 5 p. m. reference Berlin's 1431 of October 11.<sup>1</sup>

"Following is text of letter addressed to General Kotikov by Berlin Commandants today. At desire of French, contents are not being made public.

'Subject: violation by the Reichsbahndirektion of its agreements for the settlement of the Berlin railway strike.

The Western commandants have received the letter which you addressed to them individually on 10 October. They note with regret that you are still disinclined to issue the necessary instructions to comply with the original undertaking of General Kvashnin on which the railway strike was terminated and they cannot accept your unfounded suggestion that they are acting contrary to decisions reached at the Foreign Ministers' Conference in Paris on 20 June 1949.

The violations of the agreement for ending the railway strike to which the Soviet authorities gave their guarantee were clearly set out in the joint letter from the Western commandants of 9 September<sup>2</sup> addressed to General Kvashnin with a copy to yourself.

Your attention was again drawn to these violations in our letter of 28 September<sup>3</sup> to which you now refer. You state in your letter that the Railway Administration, which is controlled by the Soviet authorities, had adhered to the original agreement, but this statement is at variance with the fact that the Soviet-controlled Railway Administration has omitted to make the Westmark payments to the West sector railway workers in accordance with its undertaking. Moreover, your statement that there have been and will be no reprisals, such as the

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<sup>1</sup> *Ante*, p. 411.

<sup>2</sup> Transmitted in telegram 1350, September 10, not printed, but see footnote 3, p. 379.

<sup>3</sup> Transmitted in telegram 135, September 28, p. 394.

dismissal of workers who took part in the strike, cannot be reconciled with the facts in our possession.

The situation with regard to the operation of the railways in Berlin was already serious at the time of the Conference of Foreign Ministers in Paris this year and the normalization of this situation was certainly among the foremost of the matters which the Foreign Ministers had in view when taking their decision stated in paragraph 3(c) of the communiqué issued at the end of the Conference. The failure of the Soviet authorities to implement their part of the agreement reached in this matter has frustrated the intention of the Foreign Ministers. Under these circumstances it is not possible for the Western commandants to proceed further with normalization discussions unless they have an assurance that any agreements reached will be translated into action.

The Western commandants must therefore adhere to their opinion that satisfactory implementation of the railway wages agreement by the Soviet-controlled Railway Administration is an essential preliminary to the discussion of any further steps towards normalization. You said in your letter of 10 October that any concrete facts which are causing us doubts might be considered in a peaceful spirit. The question of paying wages in Westmarks is a clear issue on which there is no room for any doubt. Until this is settled there appears to us to be no point in discussing matters. If the Soviet military administration will honor its undertaking on this point, and if you feel that a more detailed explanation of our complaints with regard to the treatment of railway workers in other respects desirable, we would then be prepared to have our experts hold discussions with General Kvashnin or any other Soviet official whom you may nominate.' Taylor."

McCLOY

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862.00/11-2349 : Telegram

*The Acting Secretary of State to United States High Commissioner for Germany (McCloy), at Berlin*

SECRET

WASHINGTON, November 23, 1949—7 p. m.

1027. Ref urtel 1517 Nov 17<sup>1</sup> and for your background info, the Secy's conversation with Chuikov was entirely social and did not in itself have any polit significance. Secy and Chuikov had already met on several occasions in Paris at CFM in May-June.

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<sup>1</sup> Not printed; it reported Suhr's feelings that the attendance of Soviet officials at a reception for Secretary Acheson in Berlin meant that the Russians might be preparing to renew discussions on the reunification of the city. He had gathered the impression from the British and French that the twelfth *Land* question would be shelved for another try at unification. Lack of definite information forced him to conclude that the United States shared this point of view. Secretary Acheson's conversation with Chuikov evoked fresh speculation and raised the apprehensions of many Berlin leaders concerning a renewal of quadripartite negotiations on Berlin. (740.00119 Council/11-1749)

A photograph of Secretary Acheson and General Chuikov at the reception will be found following page 642.

Best way at present to allay apprehensions Suhr and other Berlin leaders wld be rapid conclusion of HICOM agreement quoted urtel 3517, Oct 28, item 7, from Frankfort,<sup>2</sup> which McCloy was authorized by Deptel 2544, Nov 4,<sup>3</sup> to accept, but which Fr are apparently delaying. (Urtel 3912 Nov 10 from Frankfort.<sup>4</sup>) Pls let us know present status this agreement. If Fr still do not have instrs Dept is prepared instruct Bruce make inquiries Fr FonOff.<sup>5</sup>

As for US attitude toward twelfth *Land* status for Berlin, this is familiar to you from Dept's previous tels. Twelfth *Land* status will almost certainly come about eventually, barring some unforeseen and unexpected resolution of our differences with Sov Govt. Fact our abstaining from pushing for such status now does not at all indicate that we expect further conversations on Berlin unification. We are in full agreement that unification cld only be obtained on terms of city-wide democratic elections under conditions which there seems no possibility Sovs accepting.

WEBB

<sup>2</sup> *Ante*, p. 428.

<sup>3</sup> Not printed, but see footnote 1 to telegram 3517, p. 428.

<sup>4</sup> Not printed; it reported on the meeting of the Allied High Commission on November 10 at which the French had refused to consider the recommendations on Berlin on the basis of lack of instructions. (740.00119 Control (Germany)/11-1049)

<sup>5</sup> In telegram 4705, December 7, to Paris, not printed, Bruce was informed that at its meeting on October 27 the High Commission had agreed on the following recommendations concerning the political relationship between Berlin and the Federal Republic of Germany: 1. Berlin would be a German *Land* and at the same time a city governed by the 1948 Constitution so far as it did not conflict with the Basic Law; 2. Berlin would be represented in the Bundesrat and the Bundestag by non-voting members; Federal legislation would be adapted with the view of its extension to Berlin by legislative action of the Magistrat in conformity with the prerogatives of the Allied Kommandatura; the Federal Government and the Magistrat should coordinate the amount and use of financial assistance to Berlin; 3. The relationship between the occupying powers and Berlin would continue, subject to modifications as required, to be governed by the May statement of principles. Bruce was requested to urge acceptance of these recommendations by the Foreign Ministry at the earliest moment. (740.00119 Control (Germany)/12-249)

740.00119 Control (Germany)/12-849: Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

CONFIDENTIAL

PARIS, December 8, 1949—5 p. m.

5164. With reference political relationship Berlin to Federal Republic (Deptel 4705, December 7<sup>1</sup>) French Foreign Office believes no special gesture in regard Berlin necessary on part Allies at this time, since question this relationship regarded as settled for all practical purposes by Chancellor Adenauer's declarations on subject. In opinion Foreign Office, these declarations plus financial assistance and

<sup>1</sup> Not printed, but see footnote 5 to telegram 1027, *supra*.

general cooperation being afforded Berlin by Federal Government and Allies remove any necessity new initiative on part Allies in regard Berlin status.

However, Foreign Office would, if other powers nevertheless desire to take some step at this time, be ready to give its approval to prompt placing in effect of 1948 Berlin Constitution and if US-UK should insist on going farther French would reluctantly be prepared put in effect October 27 recommendation HICOM but only on condition that paragraph 6 of numbered paragraph two regarding adaptation federal legislation with view to extension federal legislation to Berlin would soon prove itself entirely impracticable in practice and consider, therefore, this provision undesirable and unnecessary.

Sent Department 5164, repeated London 906, Berlin 321, Frankfort 189.

BRUCE

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*Editorial Note*

At a meeting of the Allied High Commission on December 15 and 16, François-Poncet again reported the agreement of his government to the recommendations of October 27 on the political status of Berlin, this time without mentioning any reservations. The High Commissioners, however, agreed not to take any action on the recommendations until the Berlin Magistrat presented its draft constitution in early January. (Telegram 66, December 17, from Bonn, not printed, 740.0019 Control (Germany)/12-1749)

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862.00/12-3149: Telegram

*The Acting United States Political Adviser for Germany (Babcock)  
to the Secretary of State*

CONFIDENTIAL

BERLIN, December 31, 1949—10 a. m.

Unnumbered. Following is Berlin's 329 December 21 to Frankfort, repeated to you unnumbered for information:

"Following is text of letter from General Kotikov to General Taylor dated December 19, subject: Berlin Railway situation. This letter is Soviet reply to Western commandants letter to Kotikov November 21 (Berlin telegram 259, November 21<sup>1</sup>).

Dear General: Your letter of 21 November 1949 does nothing to affect the opinion, previously expressed by me, that a unilateral decision of the three Western commandants to suspend the discussion of questions pertaining the normalization of life in Berlin is not equitable, is in contradiction with the decision of the Council of Foreign Ministers in Paris and constitutes a violation, on your part, of the best interests of the Berlin population.

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<sup>1</sup> Transmitted in unnumbered Frankfurt telegram, November 22, p. 431.

The reference, contained in your letter, to the effect that the Council of Foreign Ministers in Paris, in adopting the decision to confer about the normalization of life in Berlin, had primarily in mind the then existing situation on the railway in the Western sectors of Berlin, corresponds neither to the text of the decision, to which you refer, nor to the actual progress of the negotiations about the Berlin question at the meeting of the Council of Ministers, as may be seen from the stenographic account of the respective meetings. It is therefore difficult to regard your letter, 21 November 1949, except as an attempt to justify, by means of an after-thought the breakdown produced by you, of the four powers consultative conference on the normalization of life in Berlin. Thus, I can only repeat that the responsibility for the breakdown rests wholly and exclusively on the commandants of the city's Western sectors who, without any justification, are now posing in the unbecoming role of representatives of the railway employees.

As regards your statement that the administration of the Berlin railways is allegedly violating an agreement with regard to the payment wages in Western marks to railway workers in the Western sectors, it is contrary to the facts; the administration of the railways is paying out regularly 60 percent of the wages, as fixed in the agreement, to those railway employees who reside and work in the Western sectors of Berlin. As already reported to you, in a letter of 2 August 1949,<sup>2</sup> by the Deputy Chief of the Transportation Office (SMAG), the negotiations which had taken place between the chief administration of the German railways, in the Soviet zone, and the railwaymen's union pertained only to workers and employees who were residing and working in the Western sectors of Berlin, and that the agreement does not provide for the payment of 60 percent of the wages and for maintenance of railway employees residing in the city's Western sectors but working in the Eastern sectors.

And it stands to reason that it is so, as the administration of the Berlin railways could not agree to extend the application of the aforesaid agreement also to those railway employees who, while residing in the Western sectors, are employed in the Eastern sectors of Berlin, owing to the fact that Western mark revenues, received by the administration of Berlin's city railway, are insufficient for the payment of 60 percent of wages and maintenance in Western marks even to those railway employees who reside and work in the city's Western sectors. Thus, for example, the income of Berlin's city railways during November 1949 amounted to 1,834,000 in Western marks, while the average monthly wage bill to railwaymen, residing and working in the city's Western sectors, amounts to 1,878,000 Western marks.

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<sup>2</sup> Not found in Department of State files.

Therefore, the acceptance of your proposals, which are not stipulated in the agreement, would lead to disorganization in the economic operations of Berlin's railways.

I must also reject your statement that the Berlin administration of the railways is allegedly instituting repressive measures in the case of former strike participants by dismissing them or having them transferred to other work.

Such statements are without any foundation, since individual transfers of railway employees are undertaken in the normal and customary course of administrative operation and in accordance with a procedure which has been in existence even prior to the aforementioned events.

At the same time, I am compelled to draw your attention to the unlawful instructions, by the commandants in the Western sectors of Berlin, prohibiting the transfer of railway stock, materials and spare parts from railway stations in the city's Western sectors to those in the Soviet sector, and ordering, also, the confiscation of homes and attachment of rentals, which the railway administration is receiving from the lease of premises for the operation snackbars, restaurants, newspaper booths, etc. Such measures are interfering with the normal operation of the railways by the administration.

If, nevertheless, you are not clear on some of the practical aspects pertaining to the operation of the Berlin railway center, General Kvashnin, I am informed, is prepared at any time to receive your representatives for further discussions of the questions involved.

Letters of identical content have been forwarded by me to Major General Bourne and Division General Ganeval.

Sincerely, A. Kotikov."

BABCOCK

#### D. RECTIFICATION OF THE WESTERN FRONTIER OF GERMANY<sup>1</sup>

862.014/3-2949

*Protocol Adopted by the Committee on Western German Frontiers*<sup>2</sup>

[Translation]

PARIS, March 22, 1949.

#### PROTOCOL

The Committee on Western German frontiers established by the decisions of the Conference held at London in May and June 1948,<sup>3</sup>

<sup>1</sup> Continued from *Foreign Relations*, 1948, vol. II, p. 681.

<sup>2</sup> The source text was transmitted as an enclosure to despatch 404, March 29, from Berlin, not printed. Among the other enclosures to the despatch was one of the original French texts of the Protocol signed by Laukhuff in Paris, not printed, and various drafts of the communiqué, none printed. (862.014/3-2949)

<sup>3</sup> For documentation relating to the London Conference on Germany, see *Foreign Relations*, 1948, vol. II pp. 1 and 191.



and composed of representatives of the United States of America, Belgium, France, the United Kingdom of Great Britain and Northern Ireland, Luxembourg and the Netherlands met in Paris again on February 22, 1949; it ended its work on March 22nd, 1949.<sup>4</sup>

## I

## COMMUNIQUÉ

The Committee has decided to publish on March 26th, 6 p. m., Paris time, a communiqué which is attached as annex I to this protocol.<sup>5</sup>

## II

## ENTRY INTO FORCE OF THE RECOMMENDATIONS

1. On Saturday, April 23, the Military Governors concerned, on the one hand, and the successor state, on the other, will promulgate and publish the legislative and administrative acts necessary to effect the provisional transfer of territory, in conformity with the general principles set forth in Part V below.

2. The transfer of the territories to the successor state will be effected the same day, according to the following procedure which will be applied to each of the transferred territories, taking account of the reservations set forth in para. (d) below.

a) At 6 a. m., a representative of the Occupation Power concerned and a representative of the successor state, each assisted by technical experts, will meet at a point agreed upon in advance. The two representatives will mark the provisional frontier line with flags, following as closely as possible the general line described in the Working Party's Report.<sup>6</sup>

b) In case of disagreement, the opinion of the representative of the Occupation Power shall prevail.

c) At 12 noon at the latest, or at any other time on which the two representatives may agree, the German customs and administrative posts will be withdrawn to the new line and the customs and administrative posts of the successor state will be moved forward accordingly.

<sup>4</sup> Documentation relating to the meetings of the Committee on Western German Frontier Changes, including Laukhuff's telegraphic reports on each session, various drafts of the protocol and communiqué, and instructions from the Department of State, is in file 862.014.

<sup>5</sup> Not printed; for the text of this communiqué, see *Germany 1947-1949*, p. 150, or *Ruhm von Oppen, Documents on Germany*, pp. 368-369.

<sup>6</sup> The text of the Report of the Working Party on Provisional Adjustments to the Western Frontier of Germany is printed in *Foreign Relations*, 1948, vol. II, p. 681.

*d)* In cases where the new frontier line is drawn with sufficient precision on the maps attached to the Report of the Working Party on Provisional Adjustments of the Western Frontier of Germany, the Military Governor concerned and the successor state may agree that the demarcation procedure described in paras. *a)* and *b)* above is unnecessary.

### III

#### MODIFICATION OF CERTAIN RECOMMENDATIONS

The territorial transfers referred to above are those contained in the Report of the Working Party on Provisional Adjustments of the Western Frontiers of Germany, dated September 1, 1948.

However, the French Government having decided to renounce the implementation of the rectification of the Franco-German boundary provided for in that Report (Part II, para. D), a rectification of the frontiers in the Forest of Mundat will give the Valley of Buchbach to France. In general, the new line will be that marked on the map (scale: 50/1000) annexed to this protocol.<sup>7</sup> The delimitation commission will be ordered to study its application on the spot, taking into account the object of this border rectification, which is to give to the city of Wissembourg the springs necessary to its water supply.

The French Government, acting on behalf of the Saar, has furthermore decided to renounce the implementation of the rectification of the German-Saar boundary provided for in Part VI, paragraph 2 of the Paris Report of September 1st (Commune of Waldmohr).

Furthermore, the Netherlands Government has decided to renounce the implementation of the rectifications enumerated below:

Part II, paragraph A, of the Paris Report of September 1, 1948.  
Sub-paragraph 2—Partially, insofar as the frontier between Nieuwe-Schans and stone 187 is concerned.

Sub-paragraph 3—Partially, insofar as the frontier between stones 49 and 41 is concerned.

Sub-paragraph 5—Entirely.

Sub-paragraph 13—Entirely.

### IV

#### DEMARCATION COMMISSIONS

The final demarcation of the frontiers will be determined on the spot in accordance with the following principles, by Demarcation Commissioners designated by the Committee on Western German Frontiers:

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<sup>7</sup> Not printed.

- German-Netherlands frontier: Representatives of the Commanders-in-Chief.  
A representative of the Netherlands Government.
- German-Belgian frontier: Representatives of the Commanders-in-Chief.  
A representative of the Belgian Government.
- German-Luxembourg frontier: Representatives of the Commanders-in-Chief.  
A representative of the Luxembourg Government.
- German-Saar frontier: Representatives of the Commanders-in-Chief.  
A representative of the High Commissioner of the French Republic in the Saar, assisted by a representative of the Saar Government.
- German-French frontier: Representatives of the Commanders-in-Chief.  
A representative of the French Government.

These Commissioners will be divided into two groups, one for the frontier between the Netherlands and Germany, the other for the frontiers between Belgium, Luxembourg, the Saar and France on the one hand and Germany on the other. They will be assisted by experts.

The Commissioners will begin their work immediately after the transfer of territory, those of the first group at Maastricht, those of the second group at Verviers; they will conclude their labors at the earliest possible moment, and in any case within six months.

The Commissioner representing the Occupation Power concerned will be Chairman and the Commissioner of the successor state will be Secretary of the group.

In the doubtful cases, the local authorities and the affected inhabitants may present to the Commissioners their views on the definitive line of the frontier, as far as technical considerations are concerned. They may not in any case set forth political considerations touching the general decision to transfer the areas in question or bringing into question the decisions of the Committee.

The expenses of the technical work of each group of Commissioners will be borne equally by the successor state and by the Occupation Power.

The demarcation decisions made by the Commissioners will be submitted for the approval of the Committee on Western German frontiers, which will reconvene as soon as the work of delimitation will

have been completed. In case of dispute among the Commissioners, the Committee will settle the question by such method as it may choose.

## V

### FINANCIAL AND ADMINISTRATIVE QUESTIONS

The report of the Working Party on Frontiers (Part I, paragraph 2) recommended the adoption of certain principles of a general nature for the settlement of the various problems arising from border rectifications. Each of the interested Governments, and, as far as Germany is concerned, the Military Governors, shall be responsible for the enactment of necessary legal measures or regulations.

The Governments concerned have decided, however, to apply, or have the military Governors apply, the following general principles:

#### A) *Financial questions.*

1. The Governments concerned intend to proceed in the following manner as regards the monetary measures which the transfer of certain German territories renders necessary. Following deposit by the interested persons of their cash assets in D.M. and a statement of all their other assets.

a) The immediate exchange, cash against cash, within the following limits: in a personal or family capacity, 100 D.M. for the head of the family and 50 D.M. for his spouse and for each minor child living in his household; and in the capacity of employer, for physical and corporate persons employing salaried personnel in a permanent manner, 80 D.M. per employee.

b) Subsequently, and after a period of time not exceeding four to five days, the placing at the disposal of interested persons of a further sum of 500 D.M. per head of family or employer, such sum to be chargeable either against receipt for cash deposit, or against their bank account credits in the attached territories, the balance of which would remain temporarily blocked.

c) As an exception the payment of an advance, not exceeding the equivalent of 500 D.M. to persons who were unable to benefit from the above provisions and who are in a position to assign to the Treasury an equivalent amount, from assets they may have in banking or similar establishments in Germany.

d) Finally, and following the implementation of such control measures as may possibly appear necessary, the exchange of remaining balances and the release of bank accounts.

e) The funds necessary for the exchange of notes and coins in D.M. shall be supplied by the Treasury. Banking or similar establishments situated in the attached territories shall be asked to prepare a "Statement of conversion" and shall receive from the Treasury the possible difference between their credit and debit conversion balances, on condition that they assign as a guarantee for this advance their credits in D.M.

f) The rate of exchange shall be fixed in relation to the respective values on the day of attachment of the territories of the D.M., the Dollar and the currency of each country concerned.

2. Contacts with the occupation authorities will be necessary in order to ascertain the amount of deposits in banking or similar establishments located in Germany, and to obtain access to declarations registered at the time of currency conversion in Germany. The latter information might usefully be compared with the present assets of each inhabitant in order to discover any speculative increase.

3. A number of problems will have to be covered by subsequent negotiations, particularly on the following points:

a) disposition of assets in D.M. which banks or individuals may have surrendered to the powers concerned in guarantee for advances in national currencies.

b) facilities to be made available to inhabitants of attached territories for the transfer to the countries concerned of their assets deposited in banking or similar establishments in Germany.

c) methods of payment of premiums and benefits in connection with insurance policies subscribed with German companies; social insurance and pensions.

d) settlement of problems which might eventually arise from the existence of "frontalier" workers.

e) disposition of D.M. withdrawn from circulation following the operations of attachment.

f) methods of transfer to Germany of funds originating in attached territories.

g) methods of regulating debts and credits between persons resident in Germany and persons resident in the transferred territories, it being understood that these debts and credits will not be affected by the transfer of territory.

## B) *Administrative questions.*

### 1. *Status of the Inhabitants.*

German nationals normally resident in the attached territories before February 23, 1948, may acquire the nationality of the country to which the territory is attached either as of right or under conditions at least as favorable as those accorded to other foreigners resident in the country. However, no one shall be forced to accept the nationality of the country taking over the area. Persons not wishing to acquire this nationality will enjoy the protection accorded to persons and property by the laws of the country; no discrimination will be exercised against them.

Persons not desiring to acquire the nationality of the interested country will keep German nationality and may either move to Germany or continue to reside in the territory. In the latter case, measures of expulsion will only be taken as a defense against subversive elements

and in accordance with the generally prevailing regulations concerning expulsions. The facts which have led to the decision to expel will be notified to the Occupation authorities concerned. The latter will communicate them to the occupation authorities of the two other zones.

The Belgian, French, Luxembourg and Netherlands delegations recognize that the rules of domestic law which will regulate the nationality status of the inhabitants of the attached territories should conform to the following principles:

a) The inhabitants of the attached territories will have full right to keep German nationality. They will have a reasonable period in which to manifest their wishes.

b) The procedure for manifesting their wishes shall be as simple as possible and shall be of such a nature as to guarantee entire freedom of expression. It will suffice, for example, for those who wish to remain German, to ask for a foreigner's identity card.

## 2. *Juridical Competence.*

The juridical system of the successor state will come into force on the day of transfer, particularly as concerns the rules of civil and criminal competence, execution of warrants of arrest or judgments, fulfillment of sentences, the right of pardon and the obligation of all inhabitants without distinction to stand responsible for any infractions of police and security measures.

## 3. *Property.*

a) Persons who do not wish to acquire the nationality of the country concerned and who decide to move to Germany will be allowed, after payment of debts or fiscal obligation against them in the transferred area, either to take with them their property or to sell it on the spot and transfer the funds which they possess, on condition that the property and funds have been legally acquired.

In addition, such persons will be authorized either to retain their real property or to sell it under the same conditions as apply to nationals of the successor state, and without any pressure being applied to force them to sell.

With a view to facilitating the reestablishment in Germany of persons who may sell their real property under the conditions set forth in the preceding paragraph, the successor state shall furnish to the military Governors concerned all the necessary information concerning such sales of real estate.

The method of the transfer of funds derived from the sales mentioned in the paragraph above will be handled by subsequent arrangements as is provided in paragraph V-A-3f.

No measure of sequestration will be taken against property situated on the attached territories and belonging to physical persons or to corporations other than public bodies resident in Germany.

b) The successor state will receive without payment the public and private property of the German state and of the *Laender* situated in the attached territory. The Administration of the successor states and the Military Governors of the Zone of occupation decide between themselves the share of the assets of local German Public bodies which will revert to the communes of parts of communes detached from Germany, excepting the property and debts of these public bodies which concern only the non-detached parts of the commune.

#### 4. *Pensions and Social Insurance.*

In the matter of the payment of civil or military pensions acquired in the service of the German state or of municipal or local German public bodies Germany will give national treatments to persons resident in the transferred areas and acquiring the nationality of the successor state.

Special arrangements will regulate the conditions under which the obligations of German public or private social insurance agencies toward the inhabitants of the attached territories will be transferred to analogous agencies of the successor state, together with a proportional part of the accumulated reserves of these agencies.

Pending the establishment of the means of payment envisaged in paragraph V-A-3f, advances may be made in certain individual cases by the successor state.

#### 5. *Archives and Documents.*

All the archives and all the documents of an administrative nature or of historical interest concerning the attached areas will be transferred to the successor state. In those cases in which the archives or documents constitute an inseparable part of a collection principally concerning the non-attached territories, the German authorities will be directed to accord to officials of the successor state free access to this documentation and authority to make copies of it.

#### 6. *"Frontalier" Agreements.*

In order not to hinder or to interfere suddenly with the presently existing circulation of persons and goods between Germany and the transferred areas, special provisional arrangements granting facilities for border circulation will be concluded between the countries concerned and the Military Governors at the latest by the date of the transfer of the territories.

#### 7. *Public Services.*

In the interest of the inhabitants of the attached territories, certain public services, notably electricity, water and gas services, telephone and telegraph services, and means of transport, will continue to be

furnished provisionally under normal conditions by the public or private agencies which are presently responsible for them.

Done at Paris in six copies, March 22, 1949.<sup>8</sup>

PERRY LAUKHUFF

*The Delegate of the United States*

JACQUES DAVIGNON

*The Delegate of Belgium*

PIERRE DE LEUSSE

*The Delegate of France*

LORD HOOD

*The Delegate of the United Kingdom  
of Great Britain and Northern Ireland*

P. MAJERUS

*The Delegate of Luxembourg*

M. RINGERS

*The Delegate of the Netherlands*

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<sup>8</sup> The copy of the source text transmitted with despatch 404 had no signature page. The present translation was made by the editors from the signed French text transmitted by Laukhuff.

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862.014/4-349

*The Soviet Ambassador (Panyushkin) to the Secretary of State*<sup>1</sup>

[Translation]

WASHINGTON, April 3, 1949.

No. 36

SIR: I have the honor to submit herewith a note of the Soviet Government on the question of the illegal change of the boundaries of Germany.

Accept [etc.]

A. PANYUSHKIN

[Enclosure]

*The Soviet Government to the Governments of the United States,  
United Kingdom, and France*

[WASHINGTON, April 3, 1949.]

From the joint communiqué of the Governments of the U.S.A., Great Britain, France, Belgium, the Netherlands, and Luxembourg,

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<sup>1</sup> For the text of the original Russian note, see *Vneshniaia politika Sovetskogo Soiuza, dokumenty i materialy, 1949 god*, Moscow, 1953, pp. 94-95.



made public on March 26, 1949, the Soviet Government has become aware of the decision of the Governments of the said states concerning the changing of the Western boundaries of Germany and the annexation of a part of German territory to the territories of France, Belgium, the Netherlands and Luxembourg.

The Soviet Government considers it necessary to call the attention of the Governments of the United States of America, Great Britain, and France to the fact that in the "Declaration regarding the defeat of Germany," signed June 5, 1945, by the Governments of the U.S.S.R., the U.S.A., Great Britain, and France it was definitely stated that these Governments "will determine the boundaries of Germany or any part thereof and the status of Germany or of any area at present being part of German Territory." It follows from this that a change of the boundaries of German territory which is under the control of the four powers can be effected only upon a joint decision of the Governments of the U.S.S.R., the U.S.A., Great Britain, and France, which assumed the supreme power in regard to Germany.

In accordance with the foregoing, the Soviet Government considers it necessary to inform the Governments of the U.S.A., Great Britain, and France that it considers as illegal the changes in the Western boundaries of Germany made by the Governments of the U.S.A., Great Britain, and France in violation of the "declaration regarding the defeat of Germany."

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862.014/4-849 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT

WASHINGTON, April 8, 1949—6 p. m.

1246. Fol is draft text US reply to Sov Note of protest re Ger Western frontier adjustments. Text was shown Dean and Steel who concurred, but they desire FonOff also agree to substance. Intention is to send separate Notes, coordinated in substance. Fr have indicated no objection to substance Note, but for their part intend brief reply pointing out provisional character of changes and slight extent area involved. Unless you inform us of FonOff objections, we will deliver Note early next week.

"The Sov Govt maintains that the provisional rectifications of West Ger frontier are illegal, being contrary to 'Declaration Regarding Defeat of Germany' of June 5, 1945. The US desires to call attention of Sov Govt to clear intent of this Declaration, which was to establish supreme Allied authority in Ger in lieu of central Ger Govt and, to that end, to delimit area to be occupied and controlled. Such delimitation was obviously to be made by the four powers acting conjointly through Allied Control Authority for Ger which was established by separate agreement on June 5, 1945. The operations of Allied Control

Authority were arbitrarily interrupted by Sov action on Mar 20, 1948 and since that date further implementation of Declaration of June 5, 1945 has of necessity and due to unilateral Sov action resided with the occupying powers in their respective areas of responsibility. The three Western powers, in making new administrative arrangements for certain frontier areas in Western Ger, have been obliged to adopt certain common decisions in the absence of functioning quadripartite org.

US, since 1945, has consistently sought to bring whole matter of Ger's frontiers under review with purpose achieving permanent settlement at earliest possible date in interest Eur polit and econ stability. At London, Jan 14 to Feb 25, 1947, Deputies of CFM heard views of Allied states with territorial claims against Ger.<sup>1</sup> At Moscow, on Apr 9, 1947, the Sec State proposed at mtg CFM that special boundary comm be created to make recommendations concerning Pol-Ger frontier, and also approved further study of other territorial claims against Ger. Mr. Molotov objected to comm to examine Pol-Ger frontier on ground, quite inconsistent with Potsdam Agreement, that final decision had been reached on this boundary.<sup>2</sup> Again at London mtg of CFM, Sec State Marshall, proposed on Nov 27 creation of boundary comms to study all Ger frontier questions under direction of the Deputies and to make recommendations. In this proposal Brit and Fr delegates concurred but it was rejected by Sov rep on ground that such action was premature prior to decision upon procedure for drafting peace treaty. He also reiterated view that Pol-Ger frontier was closed issue and not subject to further exam. Furthermore Sov insistence upon procedure for preparing a peace treaty for Ger which wld have virtually excluded effective participation of majority of nations which shared in common struggle against Ger has to date precluded possibility of general settlement.<sup>3</sup>

US, together with Brit and Fr, did not consider that exam of certain minor territorial adjustments to correct frontier anomalies proposed by Ger's Western neighbors cld be longer deferred in view of indefinite postponement of general peace treaty made inevitable by consistent record of Sov obstruction, unilateralism in Eastern Ger, and violation of solemn internatl covenants designed to achieve agreed settlement of Ger problems. The US has, therefore, in concert with govts of Brit, Fr, Blg, Neth, and Lux, agreed to certain provisional rectifications in Western Ger frontier, as announced in communiqué of Mar 26, 1949.<sup>4</sup> These changes will involve relatively insignificant areas totalling only 52 sq. mi. and a population of 13,500, and were authorized solely to eliminate frontier anomalies, improve communications and facilitate admin. They have been undertaken at this time after careful study and with purpose of stabilizing polit and econ conditions along Ger's Western frontier pending a permanent boundary settlement. These transfers do not represent annexations but provisional administrative arrangements subject to review by general

<sup>1</sup> For documentation on the meetings at London of the Deputies for Germany of the Council of Foreign Ministers, see *Foreign Relations*, 1947, vol. II, pp. 1 ff.

<sup>2</sup> For documentation on the meetings at Moscow of the Fourth Session of the Council of Foreign Ministers, see *ibid.*, pp. 139 ff.

<sup>3</sup> For documentation on the meetings at London of the Fifth Session of the Council of Foreign Ministers, see *ibid.*, pp. 676 ff.

<sup>4</sup> Not printed, but see the Protocol adopted at Paris, March 22, p. 437, and footnote 5 to that document.

peace conference. They provide for full protection of civil and econ rights of residents of areas affected.

US views Sov objections to Western territorial changes with surprise when it considers Sov attitude and action concerning those parts of Ger east of Oder-Neisse line which were placed under provisional Pol and Sov admin by the Potsdam Agreement.<sup>5</sup> These territories constitute an area of approximately 40,000 sq. mi., (more than 800 times greater than territories affected in the West) with a pre-war population of nearly 10,000,000. Yet these territories have been unilaterally treated as areas permanently ceded and have been arbitrarily incorporated into the Pol and Sov states. Moreover Ger population of these areas has, for greater part, been expelled without consideration for their civil, econ or human rights and contrary to the Potsdam requirement that such transfers 'shld be effected in orderly and humane manner.' All this has been done with the acquiescence of Sov Govt.

US did not at Potsdam approve annexation of Ger areas east of Oder-Neisse to Poland. On the contrary it was specifically agreed by the US, Brit and USSR 'that final delimitation of Western frontier of Pol shld await peace settlement.' This position was reaffirmed by Sec State Marshall both at Moscow and at London. US wishes to make clear its position that all changes effected in the Ger frontiers to date, both in East and in West, are provisional and subject to review by Allied powers at general peace settlement."<sup>6</sup>

ACHESON

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<sup>5</sup> For the relevant section of the Protocol of the Proceedings of the Berlin Conference, August 1, 1945, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1490 ff.

<sup>6</sup> In telegram 1453, April 11, from London, not printed, Holmes reported that the Foreign Office fully approved the note subject to certain slight changes in wording, but the Foreign Office believed that it might be preferable to delay sending the note until it was definitely established that the Dutch and Belgians accepted the boundary changes. The British reply when sent, however, would be similar in substance to the proposed United States text. (862.014/4-1149)

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### *Editorial Notes*

On April 15 the Belgian Government announced that it was renouncing its claim to the greater portion of the German frontier areas transferred to it under the March 22 Protocol. On April 23 Belgium, Luxembourg, and the Netherlands took over the other areas ceded to them.

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On April 20, the United States Embassy in the United Kingdom transmitted to the Department of State the text of a British draft note to the Soviet Government on the adjustments of the Western frontier of Germany. On May 4 another despatch noted two changes in the draft, indicating the text as delivered to the Soviet Embassy in London

on that day. The British note was substantially the same as that transmitted in telegram 1246, April 8, page 445. In the meantime the United States had decided to withhold its reply to the Soviet note in view of the imminence of the meeting of the Council of Foreign Ministers, with the idea of utilizing the substance of its draft if the ministers discussed frontier adjustments. Documentation relating to these drafts and decisions is in file 862.014/4-1149 through 5-749. For documentation relating to the deliberations of the Council of Foreign Ministers, see pages 913 ff.

### E. THE DEVALUATION OF THE GERMAN MARK

862.5151/9-2049: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

TOP SECRET

FRANKFURT, September 20, 1949—3 p. m.

2384. (CCF 1256) State pass Army SAOUS for Voorhees from HICOG.

Position DM conversion factor in light sterling devaluation<sup>1</sup> subject.

1. Representatives Allied High Commission communicated with Adenauer immediately upon news sterling devaluation. Meeting held between finance advisers High Commission and Erhard, Minister of Economics, Pferdmenges, financial adviser to Adenauer, and Blücher, Vice Chancellor.

2. Erhard indicated German Government favors 20 percent devaluation, i.e., 24 cent mark. Government favors 20 percent rather than 30 percent devaluation because of fiscal consequences larger devaluation in view surplus imports especially imported foodstuffs, and adverse political and economic impact of larger devaluation on the cost of living of workers and savings. German Government will give definitive recommendation to High Commission September 22. Allied High Commission will pass on recommendation and give final decision on new conversion factor soonest possible after receiving German recommendation.

3. All indications thus far are that German recommendation for new DM conversion factor will be between 22.5 and 25 cents.

4. Believe British will support German recommendation and we are not disposed to press Germans for any greater devaluation than

<sup>1</sup> Documentation on the sterling devaluation on September 18 is in vol. iv.

any rate within the above range, particularly in view of highly political nature of arguments advanced by Erhard.

5. Time factor is a matter of urgency as Bank Deutscher Laender in common with other European central banks has suspended all foreign exchange transactions including ECA procurement with exception exchange facilities for travellers and other visitors in Germany who are being given 50 percent advance against acceptable foreign exchanges. It would be most desirable to act before weekend and believe we could get prompt Allied High Commission agreement. We will cable you final figure using code name "old fashioned."

6. Preliminary position paper of US element of HICOG being dispatched to you by air pouch today. Summary of conclusions of paper which was prepared prior to devaluation sterling follow:

"In case of a devaluation of European currencies, and in particular the pound sterling, we believe that the Deutsche mark should follow suit. In this we are basing ourselves on the following arguments:

a. We are impressed by the necessity for Western Germany to be in a position to earn by exports to South America and the Eastern European countries, the imports which she will have to obtain in order to be viable.

b. With respect to exports to the United States, lowering of prices in terms of US dollars should lead to some increase in US dollar earnings.

c. With respect to exports to Western Europe, the intra-European payments agreement with its provisions of transferability of 25 percent drawing rights, gives Western Germany a definite interest in fulfilling the agreed estimates of intra-European surplus as the granting of US dollar aid depends directly on this fulfillment.

d. If Western Germany stood alone in maintaining the present value of its currency, the suspicion might arise that Western Germany was preparing to revert to Germany's tactics during the 1930's through which she repaid [*reaped?*] the benefit of the devaluation of other currencies in her imports and fostered her exports by dumping and other unethical methods.

e. If the Allied authorities opposed a devaluation favored by the Germans, they would subject themselves to the accusation that they were acting contrary to the interest of Western Germany by keeping her out of competition in world markets through an over-valued exchange rate.

f. We are not unmindful of the magnitude of the problem of domestic food prices posed by a devaluation. This problem, however, will have to be faced by the Western German Government sometime and we feel that it would be easier to face it at a time when practically all other European countries are faced with the same problem."

Please cable your thoughts if any so as to enable Commission to act if necessary at latest over this weekend. Please pass to State and Treasury.<sup>2</sup>

New subject: Separate cable is being sent you on proposed invitation to the International Monetary Fund.

Fully understood and agreed by British, French and Germans that purpose of IMF technical mission would in no way be connected with immediate problem of establishment of interim conversion factor, but is merely to have on hand expert study by an international body of balance of payments and the conditions affecting financial stability of an area in which Fund members are not only in control but with the condition of which most, if not all, Fund members are deeply interested.

McCLOY

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<sup>2</sup> In another telegram on September 21, Riddleberger reported that the Germans wanted a conversion factor of 23.8. The United States and British High Commissioners were prepared to accept this figure, but François-Poncet had advised Riddleberger that he could not accept a devaluation of more than 15 percent. Riddleberger then requested that he be given approval to accept a rate within the latitude of this telegram. (Unnumbered telegram from Bonn, not printed, 862.5151/9-2149)

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862.5151/9-2149: Telegram

*The Acting Secretary of State to the United States High Commissioner for Germany (McCloy), at Frankfurt*

TOP SECRET      NIACT      WASHINGTON, September 21, 1949—4 p. m.

1651. For McCloy Eyes Only.

You are authorized accept 23.8 rate which we regard as within range of appropriate rates though perhaps on low side, and which we believe shld be adopted without further debate in view obvious disadvantages over-riding Germ initiative.<sup>1</sup> If you find it absolutely necessary you are authorized take action within latitude requested ur earlier cable.<sup>2</sup> In accepting the 23.8 rate, we are concerned that it may prove to be an undervaluation which wld prevent the establishment of a reasonable payments equilibrium within Eur. Consequently, we feel that effects of the rate shld be closely observed and that its appropriateness shld be reviewed in the relatively near future.

WEBB

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<sup>1</sup> In a teletype conference at 9:30 a. m. and later in a telephone conversation at 1:15 p. m. Murphy had discussed the conversion factor with McCloy, indicating concurrence with the 23.8 rate. Records of these discussions are in file 862.5151/9-2149.

<sup>2</sup> Telegram 2384, *supra*.

751.00/9-2249: Telegram

*The Ambassador in France (Bruce) to the Acting Secretary of State*

TOP SECRET PRIORITY

PARIS, September 22, 1949—9 p. m.

3947. For the personal attention of Secretary and Under Secretary. Please pass to Foster ECA. The Premier sent for me this afternoon. Schneider, Acting Foreign Minister was present. Queuille said he intended to talk absolutely frankly, stated that he felt his position and that of the government was less favorable today than it had been even during crucial period last year. Last year, he had possessed certain advantage in that economic situation of country was so desperate that he could carry through measures which were evidently for best interest of country as a whole by threatening to pose them on a vote of confidence. Such a situation no longer exists. Although the economic position of the country is better than it was a year ago political considerations of an international character, aside from immediate difficulties in regard to the budget for 1950, and demands for a rise in wages are of such a nature that the government had greatly lost prestige and he cannot rely on maintaining it in power, if France is subjected to any further disappointments and unexpected shocks. He went on to say that there had recently been three major incidents which had caused a large amount of questioning and, in the case of the last two, of bitterness in the country.

[Here follow sections concerning the division of ERP aid and the devaluation of the British pound, in which Bruce reported Queuille's feeling that French interests had been sacrificed for British or not considered sufficiently. These sections are printed in Volume iv.]

The third incident and the one to which he attached the greatest importance, as being that likely to be final straw that would break the French Government's back, was the question of the devaluation of the German mark without any provision being made for bringing about a single price for German coal for domestic use and for export. He had heard this afternoon of the result of the meeting on the exchange rate in Germany. He understood that the meeting had broken up after US representative had insisted upon a 25 percent devaluation and had stated an unwillingness to discuss the price of coal.

He had accordingly instructed François-Poncet that as far as France was concerned, no agreement should be reached by the French representative without the express assent of the French Government. He said that he had understood that even the Germans had initially only asked for a devaluation of 20 percent and that he and his advisers were astounded that the Americans were insisting upon a higher rate than the Germans themselves had demanded. He stated that his gov-

ernment felt that a devaluation of 10 to 15 percent was a proper one but they had unwillingly decided, in the interest of bringing about agreement, to accept a 20 percent devaluation provided a unitary coal price for export and domestic German consumption was coupled with it. Beyond this he said neither he nor any other head of a French Government would be able to go.

He said that the French had loyally supported programs designed to improve economic conditions in Germany, even when important segments of French opinion were opposed to such actions. He stated emphatically that he was absolutely unwilling, and in this feeling he was supported by his Cabinet unanimously and would be by French public opinion, to consent to a set-up whereby because of this drastic devaluation and a subsidy in effect out of Marshall Plan funds, the Germans would be given an unfair competitive advantage, not only over France but other European nations. He said that for a long time his government had done everything possible, not only to honor its agreements in connection with Marshall Plan, but had even taken dangerous steps to bring about a freer and more effective economy in Europe and that politically he had sponsored a friendly attitude towards Germany which it had been very difficult to persuade the French people to endorse.

Now he had come to the end of his ability or his government's to make a further concession of such a nature which was so obviously both to the advantage of Germany and to the disadvantage of France. I might say in conclusion that I have never seen Queuille (who is usually so calm) so disturbed and apprehensive. There is no question but that he regards the situation as being of the utmost seriousness for France and for the position of his government.<sup>1</sup>

Sent Department 3497 [3947], repeated London 647, for Holmes, Frankfort 61 for McCloy.

BRUCE

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<sup>1</sup> On September 21, de Margerie had handed Byroade an *aide-mémoire*, outlining the French position on devaluation of the mark in substantially the same terms. A copy of the *aide-mémoire* and an English translation are in file 862.5151/9-2149.

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862.5151/9-2249: Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

TOP SECRET

FRANKFURT, September 22, 1949—3 p. m.

2473. Eyes Only for Murphy.

Subject is German conversion factor. Three allied financial advisers had long conference last night with German Vice Chancellor and



Economic and Finance Ministers following full German Cabinet meeting. Germans explained that they had had fullest intention of adopting 23.8 rate originally indicated but after consulting leading German exporters, industrialists and bankers, came to conclusion that above rate would so adversely affect their exports as to cause possible serious unemployment. Consequently feared consequences of first act of new government being to take an impractical and ultimately unpopular step in fixing too high a rate. Therefore, Cabinet decided reaction [*reduction?*] to 22½ absolutely imperative and hope High Commission would agree. Germans pointed out this realization that fixing rate at 4.44 marks to the dollar would cause rise in cost of living with all its serious consequences, especially in light of additional cost of American wheat unless import price of wheat subsidized at either importers or consumers level. Further stated German budget could not stand impact of furnishing such subsidy. Therefore expected utilize for such subsidy purposes requisite portion of counterpart profit of 1.11 marks per dollar of ECA and GARIOA funds resulting from reduction from 3.33 to 4.44 marks per dollar. Financial advisers pointed out they considered highly improbable we would permit such application counterpart windfall. On basis this advice by financial advisers, Germans stated that if disapproval proposed conversion rate predicated on above indicated use of counterpart marks they would withdraw this stipulation, thus leaving two separate specific questions of which conversion rate the first and most urgent as they wish announce rate soonest possible moment. Germans also indicated they attach great public importance to being permitted have rate announcement made as first act of new German Government assented to by High Commission. I plan to permit this as I feel even though subject is reserved power we should make it clear the responsibility is primarily that of government. We think practically impossible demonstrate 23.8 rate correct and 22.5 rate wrong. Therefore predicated on your today's cable 1651<sup>1</sup> and our own best judgment will inform other two High Commissioners that we agree to latter rate if Germans persist with no stipulations and likewise with no approval expressed or implied as to use of ECA counterpart. In fact will indicate to them and Germans that we will probably disapprove their contemplated use ECA counterpart when they raise that as separate later proposal. Contemplate final advice to Germans which hope can be by 2000 today will be in form of assent by High Commission to rate determined by German Government in contradistinction to rate fixed by High Commission or separately assented to by High Commissioners. For your information, think British share our views and French will probably assent to

<sup>1</sup> September 21, p. 450.

25 percent reduction but may want to try add stipulation that all subsidies toward preventing rise in living cost regardless of source of subsidies must cease by end of this year. French financial adviser indicated this due to their fear of German dumping. We think unwise attach any stipulations to assent as apprehensive of repercussions therefrom on High Commission if proposed rate should prove impractical and require change since Germans might well endeavor attribute part of failure to High Commission's qualified assent. Since proposed new rate is within range of percentages outlined in my yesterday's cable and authorized in your today's cable 1651 I will act as indicated in this cable.<sup>2</sup>

McCLOY

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<sup>2</sup> At 8 p. m. Webb transmitted another telegram to McCloy reaffirming that the 23.8 rate was most satisfactory. Telegram 1704, to Frankfurt, not printed (862.5151/9-2249).

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862.5151/9-2349

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[NEW YORK,] September 23, 1949.

Participants: Foreign Minister Schuman of France  
The Secretary

Foreign Minister Schuman called on me late this afternoon at my request to discuss this matter subsequent to the protest which he and Foreign Ministers van Zeeland and Bech had made to me on the matter earlier in the day. In the earlier conversation the three Ministers had all stated that a devaluation of 25% would wreck the economies of France and the Benelux countries. At that time I promised to obtain current information on the question and talk further.

I informed Mr. Schuman that while I was not handling this matter in New York I had informed myself about it because of my desire to do what was possible to meet the French point of view on the question. I said that I found that while 25% devaluation had in fact been under consideration and that Mr. McCloy had thought it was justified because of the present rate of 30 cents being excessively high, that Mr. McCloy was also taking into account the French point of view on the question. I said, as I understood it, Mr. McCloy was now attempting to persuade the Germans to accept a 20% devaluation and that if persuasion should fail he proposed to override the Germans on this point and would, as I understood it, join with the French in support of a 20% devaluation. Mr. Schuman interjected at this point to say

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<sup>1</sup> The memorandum was prepared by G. Hayden Raynor, an adviser to the United States delegation to the United Nations.

that he had understood the Germans a few days ago were preparing to accept 20%. I asked Mr. Schuman if the 20% proposal would be quite satisfactory to the French. He said while it would not be completely satisfactory it would be much better than the 25% devaluation.

Mr. Schuman then reverted to the question of the price for coal and said that the 20% plan coupled with a revision in the coal price would, in his opinion, result in a situation which would not injure France. I told him that we considered the coal price question a separate issue. Mr. Schuman readily agreed that they were separate but pled for consideration on the coal price matter. I said that as he would recall from our recent conversations in Washington,<sup>2</sup> Mr. Paul Hoffman had stated that he felt strongly that the coal price was out of line. I said I felt the same way and believed the Department did also. I promised that this matter would be reviewed and promised for my own part to do all I could to see that it was reviewed sympathetically and some revision made. I added, however, that of course this was a matter which could not be handled tomorrow or the next day.

In the course of the conversation I also told Mr. Schuman that we understood action on this matter would probably be taken tomorrow. Mr. Schuman promised to advise Foreign Ministers van Zeeland and Bech of our conversation.<sup>3</sup>

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<sup>2</sup> For documentation on the Foreign Ministers' talks on Germany, September 15, see pp. 599 ff.

<sup>3</sup> The text of Secretary Acheson's memorandum was transmitted to Berlin, Frankfurt, Paris, London, Brussels, and Luxembourg on September 24.

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862.5151/9-2349 : Telegram

*The Office of the United States High Commissioner for Germany to the Embassy in France*<sup>1</sup>

TOP SECRET      PRIORITY      FRANKFURT, September 23, 1949—10 p. m.

210. For Bruce.

This refers to your 61 of 22 September<sup>2</sup> re your conference with Premier. With respect to third incident can only think this based on Premier's complete misunderstanding of what took place at Bonn September 21 meeting with Germans. To post you on this subject I am repeating to you, Harriman and Holmes my yesterday's cable number 2473 to State Department,<sup>3</sup> outlining what actually took place. Coal price was never discussed nor did US or any other Allied representative mention 25 percent. He further misinformed with re to Americans

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Same as telegram 3947, p. 451.

<sup>3</sup> *Ante*, p. 452.

insisting upon larger devaluation than Germans themselves had demanded. US and Allied representatives merely listened to German proposals and expressed no opinion with re to 25 percent figure, which came as complete surprise to them since earlier in day Erhard informally told Shepard Morgan that 23.8 cent [*percent?*] figure was the one Germans had in mind. Your dispatch was received during meeting here today three Allied financial advisers. Morgan and Battenwieser apprised French adviser of above points and he, together with French representatives present at September 21 meeting, confirmed correctness of above statements. Furthermore, he informed Morgan and Battenwieser of general contents his advice to Paris which confirmed that no mention of subjects indicated above was contained his report.

Greatly regret Premier's misunderstanding and consequent difficult interview for you, but as French representatives here now posted as to Premier's misinformation assume they will clear up his misapprehensions as assume you will too.

Sent Paris 210 for Bruce; repeat to OSR Paris for Harriman, repeated Berlin 157 for McCloy, London 188 for Holmes, Department 2539 for Secretary and Under Secretary; repeat ECA Washington for Foster.

McCLOY

862.5151/9-2349: Telegram

*The Acting Secretary of State to the Embassy in France*

TOP SECRET      PRIORITY      WASHINGTON, September 23, 1949—7 p. m.  
3604.<sup>1</sup> For the Amb.

Question Ger rate is under consideration by Allied HICOM and we do not wish to deal with it directly at governmental level. For urinfo, we suggested yesterday to McCloy that he attempt informally to urge Gers to recommend level around the 23.8 figure which is approx 20 percent devaluation. In further conversation with McCloy today<sup>2</sup> he stated there will be no decision on conversion factor until Sat. He will try to persuade Gers to agree to 20 percent devaluation which he believes will be acceptable to Brit who are willing to accept 25 percent. If necessary, however, McCloy will override Ger proposal and insist rate be set at 23.8. McCloy unwilling to support Fr proposal re coal price.

Believe it wld be useful for you to see Queuille to clear up what we believe to be misunderstanding on his part re what has happened in

<sup>1</sup> Repeated to London as 3472, Frankfurt as 1738, and New York as 494.

<sup>2</sup> No record of this conversation has been found in Department of State files.

Ger and to give him statement of our position on prices which we hope will be helpful.

You may tell him US is not insistent on any particular rate, and that it was prepared to accept 23.8 rate which Gers originally had in mind. Regarding 22.5 rate, we felt important consideration was that Allied HICOM shld not override Ger Govt in first matter coming before com on formation of govt.

We have also made it clear to Gers that there is no commitment to allow them to use counterpart funds for internal subsidies which they might consider necessary as a result of devaluation and in fact have indicated we would probably disapprove such use.

We cannot give Fr assurance we will require Gers to eliminate dual price system on coal without regard to action taken by other Eur countries re coal and other commodities. You may inform Queuille as follows on this point:

1. US is, as Fr know, opposed to dual price system and wishes to see it eliminated soon as practical.

2. US believes it is essential that entire problem of dual pricing by which exports of Eur countries are more costly than same goods are to internal consumers shld be studied and that coal and coke problem shld be dealt with with particular urgency. An attack on the entire problem shld, however, be made immediately, since it involves in addition to coal such important commodities as iron ore, steel and others.

3. US is prepared take fol steps if Fr govt will request an immediate meeting of appropriate organs of OEEC, to prepare recommendations to govts concerned on problem of dual prices:

a. To urge that action on coal and coke is most urgently required and shld be taken soon as agreement can be reached on required action.

b. To make clear to Ger Govt and other govts concerned that in view of US full cooperation in elimination of dual pricing of coal and other commodities is required for Eur recovery and is an appropriate action in pursuit of Eur recovery.

c. To make a public statement, independent of OEEC consideration (to avoid compromising OEEC procedure of discussing problems without publicity), to the effect that in US view dual price system in Eur shld be eliminated soon as practicable by appropriate combination of changes in internal and in export prices.

For urinfo above assurance is formulated as it is because US cannot promise to require Gers to take action independent of action which may be taken by principal competitor, Brit, especially since Brit have very strong hold on certain of their export markets by reason of tradition and special relationship of customers. This assurance makes certain that Gers will do all that Brit do and does not exclude Gers taking lead in effort to bring down export prices which will force

Brit to follow. Gers are not only culprit by any means. Furthermore, it will be necessary make certain that internal price changes, which may be expected over a period of time to reduce spread between export and internal prices even without cut in export price, are orderly and do not lead to inflation in Ger. It seems to US that some increases in Ger internal prices can reasonably be expected to occur as result of devaluation.<sup>3</sup>

WEBB

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\* On September 25 Bruce, Bohlen and other representatives of the United States Embassy discussed the devaluation of the mark with Parodi, Petsche and Alphand and found that the French were uncompromising in linking devaluation with equalization of coal prices. The French were unwilling to await OEEC action, believing that the question had been exhaustively discussed at that level in the past without result. Petsche then stated that even if he were willing to agree to devaluation without coal price revision, the French Cabinet would not ratify the decision. (862.5151/9-2549)

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862.5151/8-2449 : Telegram

*The United States High Commissioner for Germany (McCloy) to  
the Acting Secretary of State*

TOP SECRET

BERLIN, September 24, 1949.

CC 9524. For action to Department of State for Secretary<sup>1</sup> and Under Secretary and ECA Foster.

For info to AmEmbassy Paris for Bruce, AmEmbassy London for Holmes, OSR Paris for Katz, HICOM Frankfurt for Collisson from HICOM.

Subject is German devaluation :

Had long meeting with British and French High Commissioners and respective financial advisers. Poncet opened by stating categorically that his instructions precluded his agreeing beyond 2% [20%] devaluation accompanied by notice to Germans that they must within reasonable period, say thirty days, equalize export and domestic price of industrial coal and coke. I followed by :

(1) Making general statement as to: (a) far reaching implications of this first important matter being well handled by High Commission as this initial significant act by High Commission is being watched by East, West and Germany; (b) effect on German Government if its first act is vetoed by High Commission; (c) unfavorable effect already created by delay in Germany accomplishing devaluation when 18 other nations already devalued with such speed.

(2) Then stated specific US position: (a) first consideration is that High Commission should not disagree with any reasonable proposal

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<sup>1</sup> Mr. Acheson was attending the Fourth Regular Session of the General Assembly of the United Nations at New York.

of German Government; (b) difference between 15%, 20% or 25% devaluation secondary to importance of promptly establishing any rate within reason; (c) doubtful whether Germans could hold 15% rate which French initially suggested; that more than 25% would be too much but that any rate from 20% to 25% is within reason; (d) if Germans suggest 20% we would approve and if they persist in 25% we would not disapprove though would make clear that we greatly prefer 20%; (e) we appreciate effect of devaluation on prices especially coal and many adjustments would have to be made; that coal price study should be undertaken immediately with view to correcting inequities between German domestic and export prices but that to condition agreement regarding devaluation would be unwise and unfortunate as would accentuate to the world that High Commissioners are fixing rate in interest of their own countries rather than Germany which is their present ward. I outlined other appealing economic and political arguments; (f) the proposed compromise on difficult coal aspect embodying dual arrangement that German Government must take action within seven days in agreement with High Commission; (1) To neutralize effect of French franc devaluation by various methods such as (x) increasing internal coal prices, by eliminating subsidies and equalization funds and any other discriminating measure or (y) decreasing external prices or (z) pricing export coal in deutschmarks and (2) To complete within thirty days, in consultation with High Commission review of German coal prices in relation to all countries with view to equalizing export and internal prices.

(3) Robertson stated British position (a) would agree to any devaluation from 0 to 30%; (b) in view French position British suggest saying to Germans, if they propose 25%, difficult to agree and fear delay, but if 20%, High Commission would agree; (c) regarding coal cannot agree to outright equalization as do not have it in Britain. Robertson thinks he can go far toward meeting French position via my above outlined suggestion. He further agreed with my view that we should not condition decision on devaluation upon coal action but should simultaneously tell Germans about it though give them some leeway in not announcing it for few days after devaluation announcement. As there was clear cleavage between French insistence on Germans within 30 days ending all disparity between domestic and export price of coal and my suggested plan as outlined in (f) above, meeting recessed for 4 hours to determine whether financial advisors could resolve difference involved or work out compromise acceptable to all and to give Poncet opportunity further discussion with his Foreign Office.

(4) Upon reconvening it became immediately apparent he had no further leeway. My impression is this due largely to considerations outlined in Bruce cable 61 to me of 22 September. This impression fortified by private remarks one of his staff made to one of mine during recess as to precarious position French cabinet unless it can demonstrate some success on some important issue. Poncet indicated that he would if necessary, use appeal powers available to outvoted High Commissioner with resultant 30 or 21 day delay depending on which clause of agreement he bases appeal. All agreed this would have grave effects and must therefore be avoided if at all possible. I even went so

far as to say if 3 High Commissioners could not settle this type matter here I seriously question feasibility of continuing as High Commissioners. With view obtaining agreement Poncet tonight cabling his Foreign Office. Three High Commissioners arranging conference with Adenauer at Hotel Dreesen [*Dresden?*], Bad Godesberg, Bonn at 2000, September 25. Will keep you posted on further developments and hope can evolve satisfactory procedure. Would appreciate any suggestions.

[In the remaining section of the source text McCloy reported on the High Commissioners' consideration of the reparations question.]

McCLOY

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862.5151/9-2649 : Telegram

*The Secretary of State, at New York, to the Acting Secretary of State*

TOP SECRET

NEW YORK, September 26, 1949—1:30 p. m.

1188. For Acting Secretary and Mr. Rusk from Secretary.

Mr. Schuman called on me at my request this morning at eleven o'clock and stayed about one-half hour. I told him that I had two matters which I should like to discuss with him.

The first related to the devaluation of the German mark. I said that, since my talk with him on Friday afternoon,<sup>1</sup> Mr. McCloy had been so constantly at work upon the matter that he had had no sleep for seventy-two hours. He was taking a broad and European view of the matter. (Mr. Schuman interrupted to say that he knew Mr. McCloy so well that he was sure that this was the view he would take.) Mr. McCloy had succeeded in persuading the Germans to propose the twenty percent devaluation and in persuading the British to accept this devaluation. He had flown to Paris, where he now was, and had been unable to get French agreement, because the French insisted as a condition that the German coal price matter should be settled at the same time. I said that Mr. McCloy believed, as did our government, that this was a separate matter and should not be linked with the devaluation. As Mr. Schuman had learned from Mr. Hoffman, Mr. Snyder, and me in Washington our government was opposed to all the dual prices—those proposed by the French and British, as well as those practiced by the Germans; that we would like to see them all straightened out. Mr. McCloy was now returning to Germany.

It was my understanding that Mr. François-Poncet was under instructions from his government in this matter and that this might create a serious problem in resolving the question in Germany. Mr. Schuman said that he understood the matter perfectly; that he thought

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<sup>1</sup> A memorandum of Secretary Acheson's conversation with Schuman, September 23, is printed on p. 459.



the matter of the prices could be resolved as we had indicated, and that he would communicate with his government and endeavor to be helpful.

The second matter which I wished to speak to Mr. Schuman about grew out of an apparent misunderstanding of something which Mr. Bonnet had understood me to say. I said that Mr. Wapler, the Counsellor of the Embassy, had arrived in Paris on Friday with a report from the Ambassador on our talks in Washington. The substance of this report had been communicated to our Ambassador, who reported to us that it had caused considerable concern in the Foreign Office and to the Prime Minister.

Mr. Bonnet apparently believed that a historical policy decision had been made in Washington to the effect that special relations would be established by the United States and the United Kingdom and the Commonwealth, and that the US relations with nations on the continent would now be altered, contrary to the principles of OEEC, the Atlantic Treaty, etc. I thought it probable that the Ambassador's view had grown out of an article by the Alsop brothers some days ago, in the light of which he had quite misinterpreted a statement which I had made regarding French leadership on the continent.

Mr. Schuman interrupted to say that he was quite at a loss to understand how anyone could have gotten such an idea; that Bonnet had never expressed it to him; that he had never so interpreted it; and that he remembered well the remark in question which had been made by me to Mr. Bevin, Mr. Schuman and Senator Connally. It was to the effect that the future of Western Europe depended upon the establishment of understanding between the French and the Germans; that this could only be brought about by the French, and only as fast as the French were prepared to go; and that, therefore, the role of the US and UK in this matter was to advise and to assist the French and not put them in the position of being forced reluctantly to accept American or UK ideas.

I then said that I should like to be quite clear that we understood one another by going over this entire matter again. I pointed out the deep concern of the US in Europe, which had been increasingly manifested since the war and which culminated in the Marshall Plan, the NAP, and the MAP bill. These were certainly not steps looking toward the abandonment of France, but, on the contrary, were the increasing association of the US with the Atlantic community. Mr. Schuman agreed enthusiastically.

I said that within this broader concept there were more specific problems which required agreement and action within the broader principles by specific countries, instancing the Brussels treaty, the French-Italian-Benelux economic program, the Council of Europe,

and the British-American-Canadian talks.<sup>2</sup> Mr. Schuman again agreed.

I then went over our talks with the British, pointing out, as had been pointed out in Washington, that the matter of devaluation had not been advised by us, nor discussed. We had been informed. I assumed that the French believed, as we did, that this was a constructive step. Mr. Schuman agreed.

The short range steps which we might take, such as the purchasing for stockpiling purposes of raw materials, benefited everybody. There was nothing exclusive about this. The longer range problems involved, on the British side, the reduction of their costs so that they could become competitive. On our side, they involved taking such steps as the administration could to continue the lowering of tariff barriers, so that the British, the French, the Dutch, and others would not find that their efforts to earn dollars were blocked by legislative action. There was nothing exclusive about this. Mr. Schuman agreed.

I then went on to say that in the global aspect of matters there were some things which could be done by the US, UK, and France in the Far East as a basis of a common understanding of the problem, and that for the rest, all of us were intensifying our efforts to work through the UN. Here again there was nothing exclusive. Here again Mr. Schuman agreed.

Mr. Schuman expressed his amazement that anyone should have had any different idea. He said that he had never entertained it; that he would talk to Bonnet tomorrow, and together they would do their best to straighten the matter out. He said that misunderstandings often arose when he was absent from Paris. He said that he deeply appreciated the close and confidential relations which existed between him and me and that I could be assured that any doubts or worries which existed in his mind would be promptly communicated to me; that if they were not expressed by him, they did not exist in his mind. This was the case in the present situation.

He added that it was well understood and agreed to by his government at the time of Mr. Snyder's visit to Europe that the July talks between the US, UK and Canada<sup>3</sup> would be followed by later talks of the same character. The only request of his government was that it should be informed after any conclusions had been reached in these talks. He felt that this had been done. He had no complaint.

ACHESON

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<sup>2</sup> Documentation on the tripartite economic talks in Washington, September 7-12, is in volume iv.

<sup>3</sup> Documentation on Secretary Snyder's trip to Europe and the United States-United Kingdom-Canadian financial talks during July is in volume iv.

862.5151/9-2649 : Telegram

*The Acting Secretary of State to the Office of the United States High Commissioner for Germany, at Bonn*

TOP SECRET      NIACT      WASHINGTON, September 26, 1949—1 a. m.

4. Urgent for McCloy. Deliver immediately upon his arrival.

Immediately following message relays cable from Secy of his conversation yesterday with Schuman which should be helpful in ur negotiations.<sup>1</sup> In view of gravity of French appeal at this stage, we believe it would be wise to refrain from vote in High Commission on situation until this afternoon in order to allow sufficient time for Schuman's report to his govt to have effect on instructions to Poncet. If Poncet does not alter his position by afternoon, we see no alternative to going ahead without their agreement, which we understand would be on following basis:

1. Conversion factor would be fixed at 23.8 cents.

2. Commission would simultaneously institute study of coal prices looking forward to equalizing export and internal prices taking into account all related factors.

3. Commission would also take action to prevent devaluation of DM from increasing existing spread between export and internal prices. We understand that this would be done in manner which would not increase prices to France, i.e., by shifting to DM price basis (see our 1767 Sept 26 to Frankfort for our suggestions<sup>2</sup>).

All here appreciate your handling of this difficult situation and the very great efforts you have made with the French and Germans.

Sent Bonn as 4. Repeated Frankfort 1768, Paris for Bruce 3642, London for Holmes 3504, USUN, New York 502.

WEBB

<sup>1</sup> Not printed; it repeated telegram 1188, *supra*, to Bonn.

<sup>2</sup> Not printed; it suggested that McCloy might assure the French that while the study on eliminating dual pricing for coal was being conducted, the United States would agree to hold the export price of German coal at the pre-devaluation level. This seemed preferable to assurances concerning neutralizing the effect of franc devaluation or the elimination of coal subsidies. (862.5151/9-2649)

862.5151/9-2749 : Telegram

*The Ambassador in France (Bruce) to the Acting Secretary of State*

TOP SECRET      NIACT  
PRIORITY

PARIS, September 27, 1949—1 a. m.

3996. For Secretary, Under Secretary and ECA Foster from McCloy.

After all-day session at Quai d'Orsay at which Queuille and Petsche were present for long period, the French position was fully explored with the result that we were unable to reach an agreement that I could take back to Bonn tonight. French endeavoring to get a precise commitment simultaneous with fixing rate that parity between domestic and export prices would be reached by action of the Commission not later than January 1, 1950.

Existing disparity between German domestic price and export price of coal should not in meantime be accentuated as result of German and French devaluation, preferably by quoting export price in deutschmarks with understanding that any increase or decrease in deutschmark domestic price should be reflected in export price. Think this freezing of disparity might be accomplished for period from now to January 1, 1950 through possible use along approved lines of German ECA counterpart funds through releasing other budgetary funds for alleviation of higher import price e.g. for wheat, but no one here has been able to evolve method of meeting this situation after January 1, 1950 which is date by which French insist all subsidies in Germany must end, except in demonstrably exceptional cases.

I feel that effort to remedy consequences of new German mark rate before we have knowledge of what conditions will be as a result of revaluation is unwise and impractical. I was prepared to enter into general commitments to institute immediate study of the entire program, but pressed for the immediate establishment of a mark rate at 20 percent reduction feel that further delays in fixing 20 percent rate for Germany disastrous and even though we cannot obtain French agreement believe majority of Commission should proceed to the establishment of a 20 percent mark rate and immediately also vote to institute study referred to.

If French appeal believe the consequences in Germany will be most unfortunate, if not disastrous, but believe there is no alternative.

Every indication is that the French political situation is nervous in the extreme and this deeply motivates the attitude of the French.

Leaving for Bonn in early morning, due to arrive there for meeting with Commission 10 o'clock Bonn time.

Following is tentative text of proposed undertaking by High Commission:

"1. The High Commission recognizes that all discriminatory practices and dumping must be ended and measures must be taken looking toward the elimination of all subsidies, direct or indirect. This should be accomplished by January 1, 1950.

The Commission has ordered that an inquiry be undertaken immediately to determine the measures required to implement that policy."

Following is tentative text proposed by French of undertaking by US High Commissioner unilaterally:

"2. The US High Commissioner recognizes that, subject to such exceptional measures as can be justified, the maintenance of disparities between domestic and export prices of coal and other basic materials constitutes a discriminatory practice as the term is used in the decision of the High Commission made on September blank, 1949."

Both texts are now in abeyance but would be helpful have your views as to wisdom of entering into such undertakings. Proposed text one would be announced shortly after fixing rate for mark and text two would not be published at all but would be disclosed to British and probably also to Germans.

Sent Department 3996; repeated London 660 for Holmes, Frankfurt 67 for High Commission, Bonn 1.

BRUCE

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862.5151/9-2749: Telegram

*The Ambassador in France (Bruce) to the Acting Secretary of State*

TOP SECRET      NIACT

PARIS, September 27, 1949—2 p. m.

4001. The following are the impressions which Harriman and I received from the extended conferences with the French yesterday as outlined in McCloy's telegram (Embtel 3996<sup>1</sup>) which merely gave the high points at 1 a. m. this morning after meeting.

Harriman and I are in complete agreement with McCloy that it is entirely inappropriate and impracticable for the French to couple as a condition precedent the full solution immediately of the problem of disparity between export and domestic price of German coal in connection with their agreement to mark devaluation. I think the French position, however, has more substance to it than merely the delicate political situation in France.

It is manifestly very difficult for any French Government to accept a situation, following the wave of devaluation set off by the British pound, in which Germany would emerge in a more favorable competitive position than before *vis-à-vis* the other Western European countries.

If the domestic price of coal in Germany is permitted to follow the devaluation while the export price is maintained for export, it is difficult to contest the French thesis that the German position in this important commodity will be more favorable than before devaluation with an important effect on the price structure of the Western European metallurgical industry.

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<sup>1</sup> *Supra.*

We are inclined to agree with the French that a development of this nature would constitute a serious set-back to the aim of European integration and liberalization of commercial exchanges which it is firm American policy to encourage.

The texts of the drafts given in McCloy's cable were tentatively agreed by both sides last night but there remains the French strong insistence that during the period while these studies and measures would be undertaken that the existing disparity between the domestic and export price of German coal should be maintained at existing levels and not be increased by the effect of devaluation on the German domestic price.

The present difficulty over the devaluation of the German mark is, of course, merely a part of the more fundamental problem of reconciling the various nationalist differences in Europe in the interest of achieving greater unification. We recognize the extraordinary difficulties in reconciling these conflicting interests without appearing unduly to favor one country or the other to the detriment of greater European cooperation.

Mr. McCloy's visit was very helpful to all concerned.

I have endeavored to persuade the French not to invoke the appeal machinery even in the event of the failure to agree on all points.

I am seeing Queuille this morning and will report in a subsequent telegram later developments.

Repeated Frankfort for McCloy 68, London for Holmes 661.

BRUCE

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862.5151/9-2749

*Memorandum of Telephone Conversation, by the Acting Director of the Office of German and Austrian Affairs (Murphy)*

TOP SECRET

[WASHINGTON,] September 27, 1949.

Participants: Hon. John J. McCloy  
Robert Murphy

Mr. McCloy telephoned from Bonn at 3:00 p. m. saying that the meeting of the Council of the Allied High Commission is still going on and had recessed in order to permit the Commissioners to contact their Governments. Mr. McCloy said that after his conversations with [in?] Paris yesterday and early in today's meeting at Bonn, he thought that an agreement had been arrived at. This unfortunately proved not to be the case. The Commissioners had agreed on a 20% devaluation of the German Mark which is satisfactory to the Germans. It also agreed to set in motion a study of discriminatory practices which is

to be coupled with an inquiry as to what if any measures to correct these practices are to be put into effect by January 1, 1950.

It was also agreed that during the period while these studies were to be undertaken that the existing disparities between domestic and export prices of German coal should be maintained at existing levels and not be increased by the effect of devaluation on the German domestic price.

There was disagreement on the French insistence that the U.S. High Commissioner give a commitment in writing to the effect that he would disapprove the maintenance of disparities between the domestic and export price of coal and other basic materials and in effect disapprove any subsidies which may be benefiting the domestic price structure. On this Mr. McCloy said that he feels that he should not be put in a position of taking an *a priori* commitment in the absence of a full knowledge of the facts, and that he should have a completely free hand to determine these after a careful study has been made. He said that he of course stands for the discontinuance of discriminatory rates and practices but that a number of things are involved; for example, the food subsidy, which is necessary in his opinion in view of the great effort now being made to increase German food production. In the field of mining, for example, certain subsidies in connection with housing, etc., are obviously necessary in the present situation.

He expressed the opinion that the time had arrived to take a decision and while he would regret an appeal to the governments which [*it?*] did not seem possible to longer delay the procedures. He said that François-Poncet seemed to have no latitude whatever.

I expressed the opinion that the Secretary would approve Mr. McCloy's position and suggested that it might be well if possible to suspend the meeting at Bonn for approximately an hour which would give François-Poncet opportunity to contact Paris again in a last effort to obtain authorization to agree and that in the interval, we would also attempt to contact the Secretary.<sup>1</sup>

We would call Mr. McCloy as soon as we could.

Both Mr. McCloy and I feel that the French insistence on a unilateral undertaking by the U.S. High Commissioner is not only unjustified but is also unwise as a precedent, because such a practice would undoubtedly cause a deterioration in the operation of the High Commission and from every point of view is a bad precedent.

ROBERT MURPHY

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<sup>1</sup> Regarding Murphy's conversations with Secretary Acheson in New York and subsequent conversation with McCloy, see his memorandum of telephone conversations, *infra*.

862.5151/9-2749

*Memorandum of Telephone Conversations, by the Acting Director of  
the Office of German and Austrian Affairs (Murphy)*

TOP SECRET

[WASHINGTON,] September 27, 1949.

Participants: Secretary Dean Acheson in New York  
Ambassador Robert Murphy in Washington  
United States High Commissioner for Germany—  
John J. McCloy

The Secretary telephoned from New York at 6:00 p. m. and said that he had just finished a conversation with Schuman<sup>1</sup> who referred to the conference now in progress at Bonn where he said the French Representative is prepared to vote for twenty percent (20%) devaluation of the Deutsche Mark. In addition to that and the other agreements mentioned by Mr. McCloy in a conversation earlier today,<sup>2</sup> the Secretary said that Schuman as a result of the conversation this afternoon with Paris suggested an additional stipulation to be in the form of an agreement between him and the Secretary reading as follows: "The United States Government will fully cooperate with the French Government with a view to eliminate before January 1, 1950 the disparity between the export and domestic price of German coal except in special cases."

The Secretary said that he had told Mr. Schuman that before passing on this text that he wanted to consult with this office and with Mr. McCloy. On reflection he believed that it would not be advisable to conclude an agreement of this character as between himself and the French Foreign Minister. He is particularly doubtful as to the advisability of discussing the matter without the participation of Mr. Bevin and feels that in any event the agreement if made should be on the level of the High Commissioners and that the British should be brought into the discussion.

It was agreed that I should telephone Mr. McCloy to obtain his reaction so that the Secretary would be in a position to discuss the matter further with Mr. Schuman this evening.

I communicated the foregoing to Mr. McCloy who after careful reading of the text asked that Mr. Acheson be informed that he could not go along with the language of that stipulation because it committed him to the elimination of the disparity before the study is made. Mr. McCloy said that he did not want to be placed in the position of opposition to his British colleague and tied down by such a stipulation three months before the study is completed and regardless of whether

<sup>1</sup> A memorandum of Secretary Acheson's conversation with Schuman, not printed, is in file 862.5151/9-2749.

<sup>2</sup> A memorandum of this conversation is printed *supra*.



that meant to vote that way either in special or general cases, he doesn't like the idea of being pushed into an awkward personal position. He wants complete freedom of action but is willing to accept in principle that discriminatory practices should be eliminated as far as possible. The wording by Mr. Schuman pushes him too far, and he further believes that the method followed by the French in this case is a bad thing for the Commission; in effect, it would be the constituting of a Franco-American alliance within the Commission which would be bad. I asked Mr. McCloy whether he has been keeping his British colleague informed of the conversations in Paris, and he said that he had kept Robertson fully informed.

I told him that his views would be communicated immediately to Mr. Acheson who is seeing Mr. Schuman a little later this evening. In the meantime, the High Commission is remaining in continuous session at Bonn. He said he has heard nothing further from the French High Commissioner.

The foregoing was communicated to the Secretary who said that he understood Mr. McCloy's position and would communicate it to Mr. Schuman this evening. He asked a number of questions regarding the factors which would be involved as he said he wanted to be clear in his own mind regarding the nature of the factors making up the disparity and the effect that would have should the disparity be eliminated. I told him that that was the purpose of the study and that it would be obvious that it would have an effect on the general price structure. There are, for example, factors of the marginal mines which required governmental subsidy; there was subsidy for miners' housing and a number of similar features. There was also the relationship of the price of German coal with foreign price; such as, the British price of coal and the price of French iron ore. All these things required study, and we should not commit ourselves in advance of the study. He said he agreed to this position.

The following message was dictated by Secretary Acheson from New York at 8:00 p. m.: "I have just seen Mr. Schuman.<sup>3</sup> I told him that we were not able to make the statement which he asked me to make and which I read to Mr. Murphy. I said that we were not able to do this because this required a commitment as to specific action from us before the study was even made which would have to precede the action. I said that it would also in our opinion interfere with the smooth working and unity of the High Commission. However, I was pleased to say to Mr. Schuman that the policy of the United States in Germany as carried out by Mr. McCloy would be that discriminatory practices should be eliminated as far as possible and as fast as possible.

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<sup>3</sup> The record of Secretary Acheson's second conversation with Schuman is part of the memorandum of conversation referred to in footnote 1.

I said that the United States Government was wholeheartedly committed to this principle.

Mr. Schuman said that he would communicate with his Government and that perhaps this assurance which was entirely satisfactory to Mr. Schuman would, he hoped, be satisfactory to his Government. However, they were very nervous and he might have to come back to me again."

At 8:20 p. m. Mr. McCloy telephoned stating that General Robertson objects strongly to the form of commitment suggested by Mr. Schuman above. General Robertson states that he would have to appeal to his government if a decision were based upon such a bilateral understanding within the Commission.

I talked with Mr. McCloy again at 9:00 p. m. He was very encouraged by the Secretary's support of his position and said that he and General Robertson had tentatively agreed on a joint statement to the effect that both the UK and US members were prepared to move toward an elimination of the disparity between the export and import price of German coal. He did not have the exact text before him but he said that it had been shown to François-Poncet who stated that he personally would accept it. François-Poncet is still awaiting further instructions from Paris and apparently Parodi and the Foreign Office Staff will remain on duty through the night. The Commissioners will meet as soon as François-Poncet has received further instructions.

September 28, 1949 <sup>4</sup>

Mr. McCloy telephoned at 9:30 a. m. to report that agreement had been reached by the High Commissioners at 6:00 a. m. German time. Mr. McCloy said that the French Representative François-Poncet appeared to announce that the French were ready to agree to the rate of 23.8 cents per mark; that is, a twenty percent (20%) devaluation with the balance of the understanding to the effect that a group would be set up to study the question of the disparity between export and domestic price of coal with a view to putting measures into effect by January 1950 to correct this if possible. In the meantime, the present situation would be frozen so that the devaluation would not be permitted to aggravate the disparity. The French did not insist on the stipulation mentioned in the first paragraph above and also it was not necessary for Mr. McCloy to write an explanatory letter.

However, this morning the German Prime Minister Adenauer communicated to the High Commissioners his desire to meet with them tomorrow morning indicating that technically the Germans had never

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<sup>4</sup> Apparently the memorandum prepared by Murphy on September 27 ended with the paragraph concerning his conversation with McCloy at 9:00 p. m. The record of his conversations on September 28 was then added to the memorandum for the 27th.

officially agreed to anything less than a twenty-five percent (25%) devaluation. Dr. Adenauer also indicated that the Germans were not enthusiastic about the provision relating to the price of coal and desired more information concerning it. Mr. McCloy said also that he feared that the British would be inclined to support the Germans if they made a last minute insistence on a twenty-five percent (25%) devaluation. I suggested to Mr. McCloy that it might be well to have an informal conversation with Adenauer prior to the meeting with the High Commissioners and he said that he was sending Mr. Riddleberger to Dr. Adenauer for that purpose. I also suggested that it might be well for him to have an informal conversation with his British colleague for the purpose of emphasizing the desirability of a united Allied position as it would seem unhappy to face the Germans with a split vote on the subject. Mr. McCloy said that while Robertson had indicated that he might in the end have to support the German view of a twenty-five percent (25%) devaluation because of conditions in the UK it would not mean that the British would appeal if the vote in the High Commission were two to one in favor of a twenty percent (20%) devaluation.

At 10:00 a. m. I communicated Mr. McCloy's message to the Secretary.

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862.5151/9-2849 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

RESTRICTED

BONN, September 28, 1949—7 a. m.

9. For Acheson from McCloy.

Department pass to Treasury for Martin, ECA for Hoffman and DA for Voorhees.

Following decision taken at meeting of HICOM held 0600 hours this date:

Decision of the Allied High Commission on the revaluation of the Deutsche mark the Council of the High Commission decides as follows:

1. The Allied High Commission does not interpose any objection to the Government of the Federal Republic of Germany establishing a conversion value for the Deutsche mark in terms of United States dollars at the rate of 0.238 United States dollars per Deutsche mark.

2. The High Commission recognizes that any discriminatory practices and dumping which may exist must be eliminated and measures must be taken looking toward the elimination of any subsidies, direct or indirect, granted in order to support such discriminatory practices and dumping; this should be accomplished by January 1, 1950. The

High Commission has ordered that any inquiry order by the High Commission on discriminatory trade practices, action will be taken within seven days to ensure that the interests of coal importing countries are not prejudiced by the present devaluation of the Deutsche mark. This may be achieved by (a) maintaining the same price in Deutsche marks for export coal as before the present devaluation; or (b) adjusting the export and/or the internal prices of coal so as to ensure that the differential between the two is not wider than before the present devaluation. The Government of the Federal Republic of Germany is to submit to the High Commission measures to implement the foregoing.

Done at Bonn, Petersberg, September 27, 1949, A. François-Poncet, French HICOM for Germany—John J. McCloy, US HICOM for Germany—B. M. Robertson, UK HICOM for Germany.

Due to necessity for permitting German Cabinet to act, request no publicity until released here. Deeply appreciate support of Secretary and Department in a very trying situation.

Sent Department, repeated Paris for Bruce and Harriman, Brussels 1 for OSR, London 4 for Holmes, Luxembourg 1, The Hague 1.

McCLOY

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862.5151/10-149 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

CONFIDENTIAL      PRIORITY      FRANKFURT, October 1, 1949—10 a. m.

2692. Dept pass Dept Army, ECA, Treasury.

1. Following is report in detail of conversations between High Commissioners and Federal Chancellor morning Thursday, 29 September, concerning decision on revaluation Deutsche mark (reference cable 9 from Bonn to Department<sup>1</sup>) which Council transmitted Chancellor on 28 September and which was discussed by Chancellor at press conference and in Bundestag 28 September.

2. François-Poncet opened conversations by referring to Adenauer's press conference of previous day, pointing out that it had been reported that Adenauer had questioned the power of the Commission under the occupation statute to take its decision. He stated that language of paragraph 1 of Council decision had been chosen to avoid appearance that the High Commissioners were dictating what the rate of exchange should be. He also referred to paragraph 3 and said that two alternative methods for safeguarding interests of coal-importing countries had been put forward by the High Commissioners to avoid imposing on the government one line of action.

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<sup>1</sup> *Supra*.

3. Adenauer then replied that many of the press reports of his remarks at press conference and in Bundestag were incorrect. At press conference, he said there would be no question of increasing the internal price of coal because he wished to avoid the creation of public unrest at the time of devaluation. He disclaimed making any statement that the High Commission had only advisory functions with respect to foreign trade. He then said, however, that he thought in this connection that the whole relationship of High Commission to Federal Republic under the occupation statute would have to be clarified. He recalled that the three preliminary drafts of the occupation statute, which had gone into great detail about Allied supervision of German affairs, had finally been replaced by a much shorter document in more general terms, capable of various interpretations.<sup>2</sup> He understood that purpose of occupation statute was to realize purposes of the occupation. In the statute, occupying powers had reserved one field in which they had right to veto the actions of the German Government; in a second field, the occupation authorities reserved to themselves their authority within this second field, there was again a sub-division, with some powers reserved to the occupation authorities, but also providing for legislation by Federal Republic where High Commissioners had no objection. He said he realized that the High Commissioners had phrased their decision on fixing of the exchange rate for the Deutsche mark so as to avoid the impression that an order was being given. On the other hand, German public opinion would know that it would be difficult to change this decision.

4. On the proposal in paragraph 3(b) to adjust the export and internal prices of coal, he said that such a course would produce a rise in home prices from 25 to 43 percent and would lead to grave domestic consequences. He could not see what relation the internal price of coal had to the purposes of the occupation. If the devaluation of the Deutsche mark led to difficulties for certain foreign countries importing coal, he thought the best solution could be found by discussion between the economic ministers of the Federal Republic [and economic ministers of those countries. The authority of the new government] with the German people was not strong and he asked the Commission not to diminish this authority by a too strict interpretation of the occupation statute.

In particular he felt that our devaluation decision had already weakened the authority of his government. He expressed himself as grateful for private discussions which I had with him on this subject, but said that he would have preferred that our conversation today might have taken place before a final decision was made.

<sup>2</sup> For documentation on the negotiations concerning the occupation statute for Germany in London and Washington, January-April, 1949, see pp. 1 ff.

5. At François-Poncet's request, I replied to Adenauer's remarks by calling to mind the general framework of the circumstances under which the decision had been taken. I pointed out that solution of this problem went right to the heart of many interests in Europe and that, although we had been extremely sensitive to the conditions to which we were exposing the German Government and economy, it had been necessary to act with speed. After the devaluation of the pound, which had taken the world by surprise, there had been a series of devaluations, all effected unilaterally, which had created confusion in world markets. Every day's delay in establishing a new conversion factor meant a serious loss to German foreign trade and added to confusion elsewhere. The decision which we reached on the conversion rate took into account not only the interests of Germany, but those of Europe as a whole.

6. I next commented on the vital part which the coal trade plays in European commerce and reconstruction and observed that this fact had forced us to take into account the effect of a new conversion factor on coal exports and imports. I said that we could not ignore effects which changes in the Deutsche mark rate would have on the price of coal. Finally, I pointed out that, in the speed with which we had felt obliged to act, we had been somewhat limited in following out the niceties of approach in presenting our solution. However, the High Commissioners, in announcing their decision, had been insistent that there be no publicity until it has been communicated to the German Government. Even then, as I pointed out, the first news of the decision had come from sources other than the High Commission and, up to that point, it would have been possible for consultations between the Chancellor and ourselves to take place. By this, I added that I did not mean that the decision was in any sense provisional; the decision was firm and would have to be so regarded, irrespective of any interpretations that might have been provided for the Chancellor in discussions prior to the public announcement. I concluded by saying that I had purposely refrained from referring to any of the constitutional questions raised by the Chancellor, as I felt that they might be beneficially explored at a later time.

7. Robertson then commented in detail on each of the three paragraphs of the devaluation decision. On the level of the rate of exchange he said that, although it was true that the only request made by the government was for a 25 percent devaluation, it was fair to say that it had been our understanding that a considerable body of opinion in German governmental circles would find a 20 percent devaluation acceptable. He further remarked that he had to take into account the effect of devaluation on all of the countries of Europe and that, since

under the occupation statute we were charged with responsibility for foreign affairs, we were in a better position than the German authorities to determine what the reaction to devaluation would be in foreign countries.

8. On paragraph 2, which orders an inquiry into discriminatory practices, Robertson said that the German authorities were mistaken in thinking that this requirement implied an accusation. If there were any reflection it could not be directed at a government which had been in office only a few days and could not be responsible for any previous or existing situation. This responsibility had resided in Military Government, so if any accusation had been intended it would have been against the predecessor of the Commission. He hoped it would be recognized that this measure was a necessary safeguard, in view of serious apprehensions abroad about discriminatory trade practices.

9. On the measures to be taken to ensure that the interests of coal-importing countries are not prejudiced by Deutsche mark devaluation, Robertson said that it would be wrong merely because of the fortuitous fact that the DM was pegged to the dollar that Germany should be in a position to take advantage of coal-importing countries by an automatic increase in the price of coal. He observed that his own country was a coal exporting, not importing, country with ambitions to regain its position in the coal export market, and certainly had no particular interest in depressing German coal prices. British coal export prices had not been increased but were being allowed to follow the course of the pound. He said that it was arguable that the German coal export price was in any case too low and ought to be increased, but that we nevertheless maintained such increase should not happen automatically as the result of devaluation. It might be desirable as result of all the devaluation steps taken for there to be a general review of all coal prices. He then referred to the second alternative, calling for an adjustment between the export and the internal price of coal, emphasizing that this was only an alternative and required no immediate equalization of the two prices. He was aware that there were proposals for equalizing these two prices in all countries and that suggestions in this direction had perhaps been made to his own government. The inclusion of this step as one of the alternatives only corresponded with what was being done very widely elsewhere. He concluded by saying that what we mainly attached importance to was the quick achievement of the objective, and subject to that, we did not desire to dictate the manner in which the objective was to be achieved.

10. After summarizing Robertson's and my remarks, François-Poncet emphasized our joint aim to promote a system for European

cooperation and the integration of Germany within that system. He also referred to Adenauer's fear that we would put the German Government into a prejudicial position and said that we had no such intention and hoped that the Federal Government, which was also our child, would grow and become strong and healthy. At the same time, the Chancellor and the German people had to understand that the present regime had not been given complete freedom, a fact which might be regretted but which both sides had to accept.

11. In response, Adenauer said that, although the High Commissioners and their governments must have the last word on the interpretation of the occupation statute, discussions on such interpretation between the German authorities and the High Commission was possible. He could not accept our preference that there be no discussion on this question at the meeting, unless it were understood that such non-discussion did not create a precedent. He then asked that such later discussion take place. He once again stated that the wording of paragraph 1 put him in an awkward position because, strictly speaking, the government was entitled to put through its own decision since the occupation statute provided that the government could legislate unless explicitly ordered not to do so by the occupation authorities. He hoped that his government would be given credit for not making difficulties about being put into this position. On paragraph 2 he expressed satisfaction with the assurances which had been given him. On paragraph 3 he said that he hoped it could be understood that it would be necessary to protect the interests of all coal-importing countries; for instance, he did not see why Switzerland should have cheap coal. He also asked whether he had understood correctly that proposals by his government for obtaining the objective of paragraph 3, other than those already set out, would be considered by the High Commissioners.

The meeting concluded:

*a.* That the Federal Government would officially publish the rate of exchange at the level set out in our decision (0.238095);

*b.* That legal experts of the three occupying powers and the Federal Government should meet for the purpose of examining the application of certain paragraphs of the occupation statute and the procedure for handling similar questions in the future, subject to the understanding that final decision on any such question would rest with the High Commission;

*c.* That, with regard to obtaining the objective of paragraph 3 of our decision, the Federal Government might within the next 7 days present for the consideration of the High Commission proposal further to those contained in our decision;

*d.* That today's meeting would be followed by further exchanges of views between ourselves and the Chancellor and his ministers.



13. [12.] We also agreed to issue a joint press communiqué, already been dispatched to you in ourtel 11 from Bonn.<sup>3</sup>

Repeated London 196, Paris 218, Berlin 160.

McCLOY

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<sup>3</sup> Not printed.

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## F. WEST GERMAN PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

862.20/6-2149

*Paper Prepared by the Foreign Assistance Correlation Committee<sup>1</sup>*

June 21, 1949.

### GERMANY AND MAP

#### *Problem:*

What will be the relationship of Germany, and particularly of the economic resources of the Ruhr, to the program for increasing the defensive military strength of the Western European Countries?

#### *Answer:*

It is, of course, impossible to predict at this time what will be the future political relationship of Germany to the other Western European Countries and to the regional organizations which they have set up among themselves. It is the hope of the United States Government that Germany will in the future work ever more closely with the other Western European Countries to achieve our common aims of economic strength, peace, and political stability. How this shall come about is a matter which will have to be jointly worked out by Western European Countries and Germany.

The United States Government does not envisage that Germany will be in a position to undertake cooperative military efforts with other Western European Governments, as we are fully committed to the complete and absolute disarmament and demilitarization of Germany. She will not have military forces of her own. She will not have industrial capacity for the production of armaments.

However, Germany is and can to an increasing extent contribute to the general economic strength of the Western European Countries,

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<sup>1</sup> The Foreign Assistance Correlation Committee, composed of representatives from the Department of State, the National Military Establishment, and the Economic Cooperation Administration, had come into existence at the end of 1948 as the result of an agreement among the three participants. For documentation relating to its activity and genesis, see volume II.

which is the essential foundation of military strength. This economic contribution is now being made through the joint planning efforts of the OEEC under the ECA Program. This Program now assumes maximum utilization, in producing goods for German consumption and for exports to meet the needs of other European participants, of the industrial facilities of Western Germany, including the Ruhr. The volume of ECA assistance which we are giving assumes the availability of these goods.

It is of course possible, without violating our disarmament and demilitarization policy, for Western Germany to export basic materials for use in producing additional military equipment in the arsenals of other Western European countries and to produce civilian type items required by military forces. It is also of course possible that, as in other countries, there may be idle capacity which cannot immediately be put into production either because of lack of special types of raw materials which must be imported, or because the facilities can only produce items which are not now required in the OEEC program and cannot find export markets outside of Western Europe.

Although precise information is not available, it is the best judgment of persons familiar with the economic situation and prospects of Western Germany that there will not be any substantial volume of civilian type goods which could be produced in Germany with otherwise idle facilities. In point of fact, Germany, not being a participant in the Military Aid Program as a whole, could not be expected to make available goods to members of the MAP without payment. In the circumstances it would appear to be preferable to look to the expansion of German trade with other Western European countries in civilian essentials and industrial materials and products to assist in the process of European recovery and thereby increase the basic economic strength of Western Europe.

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840.00/7-2549 : Telegram

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

SECRET

LONDON, July 25, 1949—8 p. m.

2927. Embtel 2892 July 22 repeated Paris 564, Berlin 276<sup>1</sup>. Unconfirmed press reports from Paris that Schuman raised question of

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<sup>1</sup> Not printed; it reported that the French had brought up again the issue of the admission of the Saar to the Council of Europe despite the unfavorable view of the British. The Foreign Office was now studying the problem, particularly possible adverse German reaction to admission of the Saar, and would oppose any move that was likely to defeat the long term objective of integrating Germany in Europe. (840.00/7-2249)

Saar's admission to Council of Europe during his talk with Bevin on July 23. Dean has not seen Bevin's memo of conversation and indeed doubts whether Bevin made written record of this particular point especially since Schuman made it quite clear that French were not making formal request for admission of Saar. Dean is certain however that Bevin gave no commitments whatsoever. A few days prior to the Bevin-Schuman conversation Harvey<sup>2</sup> mentioned to Parodi that Massigli had raised question with Foreign Office (Embtel 2834 July 19<sup>3</sup>) and inquired whether French Foreign Minister personally interested in inclusion Saar. Parodi reportedly gave negative reply. Moreover, Bevin received distinct impression in his talk with Schuman that latter not particularly concerned about matter.

Dean expressed hope that French will not introduce issue at Strasbourg and indicated that if they did Bevin would probably vote against proposal which Foreign Office believes would probably be resented in West Germany. He intimated, however, that British might reconsider their present attitude in order to use admission Saar as bait to induce French to change their position re inclusion Germany in Council. Latter he stated have recently started to drag heels on early admission Germany although committed eventual inclusion. This change Dean attributes to influence Couve de Murville and Parodi on Schuman.

British disturbed by development as they feel that West Germany should be admitted to Council as quickly as possible in furtherance of policy of linking Germany together. In conclusion Bevin reiterated Shuckburgh's assurance that UK take no action re Saar without previous consultation with US.

Sent Department 2927, repeated Paris 577, Berlin 278.

DOUGLAS

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<sup>2</sup> Sir Oliver C. Harvey, British Ambassador in France.

<sup>3</sup> Not printed.

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840.00/7-2949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

[WASHINGTON,] July 29, 1949—2 p. m.

2657.<sup>1</sup> Dept notes from urtel 2892 July 22<sup>2</sup> that Fr have urged for second time admission of Saar to Council of Europe (ref also Paris

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<sup>1</sup> Repeated to Paris as 2774, Berlin as 840, Rome as 1662, Brussels as 919, and The Hague as 653.

<sup>2</sup> Not printed, but see footnote 1 to telegram 2927, *supra*.

tel 3038 July 24<sup>3</sup>). Member Fr Emb staff here recently informed Dept rep of Fr interest in this matter.<sup>4</sup>

While question is not one which directly concerns US, for your guidance, Dept does not favor Fr proposal. We have strictly reserved our position re polit status of Saar pending decision in final peace settlement. We view Fr proposal as politically inexpedient and, if adopted, it cannot be allowed to prejudice our freedom of decision on eventual status of Saar. Furthermore, Dept believes membership of Ger in Council of Europe will help reintegrate Ger in Eur community and admission of Saar to Council wld prejudice this most important ultimate goal in Dept's opinion.<sup>5</sup>

Foregoing for your background info only, in case you are approached on this matter, as we do not wish to give impression we are interfering in affairs of Council of Europe.

ACHESON

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<sup>3</sup> Not printed.

<sup>4</sup> Under reference here is a conversation between Wapler and Douglas MacArthur, the Chief of the Division of Western European Affairs, on July 19 at which the French Counselor expressed his country's desire to include the Saar in the Council of Europe. A memorandum of this conversation is in file 840.00/7-1949.

<sup>5</sup> In telegram 1240, August 7, from Berlin, not printed, Hays and Riddleberger expressed their opinions that admission of the Saar before Western Germany would be most unwise, since it would have widespread political repercussions in Germany. (840.00/8-749)

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840.00/8-349: Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, August 3, 1949—5 p. m.

3212. In conversation with Embassy officer chief Saar Division Foreign Office stated question admission Saar as associate member Council Europe under Article 5 of statute first brought up by Schuman at Five Power meeting June 18 when it was agreed question would be studied by governments and followed up through regular diplomatic channels. Following this meeting matter was brought to attention of respective Foreign Offices by French missions in several capitals. In July 23 conversation Schuman briefly discussed question Saar membership with Bevin who indicated he was not sure such move opportune in view possible German reaction, but stated that he had reached no decision and matter was still being studied.

Foreign Office source stated that regrettable uproar was subsequently caused by publication London *Sunday Times* article implying British Government opposed French proposal regarding Saar on ground this first step toward eventual French annexation. This had necessitated two *mises au point*, one by British Foreign Office disavow-

ing *Times* articles and one by French Foreign Office stressing that French policy in regard Saar still based on its Moscow CFM memorandum of April 10, 1947.<sup>1</sup> Foreign Office source remarked that principles of this memorandum had been accepted by both British and Americans and referred specifically to statements by former Secretary Marshall in CFM meetings of April 10 and November 26, 1947, accepting principles of customs and monetary attachment of Saar to France and its political detachment from Germany.<sup>2</sup>

Source stressed that French policy had not changed and that French had no desire annex Saar but on contrary contemplated eventual relationship between France and Saar comparable to that between Belgium and Luxembourg. He added that Foreign Office currently engaged in drafting series of conventions which it hoped could be concluded with Saar by end of year and which would replace present rather broad and general supervision of Saar affairs by specific agreements on limited number of subjects. Saar obligations France would thereafter be only those contained in these conventions and in Saar constitution. Under new system High Commissioner who in organizational stage had found it necessary to intervene in Saar affairs to degree possibly undesirable on permanent basis, would become merely normal French diplomatic representative. In response to inquiry whether French contemplated permitting Saar government to undertake its own foreign representation as was case with Luxembourg, informant stated he thought French Government would be willing at later date to allow Saar to undertake such representation.

When Embassy officer suggested that present moment did in fact seem inopportune for bringing up Saar question in view of German reaction, French official inclined minimize this reaction characterizing it as merely natural electoral period phenomenon. He stated Germans fully aware of Allied agreement on political detachment of Saar from Germany and had tacitly recognized this at time Bonn Constitutional Assembly by making no move to include Saar within provisions of West German constitution.<sup>3</sup> Informant stated that if Germans were not clear on this point French Government felt that fact of Allied agreements of 1947 should be made clear to Germans without further delay rather than allow question become clouded by propaganda.

When Embassy Officer remarked that it was difficult to understand why French should take view that admission of Saar should precede

<sup>1</sup> For the text of CFM (47) (M) 114, not printed, see *Déclarations de M. Georges Bidault, Président de la Délégation Française au Conseil des Ministères des Affaires Étrangères, Session de Moscou, Mars-Avril 1947*, Paris, 1947, pp. 42-43.

<sup>2</sup> For the text of the April 10, 1947 statement by Secretary Marshall, see *Germany 1947-1949*, p. 148. Regarding his statement of November 26 at the fifth session of the Council of Foreign Ministers, see *Foreign Relations*, 1947, vol. II, pp. 734-735.

<sup>3</sup> For documentation relating to the deliberations of the Bonn Parliamentary Council and the drafting of the West German constitution, see pp. 187 ff.

that of West Germany, informant stated that French position was rather that admission of West Germany should not precede that of Saar and that French might be agreeable to simultaneous admission of West Germany and Saar. In conclusion Foreign Office official stated French position remained as originally stated on June 18, i.e., that Saar fulfilled requirements of Article 5 of statute and action should be taken on admission of Saar as associate member soon as possible. He stated that while question had been discussed with Five-Power Foreign Offices by respective French missions none of governments had so far given any definite answer and Schuman therefore would undoubtedly bring up question again at Strasbourg. He did not know what line Minister would take in ensuing discussion but stated that while French position was firm on questions of principle involved, it was at the same time open-minded with regard to questions of procedure and that if other powers should appear to consider it advisable that matter be postponed until some time subsequent to German elections,<sup>4</sup> it was conceivable that Schuman might agree to such temporary postponement of matter.

Very similar views on this subject were expressed by chief of Central European Division who, though he took somewhat more truculent attitude with regard to opportuneness of French proposal and necessity for admission of Saar prior to West Germany, nevertheless stressed that French had not slightest desire to annex Saar and also stated that Foreign Office experts had for some time been engaged in difficult and complicated task of drafting conventions which would establish Franco-Saar economic relations on basis of specific agreements and give Saar authorities much greater autonomy than at present.

Sent Department 3212; repeated London 557, Berlin 298; pouched Rome, Brussels, The Hague, Luxembourg.

BRUCE

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<sup>4</sup> Under reference here are the first elections to the Bundestag of the Federal Republic of Germany on August 14. Concerning the results of these elections, see *Germany 1947-1949*, pp. 317-319.

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862.00/9-349

*Paper Prepared by the Policy Planning Staff*

SECRET

[WASHINGTON,] August 31, 1949.

#### STATUS OF THE SAAR

In view of the increasing frequency with which the question of the status of the Saar is raised, the following statement of fact and policy

has been prepared for the guidance of certain missions in Europe as well as officers of the Department.

#### OFFICIAL POLICY

Secretary Marshall stated at the Moscow CFM that the US agreed to the political separation of the Saar from Germany and to the economic and financial integration of the Saar with France. Beyond this, the United States reserves its position and holds that the definitive status of the Saar is to be determined in the final peace settlement.

#### RELATIONSHIP BETWEEN GERMANY AND THE SAAR

The Saar is not treated as part of the French Zone of Germany, and will not, therefore, be subject either to the High Commission or the Federal Republic.

#### BASIC RELATIONSHIP BETWEEN FRANCE AND THE SAARLAND

The present position of the Saarland was established in December 1947 and January 1948 by three basic enactments:

(a) The Saar Constitution, adopted on December 15, 1947, which provided in its preamble

- (i) that the Saar become independent of Germany;
- (ii) that France take over the defense and foreign relations of the Saar;
- (iii) that French tariffs and currency be introduced in the Saar;
- (iv) that a French representative be appointed with the right to issue decrees for safeguarding the economic union and to supervise the execution of a charter; and
- (v) that judicial uniformity, within the framework of a charter, be set up.

(b) The decree of January 10, 1948 concerning military government in the Saar, issued by the French Commander in Chief in Germany, transferring top French representation in the Saar to a High Commissioner.

(c) The French decree of December 31, 1947 regarding the French High Commissioner in the Saar, giving him

- (i) authority to supervise the execution of the Saar Constitution, French-Saar agreements, and French laws in the Saar,
- (ii) the right to veto all Saar laws and regulations, to pass on all nominations for higher Saar offices and on all naturalizations, and
- (iii) the power to issue decrees within the framework of the French-Saar economic union, to amend the Saar budget under certain conditions, and to take emergency measures to safeguard the public order.

[Here follows a discussion of the economic union between France and the Saar, the French-Saar judicial convention, Saar citizenship, postal and railroad matters, the Saar mines, patents, police, and military and cultural matters.]

#### INTERNATIONAL STATUS (COUNCIL OF EUROPE)

The Saar currently has no international status. The French are campaigning for its admission to the Council of Europe. We have been advised but not consulted on this. Our official but unpublicized position is that such a move is premature, and would have an adverse effect in Germany, whose admission to the Council is desirable and of much greater importance and should not be prejudiced by admission of the Saar.

#### CONCLUSIONS

It is practicable to continue our present policy of accepting many *de facto* developments in the status of the Saar, while postponing ("until the final peace settlement") a definitive decision. Furthermore such a policy is desirable in order to leave us more tactical freedom with regard to the problem of the Oder-Neisse line, and in order to determine what the prospects are for a successful permanent separation of the Saar from Germany. Our present policy does not necessitate direct or positive action on our part, in general, although on occasion we may desire to exercise indirect pressure in order to safeguard wider and more important objectives in Germany and Europe.

While admissions to the Council of Europe are not directly our affair, we have a strong interest in the French proposal to admit the Saar, which has been adversely received in Germany where political leaders and the press continue to criticize the political separation of the Saar from Germany. The French have defended their proposal as indicating that they had not proposed to join the Saar politically to France. We have two interests. First, we do not wish to see any step taken which would prejudice in any way the admission of Germany to the Council of Europe which we regard as an important objective contributing to German cooperation with the Western world. It would accordingly be preferable to admit Germany first so that the Germans could officially express themselves with regard to the admission of the Saar.

Second, we do not wish to see a step taken which would finalize the legal and political status of the Saar in the absence of a definitive peace settlement. This position is based on doubt that the three occupying powers alone are legally competent to settle this question and on a desire not to take steps in the West which would damage our tactical position with regard to the Oder-Neisse line in the East.



We would be prepared to approve the admission of the Saar to the Council of Europe only if a fair and free plebiscite of the people of the Saar should confirm the political separation of the Saar from Germany and approve the entrance of the Saar into the Council of Europe. Such a plebiscite would have the effect of forcing the Germans to accept the separation of the Saar as soundly based on the wish of the Saarlanders themselves, or it would demonstrate conclusively to the French that they are pursuing a will-o-the-wisp. It would also plant our feet on firmer ground generally as regards German territorial changes.

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*Editorial Note*

At their 25th meeting, September 16, the military governors agreed that a German delegate should be authorized to take part in the conference of the Inland Transport Committee of the International Labor Organization to be held in Geneva on October 31. The governors also stipulated that this decision would not set a precedent, and that future similar cases would be examined on their own merits.

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740.00119 Control (Germany)/9-1649 : Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Secretary of State*

SECRET

FRANKFURT, September 16, 1949—8 p. m.

2333. (OMGUS-CCF 1220) From Kimmel for Parkman. Joint meeting High Commission-IAR Council held September 15 at Frankfurt—François-Poncet in the chair. Principal matters considered were question of German accession to IAR and relations between High Commission and IAR.

Question of relationships came up at beginning of meeting and after short courteous exchanges to effect that IAR and Commission should and would cooperate fully, proceeded to consider matter of German accession. François-Poncet put this problem in two parts (a) has time come for accession of Germany, and (b) should Germans be represented at Council by an observer or by a voting representative with full powers. Both Commission and Council agreed that Germans should be represented on Council soon as possible by voting representative and not observer. In view of German right under Article 4 of agreement<sup>1</sup> to appoint a delegate as soon as government is estab-

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<sup>1</sup> For the text of the Agreement for the Establishment of an International Authority for the Ruhr, signed at London on April 28, 1949, see 3 UST 5212; for the draft text, see *Foreign Relations*, 1948, vol. II, p. 581.

lished, meeting agreed would be better skip this step entirely and bring Germany into full participation at outset. If Germany accedes under Article 31, an instrument of accession [*is?*] necessary which raised question of whether or not IAR Council should undertake draft. McCloy pointed out that under Article 9c Germany can also accede by other means and suggested that if German Government sent representation to Council meeting with voting powers, this in itself could be considered as accession by occupying powers. François-Poncet agreed this approach might have value because such course would be easier politically for German Government than executing formal instrument.

Meeting decided that members of High Commission and members IAR Council should inform their respective governments that time for German accession has come and that the High Commissioners should ask their governments for authority to act in determining what steps might constitute accession under Article 9c. Meeting agreed if government answers affirmative, another joint meeting should be held to work out best method of dealing with German Government. McCloy has mentioned these questions separately in own cable.<sup>2</sup>

Robertson returned to question of IAR-High Commission relationships by saying he had certain fears about German accession. Germans now think of IAR as very powerful body and if they join they will soon discover that real powers lodged in other agencies. Therefore Germans likely go other extreme with impression that authority has no important job to do and not bother to work with it except in perfunctory way. Robertson view must avoid situation several different agencies discussing same matters with Germans and he thought it might be advisable to hand over certain High Commission powers to the Council but implied High Commission would have to retain ultimate control for some time to come. De Jean (France) agreed that High Commission should share out some of work and thought Ruhr authority should absorb powers under Articles 18 and 19<sup>3</sup> of agreement as soon as possible. Vaughan Berry thought present powers of authority somewhat less than were expected and would conceivably continue so for several years. All three High Commissioners finally stated in one way or another that High Commission cannot deprive itself of certain powers, François-Poncet even going so far as to say that France wants no powers taken from coal and steel control groups at this time.

High Commissioners and members of IAR Council expressed view that a solution of problems of IAR-High Commission relationships

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<sup>2</sup> Under reference here is telegram CCF 1245, September 16, from Frankfurt, not printed. (740.00119 Control (Germany)/9-1649)

<sup>3</sup> Articles 18 and 19 dealt with the transfer of powers from the IAR or their continuation after the control period.

and exercise of powers by IAR could be worked out especially after it is known what Germans will do re membership. Vaughan Berry suggested setting up small working party to discuss problem at leisure and while idea generally agreed to by Council members and High Commissioners, no exact terms of reference determined. Robertson thought that working party might consider such matters as allocation of work and structural changes which might be made at later date. François-Poncet thought working party should be a kind of standing committee which would deal with problems *ad hoc* as they arise. McCloy thought working party good idea, but ended session with remark that working party should not deal with matter of transfer of powers at all. No decision on who will take initiative setting up working party, but representation from High Commission probably will be selected from coal and steel groups through economic advisers, and also Military Security Board.

Sent Department 2333; repeated London 179.

RIDDLEBERGER

740.00119 Control (Germany)/9-2649: Telegram

*The Acting Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

SECRET

WASHINGTON, September 26, 1949—7 p. m.

1760. Question of Ger participation in Ruhr Authority discussed with Parkman on basis OMGUS telegram CCF 1245 Sept 17<sup>1</sup> and Kimmel's report in USPolAd telegram 2333 from Frankfurt Sept 16 (OMGUS-CCF 1220).<sup>2</sup> As Dept understands point raised at joint Commission-IAR meeting, question is what acts may constitute sufficient assumption by Ger Govt of responsibilities under agreement so that Gers may be authorized to vote in accordance with Article 9(c). Such assumption may be "by accession or by other means." Phrase "other means" originally intended to cover such methods as peace settlement.

Agreed here desirable Gers send voting representative to IAR soonest, and Dept appreciates possible difficulties in technical accession by Ger Govt. However, proposal to allow Gers assume responsibilities merely by appointing voting representative does not seem satis. In addition to objections mentioned CCF-1245, implied assumption of responsibility by Gers wld leave precise extent their responsibilities undefined, and they wld be in position dispute scope of their obligations at any time. This cld make IAR operations wholly ineffectual.

<sup>1</sup> Not printed; it reported on the IAR-High Commission meeting September 16. Regarding this meeting see telegram 2333, *supra*.

<sup>2</sup> *Supra*.

Dept considers it essential Ger assumption of responsibilities under Ruhr agreement be in no way ambiguous. Ger Govt should not have preferred position, but shld be committed to agreement as clearly and definitely as signatory powers are committed by their approval of it. This need not be done by instrument of accession under Article 31, but it shld be done by some commitment or undertaking recognized as binding by Ger Govt. While form is not important and Gers may prepare undertaking themselves, High Comm shld ensure it contains statement of obligations satis to occupying powers.

Dept feels such statement must contain acceptance of all responsibilities and obligations which devolve on Ger under Ruhr agreement. However, if Gers are unwilling to commit themselves with respect to unknown future agreements or arrangements for transfer of powers under Articles 18 and 19, Dept wld not object their specifying that assumption of responsibilities by them does not extend to responsibilities under powers which may in future be assigned to IAR pursuant to those Articles. Language this effect wld have to be carefully examined before acceptance, in order to prevent Gers taking opportunity to make formal reservation concerning powers presently exercised by occupation auths which might ultimately be transferred under Articles 18 and 19.

Unless you have further objections, request you discuss foregoing with Brit and Fr in order to reach agreement to proceed along these lines, with opportunity for Dept to consider in advance substance of any proposed Ger statement. Believe also desirable as matter of comity contents of any Ger statement be likewise discussed with other signatory govts, even though their approval not required by Article 9(c) on question what constitutes assumption of responsibilities.

WEBB

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862.00/10-2649 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

FRANKFURT, October 26, 1949—5 p. m.

3448. Reference question raised by Adenauer October 2[20] in connection German participation Council of Europe. Bonn telegram 25 October 21.<sup>1</sup>

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<sup>1</sup>Not printed; it reported the decisions taken at the meeting of the High Commission on October 20, and summarized the discussion of the High Commissioners with Adenauer following it. As the last item of business the Chancellor had asked whether Germany could send delegates to the Council of Ministers meeting on November 3. (740.00119 Control (Germany)/10-2149) Regarding the discussion of the status of Berlin at these two meetings, see footnote 4 to telegram 3376, October 24, p. 426.

It appears he did not propose to send delegates to November 3 Paris meeting of Ministers but raised question of advisability of Federal Government's making formal application for membership before that date. Implication is he intends in this way to take initiative and force the pace, provided he can have some assurance German request will be favorably acted upon by the Council of Europe. He wants High Commissioner's approval of proposed action as well as some indication as to Germany's chances of being admitted. As far as [re]presentation on Ministerial Committee is concerned Adenauer stated he realized that lacking foreign minister Germany could not at first be member of that committee and that he would be satisfied with seat in Assembly.

I assume Department favors Germany's admission to Council of Europe. Is there any objection to Adenauer's proposal to apply at once for membership? Can Department or Embassies Paris, London give any indication as to Germany's chances being admitted to Council? Reply to these questions urgently needed.

While Adenauer did not raise question of admission to [of?] the Saar, this is matter on which we should also like to have guidance. Understand French up to now have not changed their position that the Saar would also enter the Council and at same time as Federal Republic. Unfavorable repercussions Western Germany if Saar given such recognition as politically separate entity self-evident. There is also question whether French or Council of Europe should be permitted without US Government's consent to make decisions which seriously affect political status of the Saar. Department will also want to consider possibility that Adenauer's proposed action may have effect of forcing French hand on Saar membership issue. Such development not viewed unfavorably here.

Repeated Paris 260, London 225.

McCLOY

862.00/10-2849 : Telegram

*The Secretary of State to the Office of the United States High  
Commissioner for Germany, at Frankfurt*

SECRET

PRIORITY

WASHINGTON, October 28, 1949—12 noon.

2373.<sup>1</sup> Dept appreciates that Adenauer's proposal to make formal application for membership in Council of Eur before Nov 3 Paris mtg will force Fr hand this issue [as] well as Saar membership issue. Dept's view, question Ger's admission to Council of Eur is touchstone of Fr

<sup>1</sup> Repeated to Paris as 4101, London as 3870, Brussels as 1260, The Hague as 951, and Rome as 2695.

and Brit willingness to live up to Wash Agreements April 28 [8].<sup>2</sup> Point 7 of memo then agreed was "It is a major objective of the three Allied govts to encourage and facilitate the closest integration on a mutually beneficial basis of the Ger people under a democratic federal state within the framework of a European assoc." US Govt believes as firmly as ever in validity that objective. Dept feels that subsequent events such as creation East Ger Govt<sup>3</sup> and intensification of Sov appeals to Ger nationalism have quickened the pace. Rapid Ger integration in Eur community appeals to Dept as more than ever prime and urgent necessity of the moment.

Dept accordingly favors Ger admission to Council of Eur at earliest possible moment and favors Adenauer's proposal to make application before Nov mtg. This issue shld not continue to be postponed and avoided. US has entirely legitimate interest as occupying power. Nevertheless, from side of Council itself, initiative and leadership must come from Brit and Fr, primarily latter because Dept believes only France can effectively take lead in working for Franco-Ger collaboration within an integrated Eur community. US has avoided and will continue to avoid bringing pressure to bear on Council of Eur of which we are not member. Dept quite prepared, however, express in Ger as occupying power its firm belief in wisdom and necessity earliest Ger admission to Council of Eur.

Info at Dept's disposal indicates Brit are favorably inclined and Fr continue to be skittish. Embs Paris and London shld report promptly their best judgment as to prospects Ger's admission Council if application made.

Dept continues oppose admission Saar to Council Eur prior to or simultaneous with Ger admission. Such action wld not only affect polit status Saar without our consent but wld seriously prejudice Ger public opinion against Council.

You are authorized to act on basis these views but in expressing US standpoint care shld be taken to avoid putting it in such a way as to drive Fr off from taking the action in Council of Eur which we hope they will take. Shld be made clear to Fr that our interest in this matter springs from no misguided solicitude for Ger's position but rather from deep conviction that future Eur security depends upon successful polit incorporation of Ger into Eur Community.

Paris and London may communicate Dept's views to Brit and Fr FonOffs.

ACHESON

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<sup>2</sup> For the texts of the Washington Agreements on Germany, see pp. 177 ff.

<sup>3</sup> For documentation relating to the formation of the East German Government, see pp. 505 ff.

840.00/10-2949 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PRIORITY

PARIS, October 29, 1949—9 p. m.

4505. ReDeptel 4101, October 28.<sup>1</sup> I saw Mr. Schuman this afternoon and outlined to him the viewpoint of the Department. He was thoroughly sympathetic with the desire of the Department to integrate Germany into the European community as rapidly as possible and asserted his personal conviction that every practicable step should be taken to do so. He said, however, that it would be absolutely impracticable politically in France for his Government to agree to Germany's membership in the Council of Europe without the prior or simultaneous admission of the Saar to such membership. In this connection, the Department will recall that Mr. Bidault, although not then a member of the Government, publicly supported this position as the spokesman for the French parliamentary delegation at Strasbourg. It will also be recalled by the Department that a previous despatch by us had reported Mr. Schuman's statement to me that the Government then headed by Mr. Queuille would not be able, even if it wished to do so, to assent to the admission of Germany unless the Saar had theretofore or at the same time, also become a member.

Mr. Schuman said today that the admission of the Saar at this time would not prevent a reconsideration of its membership status after the peace treaty since on the assumption that there would then be a change in its political status, it would cease to be a member and further that the Saar's position today is no more provisional in a legal sense than is that of the West German Government and that both of them must be made definitive in an eventual peace treaty.

Furthermore, on the time schedule, Schuman envisaged the following steps:

1. Discussion by the Committee of Ministers at their meeting next week;
2. Discussion by the French Parliament;
3. Approval of the admission of Germany and the Saar by the Consultative Assembly of the Council of Europe (provided that the Committee of Ministers and the member governments amend the statute of the Council in accordance with the Assembly's recommendation that it have joint jurisdiction regarding the admission of new members).

In connection with discussion of this question by the French Parliament, it will be remembered that Schuman personally pledged that the National Assembly would be given an opportunity to debate the admission of Germany to membership in the Council of Europe.

<sup>1</sup> Same as telegram 2373, *supra*.

My view is that it will not be possible to change the French Government's position on this question and it is quite possible that they already have obtained the support of other members of the Committee of Ministers (we believe this to be true in the case of British). Nor do I believe that the present Government could yield on this point even if it were so inclined, without inviting an adverse vote of Parliament. In the circumstances, we would appear to be faced with these alternatives: namely, either to have the whole question of German admission postponed indefinitely or to persuade the Germans to go along with the simultaneous admission of the Saar. My own feeling is that we should choose the latter.

Sent Department 4505; repeated London 766, Frankfort 111.

BRUCE

840.00/10-3149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

US URGENT

WASHINGTON, October 31, 1949—7 p. m.

NIACT

3917.<sup>1</sup> Personal for the Ambassador. Brit Emb today handed us following *Aide-Mémoire*:

"The Consultative Assembly of the Council of Europe has recommended that the Committee of Ministers should consider the admission of new members and new associate members to the Council. The main question at issue is whether Germany should be admitted.

2. The matter has been considered in London and it is felt that at the forthcoming meeting of the Committee of Ministers on the 3rd November, Mr. Bevin should make the following proposals:—

(a) The Committee of Ministers should make a declaration that if the German Federal Republic desires to accede as an associate member and is prepared to subscribe to the provisions of Article 3 of the statute, the governments concerned will at once issue an invitation to it under Article 5.

(b) The Committee should make a similar declaration in respect of the Saar. The reasons for this suggestion are explained in paragraph 4 below.

Mr. Bevin would also propose that the Committee should postpone a decision regarding the admission of Austria until the result of the present Peace Treaty negotiations is known.<sup>2</sup>

3. The United Kingdom Government consider that since the Council of Europe is a focus for European co-operation and since it is the

<sup>1</sup> Repeated to Frankfurt as 2447, Paris as 4160, Rome as 2725, Brussels as 1270, and The Hague as 960.

<sup>2</sup> For documentation relating to the Austrian Treaty negotiations in New York, September 23–December 16, see pp. 1146 ff.



declared policy that Germany should be incorporated into the Western system, the Council is the most suitable body with which to begin the process. Germany, however, should be invited to participate as an associate member and not as a full member since she does not as yet control her foreign policy. Furthermore there is reason to believe that the German Chancellor would be quite satisfied with associate membership. It is moreover most unlikely that the French Government would agree to full membership at present.

4. With regard to the Saar, it is clearly unlikely that the French Government will agree even to associate membership for Germany unless a similar move is made for the Saar. His Majesty's Government consider that something must be done to break this deadlock. His Majesty's Government realise that the future status of the Saar is closely involved, but provided that the French Government can be induced to say that, just as in the case of Germany, they would have no objection to the Saar eventually becoming a full member, they feel that they should agree with the French view that the Saar should have associate membership now. If the Saar should ever become a full member it will be clear that as an independent state it would possess the inherent right of eventually choosing between remaining independent or joining up with either Germany or France.

5. Although it is not specifically mentioned in any Assembly resolution or recommendation, the Assembly at its recent meeting thought that if the Committee of Ministers admitted Germany as an associate member this year it would be desirable to have a special session of the Assembly in the spring of 1950 so that Germany should be able to take a definite part at an early date. On general grounds His Majesty's Government are opposed to a special session in the spring and hope that a declaration now by the Committee of Ministers, as suggested, would help to avoid it.

6. In view of the obvious interest of the United States Government in this matter, Mr. Bevin does not wish to proceed on the foregoing lines without first informing the State Department. If the United States Government have any observations, Mr. Bevin would be very grateful to receive them as soon as possible."

In view of short time available we believe and Brit Emb agrees that you shld coordinate this matter in Lon. Our views are as follows:

We believe there would be obvious advantages in handling this matter in conjunction with other questions relating to Ger such as dismantling. We therefore suggest that it be proposed at meeting of Committee of Ministers on Nov 3 that question of membership for both Ger and Saar be postponed to a later meeting which shld be fixed at an early date, say within one month. In this connection see Rome's 3445 to Dept, rptd Lon as 223, Paris as 356, Berlin as 26<sup>3</sup> which states Itals intend to urge postponement to Fr. It shld then be possible to take up matter of Saar and Ger membership together with other questions to be discussed at the proposed high level meeting in Paris end

<sup>3</sup> Not printed.

of this week in hope of reaching decisions acceptable to both Fr and Gers. In such meeting we will be prepared to discuss question of Saar membership in Council of Eur. We still feel that any action on this matter shld preserve our position that final status of Saar shld be determined at time of conclusion of a Ger Peace settlement.

ACHESON

840.00/11-149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      PRIORITY      WASHINGTON, November 1, 1949—8 p. m.  
 NIACT

3938. For Douglas. British Embassy has just handed us the following extract from a telegram they have received from the Foreign Office.<sup>1</sup>

"I do not think that the Committee of Ministers can postpone consideration of this question. It will be some time before the Committee can meet again and postponement will have a bad effect in Germany. But this is not all. Unless the Committee of Ministers reaches some decision of principle now, the High Commissioners will be handicapped in their negotiations with Dr. Adenauer by the circumstance that they will not be in a position to say whether or not the admission of Germany is acceptable. Accordingly, the procedure I suggest is as follows. The Committee of Ministers should decide in principle that if Germany applies for associate membership, formally accepts the principles contained in the Statute, and agrees to have the same representation in the Assembly as the United Kingdom, France and Italy, she should be admitted. This provisional conclusion should be communicated not to Dr. Adenauer but to the three High Commissioners who are responsible for German foreign affairs. The High Commissioners would be at liberty to decide the timing and the manner of the communication to Dr. Adenauer. They could thus at their discretion bring this problem into the framework of their general negotiations with Dr. Adenauer. If, as a result of these negotiations, Germany applied for associate membership, her application would be brought before the next meeting of the Committee of Ministers."

This message appears to have been dispatched before your conversation with Bevin on this subject.<sup>2</sup> Although it does not say so, Hoyer

<sup>1</sup> A copy of the extract, handed to Llewellyn Thompson, Deputy Assistant Secretary of State for European Affairs, by Hoyer Millar, together with a memorandum of their conversation, prepared by Thompson, not printed, is in file 840.00/11-149.

<sup>2</sup> Douglas had talked with Bevin presumably early in the afternoon of November. 1. The British Foreign Minister thought it might be possible for the Council Ministers to seek the advice of the occupying powers before deciding on admission, and saw no particular difficulty in devising some graceful way of postponing action. Telegram 4377, November 1, from London, not printed. (840.00/11-149)

Millar interpreted message to apply to admission of both West Germany and Saar to Council of Europe.

While we wish avoid any appearance of intervening in the affairs of the Council of Europe, we are not at this stage prepared to take a final position on Bevin's proposal, although we are, of course, prepared to discuss subject at proposed high level meeting in Paris.

We hope very much that Bevin will be willing to handle the matter at the meeting of the Committee of Ministers along the lines (urtel 4377) which he has suggested.

ACHESON

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840.00/11-249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

FRANKFURT, November 2, 1949—8 p. m.

3683. On basis information available here cannot fully agree with opinion expressed by Shuckburgh (London's 4357 to Department, repeated Frankfort as 152<sup>1</sup>), that "West Germany not at present particularly hostile to admission of Saar."

During Bundestag election campaign, Saar was important SPD issue and relative calm present public disinterest to which Shuckburgh must refer is highly deceptive, merely indicating temporary German preoccupation other matters. In this connection attention Department is called to secret intelligence report, for American use only, re foreign policy program adopted by top SPD leaders at closed meeting held September 5 in Cologne at which Schumacher, Schmid, Ollenhauer, Brauer, Paul Loebe and Otto Suhr were present, latter two representing Berlin. "The Saar problem was the main subject of discussion." Schumacher stated his information indicated that Saar delegation to European Assembly at Strasbourg had appeared to be so weak and to have so little support from among the people of Saar that French Government had contemplated withdrawing it.

Ollenhauer informed committee of his secret meeting with Grumbach, French Socialist leader and German affairs expert, at Bad Duerkheim on 29 August and added that Grumbach had declared the French Socialist Party (SFIO) would use its influence to prevent the admission of the Saar to European Assembly. Schumacher emphasized SPD must continue its opposition against separation of Saar from Germany. If SPD would let up, he said, the KPD and SED would become only active champions of retaining Saar. Mention made

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<sup>1</sup> Not printed.

of provision of an alleged "secret" preamble to prove that Saar is a "puppet state" unworthy of admission. "Even if French would restate their view that Saar is, at least for present, politically still a part of Germany, SPD would counter that Western Germany and its parts should be represented in union by representative government of combined Western zones, not by governments of *Laender*". (Weekly Intelligence Report No. 175. Office Director Intelligence, 17 September, 1949<sup>2</sup>)

Sent Department 3683; repeated London 238, Paris 271.

McCLOY

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<sup>2</sup> Not found in Department of State files.

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840.00/11-1049: Airgram

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

[Extracts]

TOP SECRET

LONDON, November 10, 1949.

A-2077. The following information was received in strictest confidence . . . .

6. *Admission of New Members*

a.) Western Germany

(The formula for consulting the Standing Committee on the subject of the admission of new members is described in Paris confidential telegram no. 791 of November 4, 1949, and the text of the communiqué on the subject of the admission of Germany in Paris confidential telegram no. 795 of November 5, 1949<sup>1</sup>).

When the question of inviting Germany came up there was no outspoken objection. The Danes, Norwegians and French may have had reservations, but as stated in the communiqué it was agreed in principle that Western Germany should be associated as soon as possible with the Council of Europe. The need for prior consultation on the subject with the occupying powers (therefore the United States) was accepted, and the commitment of the French Foreign Minister to consult the French National Assembly was recognized. Under the procedure agreed to earlier in the meetings the advice of the Standing Committee of the Assembly was to be sought. In fact, the question of an invitation to Germany did not cause any particular difficulty in the Committee.

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<sup>1</sup> Neither printed.

The point as to whether an invitation could be issued after the various steps had been taken, without a further meeting of the Committee of Ministers, was not taken up. As the Committee agreed in principle to the issuance of an invitation to the Federal German Republic to become an associate member, it might be possible for the Chairman to request by telegraph the authorization of his eleven colleagues for extending the invitation. There was, however, no discussion on this point.

#### b.) The Saar

When Schuman laid before the Committee the request of the Saar to become an associate member there was a stony silence. It was broken by Bevin who in substance approved, subject to consultation with the occupying powers (viz. the one not present, the United States). Schuman took exception claiming that the status of the Saar was recognized, that it no longer formed a part of Germany, etc., although he admitted that the ultimate status was subject to the terms of the peace treaty. A stalemate was very nearly reached, but Bevin in fact pulled Schuman's chestnuts out of the fire. The argument he used was that if the United States should oppose the admission of the Saar and the Germans learned of it, then the Germans might refuse to come in if the Saar were admitted. In order to avoid such a possibility, Bevin argued, preliminary consultation with the United States [was necessary?], and an understanding was reached that Schuman would not take any action until the matter had been discussed with the United States. The statements of some high ranking French officials that Bevin let Schuman down and did not follow their agreed course of action were therefore not in accord with the facts. The Committee then without any commitment in principle (as there was in the case of Germany) agreed to ascertain the views of the Standing Committee.

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#### *Editorial Note*

At their third session in Paris, November 10, the Foreign Ministers of the United States, United Kingdom, and France agreed on the desirability of an early accession of Germany to the International Authority for the Ruhr. It was also agreed that German cooperation in matters of common European concern should be obtained as far as practicable. The Allied High Commission was charged with the responsibility for securing early action by the German Government on these matters. The minutes of the third session, not printed, are in

CFM Files: Lot M-88: Box 144: 3 Min Talks. A telegraphic report of the session was transmitted in telegram 4716, November 11, page 305. For further documentation relating to the discussions of the Foreign Ministers, see pages 306-308 and 632-637.

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740.00119 EW/12-149: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL      PRIORITY      BONN, December 1, 1949—6 p. m.

54. Adenauer today requested Allied Commission to forward to IAR application for membership of Federal Republic in IAR. Text of letter follows:

"My dear High Commissioner:

With reference to point two of the agreements at the Petersberg of 22 November 1949,<sup>1</sup> I have the honor of applying for membership of the Federal Republic in the International Authority of the Ruhr. I would be grateful if this application would be transmitted to the International Authority of the Ruhr and to the participating governments in the International Authority of the Ruhr.

Permit me, my dear High Commissioner, the expression of my highest esteem. Signed —Dr. Adenauer."

HICOM met with Chairman (Parkman, US) and Secretary General (Kaeckenbeeck) to discuss procedure for Federal Republic participation. Discussion centered on Article 9 (c) and Article 31, these articles being those concerned with Federal Republic assumption of responsibilities under Ruhr agreement by accession or by other means.

HICOM informed IAR representatives that High Commissioner would meet with Adenauer on 8 December and would discuss procedure for Federal Republic membership with him. In meantime, Adenauer had been informed that IAR had been given his application. After full discussion, HICOM agreed to request instructions from their governments as to whether assumption of responsibilities of Federal Republic under Article 9 (c) or Article 31 was desired. Kaeckenbeeck suggested IAR draw up two alternate texts to be signed by Federal Republic, one under Article 31 and the other under Article 9, to be given to HICOM before its meeting with Adenauer on 8 December. It was finally decided that each High Commissioner would contact his government and seek instructions before Adenauer's letter is forwarded to signatory governments.

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<sup>1</sup> For the text of the Petersberg Protocol and related documentation, see pp. 343 ff.

I feel, and it was generally agreed, that we should proceed under Article 9 (c), requiring Federal Republic to give clear and unequivocal statement of assumption of responsibilities under Ruhr Agreement. This procedure limits determination of acceptability of Federal Republic adherence to occupying powers, rather than full panel of signatories.

Parkman agrees we should proceed under provisions of paragraph 9 (c) and we will take this position unless you inform us otherwise. Would appreciate promptly any suggested wording you may wish include in Federal Republic assumption of responsibilities.

Sent Department 54, repeated London 26, Paris 23, Frankfurt 56.

McCLOY

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740.00119 Control (Germany)/12-149: Telegram

*The Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

CONFIDENTIAL

WASHINGTON, December 2, 1949—7 p. m.

3113. Urtel 54 Dec 1 from Bonn.<sup>1</sup> Re German application for membership in IAR, Dept prefers procedure under Article 31 rather than Article 9(c). Accession is primary method contemplated by Ruhr Agreement and it is customary procedure by which nation becomes party to agreement which it has not signed. Usual instrument of accession contains clear and unequivocal statement of assumption of responsibilities, so in that respect Article 9(c) offers no advantage. Furthermore, Dept considers it desirable to have acceptability of German adherence determined by full panel of signatories, rather than by occupying powers alone. See no reason for approving German membership without Benelux countries, unless there are factors of which Dept is not aware.

Dept's earlier telegrams (1760 Sept 26 and 2104 Oct 13<sup>2</sup>) expressed indifference as between procedures under Articles 9(c) and 31, but at that time HICOG regarded accession as politically difficult for German Govt and alternative procedure was being considered. Dept believes situation has changed sufficiently with Petersberg Agreement<sup>3</sup> so that Germans should be required to accede in usual manner.

Usual wording of instrument of accession would be as follows:

"The Federal Republic of Germany hereby accedes, in accordance with Article 31 thereof, to the Agreement for the Establishment of an International Authority for the Ruhr signed April 28, 1949, and

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<sup>1</sup> *Supra.*

<sup>2</sup> Neither printed.

<sup>3</sup> For the text of the Petersberg Protocol, see p. 343.

declares that it will assume and faithfully observe all obligations and responsibilities of the German Government set forth in the provisions of the said Agreement."

ACHESON

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740.00119 Control (Germany)/12-549 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL

PRIORITY

BONN, December 5, 1949—3 p. m.

58. From Parkman, USDel IAR. Re Bonn's 54; December 1,<sup>1</sup> as chairman of IAR, I am sending to Chancellor Adenauer letter of acknowledgement in substance as follows:

"The Council of the Allied High Commission has forwarded me Your Excellency's letter dated 30 November 1949,<sup>2</sup> requesting the admission of the Federal Government to the International Authority for the Ruhr.

It is with great pleasure that I acknowledge receipt of this communication on behalf of the Authority. I would like to add that I am sure that this news will be received with equal satisfaction by all the representatives to the Council of the Authority. This was clearly indicated in the welcoming speeches which were made when Dr. Bauer was introduced as delegate of the Federal Government in accordance with Article 4, first sentence, of the agreement by which the Authority was established.

I believe I am right in interpreting the request of Your Excellency as follows:

The Federal Government, having exercised its right under Article 4, first sentence, of the agreement, now desires to take advantage of Article 4, second sentence, and to send to the Council a representative entitled to vote, and an alternate.

The agreement provides two procedures to accomplish this purpose:

(1). The formal accession provided for under Article 31 by executing an instrument by means of which the German Government undertakes to assume its responsibilities under the agreement. It has been agreed that no additional provisions will be required.

(2). Another procedure, alluded to in Article 9 by the words "or by other means." This refers to another means of assuming the responsibilities incumbent upon Germany under the terms of the agreement. Article 9 stipulates that it is for the occupying powers concerned to decide that, either by acceding or by other means, Germany has assumed the obligations provided for under the term of the statute, whereupon the German votes may be cast by the German representative.

I should be happy to receive Your Excellency's confirmation that

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<sup>1</sup> *Ante*, p. 498.

<sup>2</sup> Transmitted in telegram 54, December 1, p. 498.



I have thus interpreted accurately the intention of the Federal Government. Should the procedure set forth in Article 31 be followed, the Authority would be glad to assist in the preparation of the text of the instrument to which the Federal Government would subscribe. Should the other procedure be followed, agreement with the occupying powers concerned would be advisable, since a decision by these powers that the German Government has assumed the obligation incumbent upon Germany under the terms of the agreement must precede the exercise of the right to vote by the German representative (Article 9).

I would therefore be grateful if Your Excellency would let me know as soon as possible whether Your Excellency agrees to this interpretation of the situation in order to enable me to inform the Council of the Authority."

A confirmation from the Chancellor of the interpretation set forth in above draft would constitute, in my opinion, part of an exchange which, when followed by letter from Adenauer to High Commission and reply from High Commission, would constitute that assumption of responsibilities contemplated by the agreement as prerequisite to the right to cast the votes allocated to Germany. In my view, statements made by Adenauer in Parliament would seem to preclude any formal instrument of accession under Article 31.

This subject will be more fully discussed with other national representatives of Council IAR at informal meeting this evening preceding formal session scheduled for Tuesday December 6 at 3 p. m.<sup>3</sup>

McCLOY

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<sup>3</sup> In telegram 3146, December 5, to Frankfurt, not printed, Parkman was instructed to refer to telegram 3113, *supra*, before sending the letter of acknowledgment, since it gave the reasons for the Department of State's preference for accession under Article 31. Parkman was also told that the determination of the method of application by the Federal Republic should be made by the Allied High Commission rather than by the Chancellor. (740.00119 Control (Germany)/12-549)

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740.00119 Control (Germany)/12-749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

RESTRICTED

Bonn, December 7, 1949—6 p. m.

60. From USDel IAR Düsseldorf. Mytel 7 December 6,<sup>1</sup> letter proposed by De Jean to be sent by chairman of High Commission to

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<sup>1</sup> Not printed; in it Parkman reported on the discussion of various topics by representatives of the IAR at a dinner in Düsseldorf. *Inter alia* they agreed to draft a letter to Adenauer which would state clearly the assumption of responsibilities by the "German Federal Republic," and would necessitate explicit confirmation by the Chancellor for accession to the agreement. (740.00119 Control (Germany)/12-649)

Adenauer adopted by Council IAR and forwarded to High Commission. Text follows:

"I have the honor to inform Your Excellency that the Allied High Commission has acquainted the International Authority for the Ruhr and the participating governments with the request of the Federal Government of Germany for admission to the International Authority for the Ruhr, as envisaged in paragraph two of the Petersberg agreement of 22 November 1949.<sup>2</sup>

The Ruhr Authority and the governments represented on the Council will be very happy to welcome the representative of the Federal Government to the Council. They understand that in sending a representative to the Council of the Authority the government of the Federal Republic of Germany accedes to the agreement of 28 April 1949 and assumes all the rights and all the responsibilities arising thereunder for Germany.

I would be grateful if Your Excellency would confirm to me that such is the intention of the Federal Government, and I am at the disposal of Your Excellency to communicate to the International Authority for the Ruhr, the name of the representative the Federal Government will designate."<sup>3</sup>

Repeated Frankfurt 63, London 32, Paris 29.

McCLOY

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<sup>2</sup> *Ante*, p. 343.

<sup>3</sup> At its sixth meeting, December 6, the IAR Council adopted this draft text. Parkman agreed to the draft but expressed the United States feeling that Germany should be clearly and unequivocally bound by its own act, as any of the signatory powers were. (Telegram 61, December 7, from Bonn, not printed, 740.00119 Control (Germany)/12-749)

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740.00119 Control (Germany)/12-1349 : Telegram

*The Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

SECRET

WASHINGTON, December 13, 1949—7 p. m.

3309.<sup>1</sup> According to telegram 64 Dec 9 from Bonn, rptd London 36, Paris 33,<sup>2</sup> Germans are displaying greater reluctance to join Ruhr Authority than seems consistent with Petersberg Agreement.<sup>3</sup> As we understand situation, Adenauer agrees Federal Republic shld become member IAR, but he opposes explicit statement assumption of responsibilities by Ger Govt. However, lack of explicit statement wld provide basis for continuing future disagreement between Ger and signatory powers, and wld also create damaging precedent in connection Ger membership other international bodies. For example, future Ger govt

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<sup>1</sup> Repeated to London as 4449 and Paris as 4782.

<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 343.

might maintain it was not obligated carry out distasteful responsibilities regardless of what Adenauer's own intentions may have been.

From here Dept cannot judge Adenauer's intentions, but feels that his counter suggestion in Bonn's 64 does not conform with requirements of Ruhr Agreement, because it does not constitute assumption of responsibilities by Ger Govt under either Article 9(c) or Article 31. Adenauer's proposal does not appear to us genuine compliance with his Petersberg commitment, because although Fed Rep has applied for membership in IAR, it is refusing to take the step which wld qualify it to be a member. Dept does not wish to be unduly technical about precise language Gers shld use, but agrees fully with your statement that obligations must be assumed "by definitive expression" rather than "by implication." Intend this message to clarify basis Dept thinking for use HICOG and USDel IAR in further developments this subject.

Dept comments on procedural technicalities for joining IAR will follow in separate telegram.<sup>4</sup> HICOG pls repeat to USDel IAR.

ACHESON

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<sup>4</sup> Telegram 3357, December 14, to Frankfurt, not printed (740.00119 Control (Germany)/12-1449).

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740.00119 Control (Germany)/12-1649 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL      PRIORITY      BONN, December 16, 1949—10 p. m.

65. From HICOG Bonn, US Secretary Allied General Secretariat, from Slater. Following is final exchange of letters on 16 December 1949 between Adenauer and the High Commission regarding Federal Republic accession to IAR statute:

1. In accordance with telephone conversation Byroade-Gerhardt 15 December,<sup>1</sup> I agreed to Adenauer's draft letter to HICOM which Council officially received. Text follows:

"With reference to my letter of 30 November 1949,<sup>2</sup> I have the honor to inform you in the name of the Federal Government that Mr. Bluecher has been nominated as German delegate to the Ruhr Authority.

I avail myself of this occasion to state that the Federal Government hereby accepts<sup>3</sup> the rights and obligations arising out of the agree-

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<sup>1</sup> No record of this conversation has been found in the Department of State files.

<sup>2</sup> Transmitted in telegram 54, December 1, p. 498.

<sup>3</sup> In telegram 4992, December 17, from Frankfurt, not printed, McCloy indicated that the word "accepts" should be changed to "assumes" to conform with the German text. (862.00/12-1749)

ment of 28 April 1949, on the establishment of an International Authority for the Ruhr. I wish further to refer, in connection with article 31 of the agreement, to paragraph 2 of the protocol of 22 November 1949,<sup>4</sup> which records the understanding that German accession to the Ruhr agreement will not be subject to any special conditions under article 31 thereof. Signed Adenauer.”<sup>5</sup>

2. Text of HICOM Council letter to Adenauer was officially transmitted as follows:

“The Allied High Commission acknowledges receipt of your letter, dated December 16, informing it that the Federal Government has designated Dr. Bluecher to represent it on the Council of the International Authority for the Ruhr, and will assume the rights and obligations resulting from the agreement of 28 April 1949. It considers this letter as signifying that the Federal Government accedes to the International Authority for the Ruhr under the conditions as provided in the statute of the Authority, and it will notify the president of the International Authority of the Ruhr that Dr. Bluecher will henceforth exercise the rights granted to the representative of Germany by the statute of this organization.”

3. The only discussion with Adenauer today concerned appointment of Bluecher as German delegate. Poncet pointed out that Bluecher was inappropriate appointment for the following reasons:

a. Bluecher was already preoccupied with tasks as vice-chancellor, senior cabinet member, Federal Republic representative to OEEC.

b. A “technical” representative would be better than a “political” appointment, particularly better than the appointment of a cabinet member. Poncet pointed out that Bluecher was only cabinet member on IAR Council.

Poncet stated he hoped Adenauer would reconsider Bluecher’s appointment if he found Bluecher had too much to do. Adenauer replied that Bluecher’s appointment was carefully considered and calculated to afford widest scope regarding problems of all Europe, as well as the Ruhr; further, that Bluecher shall have to follow instructions. In reply to direct question of Poncet, Adenauer indicated Dr. Bauer was only an interim appointment and would be recalled. Adenauer will appoint a nominee of the Federation of Trade Unions to be Bluecher’s deputy.

Sent Department 65, repeated Frankfort 73, Berlin 34, Paris 34, London 37.

McCLOY

<sup>4</sup> The text of the Petersberg Protocol is printed on p. 343.

<sup>5</sup> In telegram 3489, December 21, to Frankfurt, not printed, the Department of State agreed that Adenauer’s letter was a satisfactory assumption of the responsibilities under the Ruhr Agreement. (740.00119 Control (Germany)/12-1649)

### III. THE FORMATION OF THE "GERMAN DEMOCRATIC REPUBLIC"

862.00/2-349 : Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

CONFIDENTIAL

BERLIN, February 3, 1949—5 p. m.

170. Following are our views of significance of four day (Jan 25-29) SED Party Congress:

1. Gen tone of Congress (viz Pieck's main address, Congress Manifesto,<sup>1</sup> speeches of foreign delegates) did not correspond to Cachin-Togliatti "peace offense"<sup>2</sup> but rather heaped new abuse on world and German policy of Western Powers. Reason for gag on relatively mild Tulpanov speech still unclear (mytel 134 Jan 26 rptd Moscow 17<sup>3</sup>).

2. Congress featured renewed stress on Ger unity theme. While Commies never abandoned this line, Ger unity was pushed somewhat into background after end of UN discussion Berlin crisis.<sup>4</sup> At this time Sov propaganda began to concentrate heavily on SovZone Two Year Plan whose basic assumption was that SovZone would function as separate economic unit. This line found its expression in Ulbricht's speech (on second day of Conference mytel 142 Jan 28 rptd Moscow 19<sup>5</sup>) dealing with econ conditions in which he went so far as briefly to mention Five Year Plan as supplement to present program. But polit address of Grotewohl (on third day of conference mytel 147 rptd Moscow 20<sup>6</sup>) was dominated by unity theme, warning those who think in terms of "beautiful East Germany" that every SovZone policy must be conceived and implemented in terms of "all German future." Grotewohl defined Ger unity as most important immediate task and as prerequisite to any development toward "People's Democracy" in any part of Germany.

<sup>1</sup> For the text of the first SED congress resolution, see *Dokumente der SED*, pp. 183-199.

<sup>2</sup> Documentation relating to the Soviet peace offensive is in volume v.

<sup>3</sup> Not printed; it reported that Tulpanov's speech at the SED congress, January 25, had been carried by the Soviet-licensed news agency, but that it was suddenly recalled without explanation and further press reports on the congress omitted all mention of Tulpanov. (862.00/1-2649)

<sup>4</sup> For documentation relating to the Berlin crisis, see pp. 643 ff.

<sup>5</sup> Not printed; for the text of Ulbricht's report on economic policy, see Ulbricht, *Geschichte Arbeiterbewegung*, pp. 384-431.

<sup>6</sup> Not printed; for the text of Grotewohl's speech, see Grotewohl, *Im Kampf um DDR*, pp. 357-396.

We feel this renewed surge of unity propaganda may be due to fact that Ruhr Statute, Military Security Board, border rectifications, forthcoming Occupation Statute, and difficulties among Gers and among Western Powers re setting up West Ger govt have provided new stimuli to Commie propaganda at an all-Ger level and that the Commies may feel that such propaganda is making headway. Ulbricht's remarks re Berlin (mytel 149<sup>7</sup>) may have been calculated to modify assumptions of inevitable and permanent division in Germany and Berlin, and certainly Stalin interview<sup>8</sup> was designed to give appearance of highest-level Sov interest in restoring Ger unity.

3. Berlin, except for Ulbricht remarks which were handled by Sov-lic press in extremely inconspicuous manner, played a very minor role in business of Congress. Berlin Commies, except for brief and innocuous speeches by Ebert and Jeudretsky, were notably silent. Damper on Berlin may be due fact that it has become uncomfortable issue after West Powers have proved ability effectively to maintain Berlin position. Also SED may have been marking time in anticipation Stalin interview.

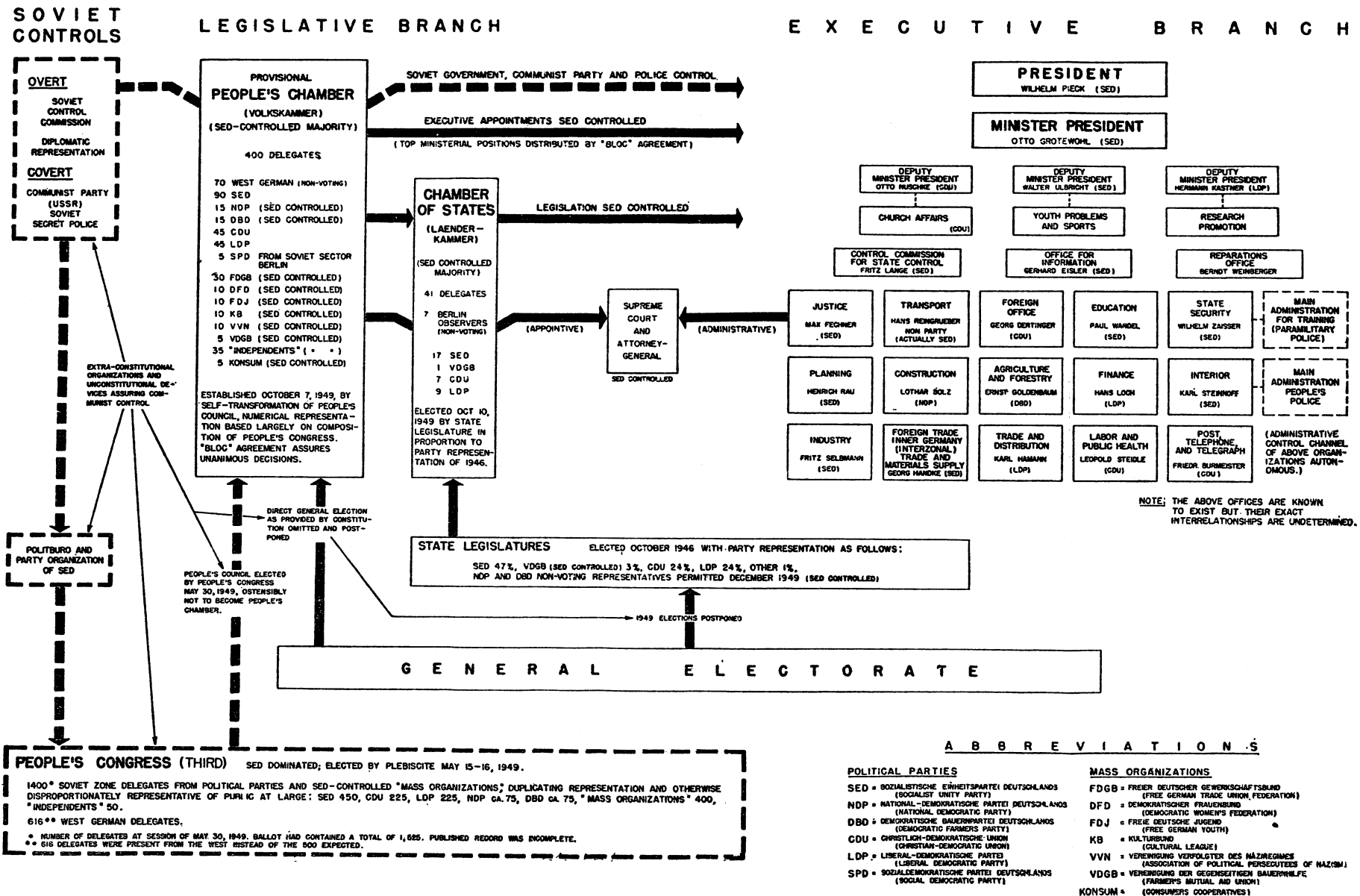
4. Unsatisfactory polit and econ conditions in SovZone clearly revealed during course of Congress. Grotewohl's admission that "majority of working class not firmly united behind Socialist Party" is convincing confirmation of our opinion that overwhelming majority of SovZone population is in unambiguous opposition to SED/SMA. Also, Grotewohl's impatient call for intensification of class struggle and Ulbricht's rather desperate goading of small farmers to seize polit control in the village illustrate Commie difficulties in eliciting polit response from sullen and hostile SovZone population. Ulbricht's assurance that no second land reform contemplated, even though ambiguous (mytel 142 rptd Moscow 19), should be interpreted as sop to non-Commies who have been increasingly anxious regarding such a possibility. While denial of land reform plans, plus professed adherence to "bloc politics" and lack of interest in developing toward "People's Democracy" can be regarded as sedatives to bourgeois parties, sharp attacks, especially against LDP "reactionary tendencies," indicate concern that important elements in SovZone have not yet completely learned the tune.

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<sup>7</sup> Not printed; in it Murphy reported that Ulbricht had aroused "considerable speculation" by stating in a short speech at the SED congress that there was no intention of incorporating Berlin into the Soviet Zone. This was a "complete reversal of the Soviet-SED line" that Berlin lay in the Soviet Zone and was an "integral" part of it. (862.00/1-2949)

<sup>8</sup> Regarding Stalin's interview with INS correspondent Kingsbury Smith, January 30, see editorial note, p. 666.

# CONTROL OF GOVERNMENT IN THE SOVIET ZONE



SOURCE: 2d Quarterly Report on Germany, January 1-March 31, 1950, p. 29.

REVISED MAY 10, 1950

For econ difficulties see page 3 mytel 142 rptd Moscow 19.<sup>9</sup>

5. "Party of new type" theme not only represents determination to make SED simon-pure Leninist organization but also illustrates difficulties SED has hitherto been experiencing with its internal organization. Estab of Politburo to coordinate manifold activities of party and principle of "democratic centralism" to insure strict adherence to party doctrine are new efforts (along with previously established party cadre, activist cells, and control agency) to solve dilemma of attempting to be revolutionary party while retaining mass membership, most of which was drawn from old SPD. Abandonment of parity system whereby former KPD and SPD members equally represented at all levels in hierarchy is a decisive effort to root out remaining influence of those who still recall that SED was alleged to be a fusion of Socialists and Commies. Institution of party-candidate system also designed to improve ideological and polit security of SED in situation where, as Grotewohl admitted, "Schumacherism" continues to register successes and SPD "agent activity on increase". Interesting to note that Congress involved no general or special elections and that apparently Politburo was handpicked and established without any consultation outside of SED elite.

6. Impressive international representation apparently designed to jack up SED prestige as party which can offer Germany important advantages in foreign policy. Presence of high Czech and Polish functionaries another aspect of Soviet policy endeavoring persuade Czechs and Poles to warm up to Germans. Finally, international representation may have been designed to make SED socially acceptable in Cominform.<sup>10</sup> Significantly, there was no mention of any representation from West Germany KPD.

This Congress should be placed in proper relation to other recent Sov or Commie actions. As we see it, "peace offensive" initiated by Cachin and Togliatti has been emphatically negated by all subsequent public acts except possibly Stalin interview. Formation of Eastern European Economic Bloc, continuing support of Greek rebels (manifested recently by publicity given their delegates at SED Convention here), blast of Soviet Foreign Office Jan 29 against Western Union and Atlantic Pact, as well as unmistakable warning to Norway on same date, all point in direction continuing and even sharpening

<sup>9</sup> Ulbricht had reported that only 75 percent of the production quotas in key industries had been reached in 1948, and attributed this failure to bureaucratic inefficiency. (740.00119 Control (Germany)/1-2849)

<sup>10</sup> In telegram 156, February 2, from Warsaw, not printed, Ambassador Gallman had indicated a similar view. He felt the SED congress was intended to establish a preliminary basis for *rapprochement* between East Germany and Poland and perhaps other satellites. The unprecedented Polish press coverage accorded to the congress seemed to indicate that this objective had been accomplished.



aggressiveness of Soviet tactics.<sup>11</sup> SED Convention belongs in this group of events which spell hostile actions instead peaceful words. It indicated no single recession from Soviet aims on any point, though bringing some shifts in emphasis.

Sent Dept 170, rptd Moscow 23, London 76, Paris 62. Pouched Warsaw and Prague.

MURPHY

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<sup>11</sup> Documentation on the formation of an eastern European economic bloc, the Greek Civil War, and the Soviet reaction to the Atlantic Pact and Western European Union is in volume v.

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811.42700(R)/3-1549 : Telegram

*The Ambassador in Poland (Gallman) to the Secretary of State*

SECRET

WARSAW, March 15, 1949—6 p. m.

382. ReDeptel 143 March 11.<sup>1</sup>

1. We have examined Morrow's cable sent from here and find nothing in it that had not been reported earlier by us in greater detail. Embtels 156, February 2 and 251, February 17<sup>2</sup> develop available evidence that preliminary basis *rapprochement* between East Germany and Polish Communists has been achieved, largely because of SED capitulation to PZPR terms that Oder-Neisse border be considered final and that Irredentist elements be purged (Embdesp 904 November 24<sup>3</sup>), and note accent placed by Polish delegate Ochab on possibilities of increased trade in speech made by him at SED Congress (Embdesp 117 February 15<sup>3</sup>) Polish officials acknowledge that one result western counter-blockade on Soviet zone has been to orient it eastward economically (Embtel 123 January 27<sup>3</sup>) and to increase Polish-Soviet zone trade (Embdesp 153 March 3<sup>3</sup>). Even press admitted in September that trade volume had been increased by \$30,000,000, bringing total planned goods exchanges for 1948 to \$48,000,000 on each side (airgram 1436 September 30<sup>3</sup>). We feel that Soviet response to counter-blockade and economic conditions in Soviet zone must be one of accelerating closer integration economics of Polish,

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<sup>1</sup> Not printed; it asked for details on a report in the *Chicago Sun Times*, March 6, concerning a Polish Government and press campaign of friendship with Eastern Germany, and on a report in the *New York Times*, March 5, concerning the lifting of the ban on admission of Germans to the "Association of Fighters for Freedom". (811.42700(R)/3-1149)

<sup>2</sup> Neither printed, but regarding telegram 156, see footnote 10 to telegram 170, February 3, *supra*.

<sup>3</sup> Not printed.

Soviet zone and Czechoslovakia (airgram 288 March 11<sup>4</sup>) and of promoting Polish-Czechoslovakian cooperation in underwriting part of zone's trade deficit now borne by Soviet Union (Berlin's despatch 135 January 31<sup>4</sup>).

Although we have no tangible proof that Polish-Czechoslovakian industrial plans embrace Soviet zone, we believe such may reasonably be inferred from (a) fact that increased Polish steel production planned from Soviet Union deliveries under Polish-Soviet capital goods agreement is earmarked for progressing [*processing*] in Saxony (Embdesp 142 February 26<sup>4</sup>), (b) recent Soviet move to return German workmen to Czechoslovakian industry, (c) Berlin's conclusion that East Germany equipped to be "processing and finishing plant" for immediate satellite area (Berlin's despatch cited), and (d) exigencies of situation and obvious desirability under present circumstances. Furthermore in addition to preoccupation with economic problems Soviet zone, we think Polish-German border presents troublesome political issue to Kremlin, and that with Polish-Czechoslovakian economic collaboration in mind (airgram 123 January 28<sup>4</sup>), Soviets will sponsor Polish-Soviet zone economic *rapprochement* as best available device with which to obtain maximum economic benefits with minimum political repercussions (airgram 288 March 11<sup>4</sup>).

We have no definite evidence of meat shipments to Soviet zone but rumors so prevalent as to suggest them in large quantities. Reliable American source has ascertained Poland sold 1,869 tons meat to Soviet Union in Autumn 1948; some or all of this may have been reexported to Soviet zone.

2. Polish Union Fighters for Independence and Democracy versus Fascism and Hitlerite invasion (airgram 1421 September 29<sup>4</sup>) believed to be organ to which Vienna *Times Despatch* refers. We have no knowledge of its having lifted ban re admission German members but, in view its close relations with FIAPP,<sup>5</sup> pointing toward merger, and FIAPP's known German affiliates, we would not be surprised at such development. Since preparation airgram cited, organization has not figured prominently in press or public eye.

Sent Department 382, pouched Berlin, Moscow, Praha, London, Paris.

GALLMAN

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<sup>4</sup> Not printed.

<sup>5</sup> Presumably a reference to the Polish branch of the Union of Former Political Prisoners.

862.00/3-2149 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

RESTRICTED

BERLIN, March 21, 1949—8 p. m.

413. Mytel 404, March 19, repeated London 174; Paris 165; Moscow 58.<sup>1</sup>

Concluding day Volksrat's sixth session marked by passage three resolutions and speech by Otto Grotewohl (SED). Resolutions concerned (1) Convocation of Volkskongress (2) Protest against Atlantic Pact and (3) Decision to submit Volksrat-prepared constitution to Volkskongress "for final decision." Announcement Atlantic Pact and currency revision West Berlin took propaganda play from Volksrat and latter's frantic efforts make all-German impression fell rather flat.

Wilhelm Pieck (SED) guided resolution to summon Volkskongress to expected overwhelming success. He said task of German people was keep Germany distant from war which was threatening world; delegates to Volkskongress would be chosen by German people "in direct election in order thereby give third Volkskongress broad basis necessary for its work."<sup>2</sup> No date was set for election or meeting of Volkskongress. Referring to Volksrat letter to Adenauer and Koehler,<sup>3</sup> Pieck asserted their rejection Volksrat proposals could not turn Volksrat from its avowed path since letter was addressed not only to them "but rather indirectly above them to all leaders in three West zones".

In resolution on Atlantic Pact Volksrat raised "solemn protest" in the name "of German people" and promised to combat this "blow against peace with a determined national defense." It said the Pact provided "basis for reactionary anti-democratic crusade" and would lead to "constant interference in internal development of nations." Resolution claimed: "By this violation in an international treaty of Potsdam decisions, splitting of Germany is decided and consummated."

Resolution on Volksrat constitution repeated Volksrat's usual grievances against West Powers, adding that Military Governor's memo

<sup>1</sup> Not printed; it reported on the opening day session of the Volksrat, summarizing Otto Nuschke's speech denouncing the crimes of the Western powers against Germany and a resolution on peace. (862.00B/3-1949)

<sup>2</sup> Documentation relating to the first and second Volkskongress is in *Foreign Relations*, 1947, vol. II, p. 901 and 1948, vol. II, p. 882.

<sup>3</sup> Not printed; it proposed a meeting of 60 Volksrat representatives with members of the Bonn Parliamentary Council at Braunschweig to discuss what could be done to preserve German unity and provide guarantees for its peaceful development through the democratization of public life. The text of the letter was transmitted in telegram 403, March 19, from Berlin, not printed (740.00119 Control (Germany)/3-1949), and together with the council's reply is printed in *Documents on Germany Unity*, pp. 114-115.

March 2 to Bonn Parliamentary Council <sup>4</sup> "practically destroys every sovereign German power and makes German land and German people into playthings of policy based on West powers' commercial interest. [Resolution concluded "German Volksrat refers] <sup>5</sup> 'constitution of German democratic republic' for confirmation to third German Volkskongress."

Grotewohl's speech entitled "Democratic Constitution for All Germany, not Occupation Statute" dealt briefly with that subject but was primarily a bitter attack on policies West Powers. Concerning Atlantic Pact, Grotewohl said: "As economic intervention no longer suffices, political and military are now necessary. . . .<sup>6</sup> That is no sign of strength but sign of weakness in camp of warmongers. Bayonets and bombers . . . are just as shaky a basis of mastery as dollars have been heretofore. American masters will soon learn that."

To those critics who objected that constitution could not be drawn up since no state existed, Grotewohl answered: "Our democratic state will never be given to us . . . we must work it ourselves."

After repudiating Bonn and endeavors split Germany into small states, he warned: "Great danger for world peace lies in (German) federalism. . . . The building of (Centralized) German democratic republic is only possibility of easing situation in Europe and securing peace."

Numerous other speakers at final session proved incapable adding much to Grotewohl's vitriolic remarks. Unidentified woman from West Germany stated people there expected Parliamentary and Economic councils "fulfill their true German duties and accept Volksrat's outstretched hand."

Sent Department 413, repeated London 179, Paris 171, Moscow 60.

RIDDLEBERGER

<sup>4</sup> *Ante*, p. 217.

<sup>5</sup> Insertion from the copy in the Berlin Post Files.

<sup>6</sup> Omissions indicated in this document occur in the source text.

740.00119 Control (Germany)/3-2949 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET

Moscow, March 29, 1949—1 p. m.

774. Besides providing convenient forum current Soviet-Communist "peace" offensive, renewed attention to German People's Congress movement and its draft constitution (Berlin's 413 to Department March 21,<sup>1</sup> and previous) indicates to us Kremlin completing prepara-

<sup>1</sup> *Supra*.

tions to deal with situation following establishment Western German Government. While now seems almost certain Soviets will produce their own stooge "government" with national pretensions, we still doubt supplementary steps predicted certain recent observers such as Lemmer (Berlin's A-176, March 9<sup>2</sup>), i.e. imminent change Oder-Neisse line, conclusion "peace treaty" with this bogus German Government and withdrawal bulk Red Army occupation forces.

As indicated mytels 2442, October 25, 1700, August 21,<sup>2</sup> we believe Soviets likely play out eastern frontier trump card only when such move of decisive importance in winning German objectives. Present division Germany so complete and Soviet-Communist position Western zones so weak difficult to see that decisive results could be achieved at this time, particularly if, as seems likely, any such border rectification would be only minor in character. And though Communist Germany's position *vis-à-vis* Poland has been considerably "rehabilitated" in recent months (Warsaw's 251 to Department, February 17, and 156, February 2<sup>3</sup>) this has been achieved on specific basis "inviolability" Oder-Neisse line, as result of which Kremlin's position this issue even less flexible than before. March 27 *Pravda* Article (mytel 765, March 28<sup>2</sup>) similar in effect. In order further undercut Soviets, suggest announcement Western border rectifications,<sup>4</sup> just negotiated Paris, good occasion for Department reaffirm position Oder-Neisse line taken Secretary Marshall at Moscow CFM,<sup>5</sup> emphasizing US views unchanged and this frontier far greater importance Germany's future viability.

Re withdrawal occupation troops, see no reason alter estimates mytel 2363, October 18, and Berlin's 2559 to Department October 20.<sup>6</sup> Recent *New Times* reference this question (mytel 648, March 15<sup>7</sup>) deserves notice, despite vague terminology used. In particular, as long as Berlin blockade continues, difficult to see how Red Army could be withdrawn, and development quasi-military Soviet zone police still appears insufficiently advanced to risk such move. Like Oder-Neisse shift, troop withdrawal constitutes "ace" which can be played only

<sup>2</sup> Not printed.

<sup>3</sup> Neither printed, but regarding telegram 156, see footnote 10 to telegram 170, February 3, p. 505.

<sup>4</sup> For documentation on the rectifications of Germany's western border, see pp. 436 ff.

<sup>5</sup> Regarding Secretary Marshall's statements on the Oder-Neisse line at the fourth session of the Council of Foreign Ministers, Moscow, March 10-April 24, 1947, see *Foreign Relations*, 1947, vol. II, pp. 139 ff.

<sup>6</sup> Neither printed; they concurred in the view that withdrawal of Soviet occupation forces from Germany was unlikely as long as the Berlin crisis continued, although the Russians would make whatever propaganda capital they could from the issue. (740.00119 Control (Germany)/10-1848 and 10-2048)

<sup>7</sup> Not printed; it stated the *New Times* position that United States propaganda reports concerning Soviet troop withdrawals from central Europe were fabrications. (740.00119 Control (Germany)/3-1549)

once, though vague propaganda references this theme may be expected continue.

Publication unpalatable Western occupation statute will, of course, serve as further temptation SMA to make appropriate countermove. But as long as Soviets continue so completely excluded from "undenazified and undermilitarized [*undemilitarized?*]" Western zones and German political "rehabilitation" in eyes Eastern European satellites and French CP is confined to its present terms of "peaceful" Soviet zone and German Communist forces, it is difficult to see how even "phony" peace treaty could be worked out. Would, therefore, guess most Soviets could presently accomplish this direction be in effect another occupation statute, under which present reparations shipments would quietly continue, though with attempt to portray statute as embodying less onerous terms control than those imposed Western Germany through ostensibly endowing new stooge government with more or less sovereign powers.

Sent Department 774, repeated Berlin 74, London 76, Paris 107, Warsaw 29.

KOHLER

660c.6231/3-3149 : Telegram

*The Ambassador in Poland (Gallman) to the Secretary of State*

SECRET

WARSAW, March 31, 1949—6 p. m.

502. We view new trade pact between Poland and Soviet zone Germany (Embtel 498<sup>1</sup>) and attendant publicity that it doubles 48 trade volume between areas as reenforcing our previously expressed belief (Embtels 156, 251 and 382<sup>2</sup>) that however unworkable such may ultimately prove to be we are witnessing determined effort on part Soviet Union to effect *rapprochement* between Poland and East Germany and to ease Oder-Neisse border tension and economic vacuum in Soviet zone by close integration of Polish, Soviet zone, Czecho economy.

Pact places East Germany among Pols principal trading partners topped only by USSR, UK and perhaps Czecho. Official 48 figures (though by no means definite) would indicate announced Polish Soviet zone volume for 49 exceeds Polish Czech trade volume for last year. It exceeds Polish Soviet volume in 46 and nearly equals Polish Soviet turnover in 47 (167,000,000). Sharp step up appears point way

<sup>1</sup> Not printed; it reported that, according to the Polish press, a trade agreement was signed on March 29 between Poland and the Soviet zone in Germany. (660c.6231/3-3149)

<sup>2</sup> Telegram 382, printed on p. 508; telegram 251, not printed; regarding telegram 156, see footnote 10 to telegram 170, February 3, p. 505.

to closer integration of two economies and to prepare ground for adherence future East German government to MEAC [*CMEA?*].

Press appears on verge justifying this new development to sway public. Thus *Zycie Warszawy* commenting on negotiations day for [*before?*] results announced devoted 164 line build up to Soviet zone economy observed such "creates new and advantageous prospect" for development Polish foreign trade and concluded "natural geographic conditions (long common border and convenient lines communications) and nature economic structures both countries which complement each other permits further and mutually advantageous development of economic relations."

Sent Department 502 repeated Berlin 77 Paris 80 London 53 Moscow 84 pouched Praha Vienna Budapest Bucharest Sofia Belgrade.

GALLMAN

740.00119 Control (Germany)/5-1149: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, May 11, 1949—4 p. m.

686. Otto Grotewohl, SED co-chairman, in speech May 9, before Volksrat Praesidium, appealed to "West German political parties, Nauheimer Kreis, and youth groups" to accept Volksrat invitation for "all German" discussion in Braunschweig May 20. He intended apparently appeal directly to "people" since Volksrat telegram May 7 to Parliamentary Council and Bizone Economic Council (mytel 668, May 8; repeated London 239, Paris 226, Moscow 68<sup>1</sup>) had not evoked desired response. Ever since its March session<sup>2</sup> Volksrat has been endeavoring lure West Germans into common meeting and prevent crystallization West German government. Rapid progress at Bonn and approach of CFM<sup>3</sup> have needled Volksrat into present feverish activity.

Re oft-rumored East German state Grotewohl said: "In present situation one cannot under any circumstances make final decision on a German West state or German East state."

<sup>1</sup> Not printed; it transmitted the text of a letter signed by Nuschke, Kastner and Grotewohl to the Bonn Parliamentary Council and the Bizonal Economic Council, appealing again for discussions on German political, economic and cultural unity, and for the drafting of an all-German memorandum to the Council of Foreign Ministers concerning the speedy conclusion of a peace treaty and withdrawal of occupation troops. (740.00119 Control (Germany)/5-849)

<sup>2</sup> Regarding the March session of the Volksrat, see telegram 413, March 21, p. 510.

<sup>3</sup> For documentation on the sixth session of the Council of Foreign Ministers, Paris, May 23-June 20, see pp. 913 ff.

Equally interesting was Grotewohl revelation that SED was (1) ready join hands with any force "in struggle for German unity" and (2) even give up "anti-Fascist democratic order," which has been SED designation for political system in Soviet Zone ever since party's January conference.

On point (1) he said if necessary SED would reach understanding "with big industrialists and former Nazis"; on point (2) he stated that if "anti-Fascist democratic order" became barrier in unity fight "then we dare not hold to it." He asked that personal motives and feelings be placed in background and said: "One must have the strength to admit that others, who are of different opinion in many things, make their decisions in subjective honesty. We have strength to concede this and to overlook differences of opinions in small things for sake of really important matter."

It is of course too early to determine whether above statements signify radical change in SED policy they seem to imply. First impression is that exigencies of present situation from SED viewpoint forces it accept strange bedfellows, including even "big industrialists and former Nazis" whom it has condemned with usual Communist wrath since its inception. Also likelihood that SED has realized that Soviet policy may not support it as heretofore, and that party is searching for German elements with which to ally. One fact appears stand out, however: "Anti-Fascist democratic order" of Soviet Zone is not irrevocable.

Sent Department 686; repeated Moscow 71, Paris 232.

RIDDLEBERGER

862.00/5-1649: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, May 16, 1949—7 p. m.

738. [Re]Deptel 564, May 13, repeated Moscow 336, Paris 1601.<sup>1</sup> Excerpts of Grotewohl speech given mytel 686, May 1 [11] (repeated Moscow 71, Paris 232<sup>2</sup>) were taken from SED central organ *Neues Deutschland* of May 10. ND gave speech four column center spread on front page under banner "National Front for Unity of Germany" sub-headed "Otto Grotewohl: One Cannot Make the Scope Wide Enough."

<sup>1</sup> Not printed; it reported the Department of State's skepticism that Grotewohl's speech (excerpts transmitted in telegram 686, *supra*, indicated any independent initiative. Riddleberger was asked if Grotewohl's line could be confirmed from other sources and if he was satisfied with the authenticity of the new line. (740.00119 Control (Germany)/5-1149)

<sup>2</sup> *Supra*.



American-overt *Neue Zeitung* May 12 stated Grotewohl had denied having said that concept of "anti-Fascist democratic order" might have to be abandoned.

Our press telegram 704 May 12 (repeated Paris for Jessup 240 <sup>3</sup>) quoted subsequent Grotewohl statement at press conference as quoted in *SMA Taegliche Rundschau*: "Concepts of anti-Fascism and democracy must be two basic foundations of new Germany . . . <sup>4</sup> but in present time of national emergency, viewpoint must be broadened . . . and united stand in question of unity Germany and of realization of just peace treaty must be achieved." This is apparently watered down version of this statement originally carried in *Neues Deutschland*.

Grotewohl statements are most forthright in present campaign supported by every device in Communist hands to create "national front" of all Germans regardless of class or position.

We discussed this speech with local intelligence analysts who follow SED policy closely. They agree with us and Department that Grotewohl could not have acted independently in this matter. Whether or not he actually made statements attributed to him by main newspaper of party of which he is co-chairman is not as important as fact that these remarks appeared prominently in that paper. All such statements in *Neues Deutschland* have to be okayed by SED Hdqs, and in instances of policy such as this by SMA, usually Col. Tulpanov.

Sent Department 738, repeated Moscow as Berlin's 80, Paris 260:

RIDDLEBERGER

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<sup>3</sup> Not printed.

<sup>4</sup> Omissions in the source text.

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### Editorial Note

On May 13 *Taegliche Rundschau* published the text of an election appeal by the secretariat of the German People's Council for the third German People's Congress. The voting for delegates to the Congress took place on May 15 and 16, and all five *Laender* of the Soviet zone and the eastern sector of Berlin registered majorities for the single list of candidates. For the text of the election appeal and the results of the voting, see Ruhm von Oppen, *Documents on Germany*, pages 393-395. The results of the voting are also printed in G. N. Goroshkova, *Dvizheniye nemetskogo narodnogo kongressa za edinstvo i mirnyi dogovor* (Moscow, Izdatel'stvo Instituta Mezhdunarodnikh, 1959) page 187.

740.00119 Control (Germany)/5-2249: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

RESTRICTED

BERLIN, May 22, 1949—2 a. m.

782. Representatives People's Council (Volksrat) met with some Western Germans May 20 in Hannover (British Zone). Meeting was broken up soon after its opening by order British military governor because sponsoring organization, "Youth Action Committee for Unity of Germany," had no license. Press estimates place number participants between 60 and 80; press was excluded from meeting which took place in a private residence.

Participants from Soviet Zone included Hermann Mattern (Chairman SED Control Commission), Georg Dertinger (Secretary General Soviet Zone CDU), Frau Schirmer-Proescher (Soviet LDP and member Soviet Berlin Magistrat). Wilhelm Pieck (Co-Chairman SED) and Otto Nuschke (Chairman Soviet Zone CDU) were at Hannover fair but did not take part, according to reports, in this short meeting.

Professor Ulrich Noack, whose Nauheimer Kreis has been flirting with People's Council, did not appear but he was represented by Von Machui (SPD) of Bizone Economic Council. (While meeting was in progress SPD Executive Board announced that Von Machui had been thrown out of party for participating in meeting initiated by KPD.) August Hausleiter of CSU refused invitation to take part. Western Germans were mostly from KPD and small organizations.

Main speech before meeting was broken up was delivered by Dertinger. He pointed out, according to SMA *Taegliche Rundschau* May 21, that both Bonn Constitution and constitution drawn up by People's Council contain certain fundamentals from Weimar Constitution, and said talks on all-German constitution might proceed from these fundamentals.

Western Germans submitted resolution which lauded People's Council "for making this discussion possible", and pledged continuation of effort among "all parties and professions" to "bring all German discussion [ ; ] all German representation may be set up to present German ideas to occupying powers". TR claimed many participants signed resolution as they left room.

British-overt, *Die Welt* May 21 quoted Dertinger as saying that another meeting would be held Berlin May 27 (2 days before scheduled meeting People's Congress).

This abortive meeting in Hannover was first "success" People's Council has had in its attempt to lure Western Germans into common discussion on "unity" problem. That no responsible or leading Western

German politician participated can probably be laid to fact that People's Council is generally recognized as Soviet tool, not to West German lack of interest in unity question.

Sent Department, repeated Paris 294, London 280.

RIDDLEBERGER

740.00119 Control (Germany)/5-3049: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

RESTRICTED

BERLIN, May 30, 1949—6 p. m.

858. See mytel 770, May 20 repeated Paris for Jessup 284, London 276, Moscow 88.<sup>1</sup> Third "German People's Congress (Volkskongress)" opened May 29 in Berlin. Participants were 1500 delegates from Soviet Zone, "elected" May 15 and 16, and reportedly between 500 and 600 West Germans. Recent elections were repeatedly cited as giving People's Congress its "democratic legitimization [*legitimization*]" and right to speak in name of German people."

Sign over speaker's heads proclaimed "National Front for Unity and Just Peace," and most of the numerous speeches were obligingly keyed to this theme, which has become, within recent months, the policy line for Communists and Soviet-oriented Germans. "Germany and Paris CFM" was subject first day's speeches and discussion, and frequent references CFM were unanimous in backing Vishinsky position and deriding West Powers' proposals of May 28.<sup>2</sup>

Principal speech at opening session was delivered by Wilhelm Pieck (Co-President of People's Council and Co-Chairman of SED). He repeated charge he had made at January SED convention<sup>3</sup> that West Powers under aegis American imperialism were making Germany "military operation base for new war," and denounced West German politicians who support this policy instead of meeting in common all-German discussions as proposed by People's Council.

Pieck may have strained credulity of his audience when he said: "German people can really count themselves lucky the Soviet Union belongs to victor powers. As socialist state it opposed imperialist plans, and as friend stands by German people in its demand for unity, just peace, and economic development."

After expressing "hope and wish" that Great-Power agreement is reached on basis Potsdam, Pieck said:

"We know what difficulties to understanding for maintenance unity of Germany have been created by splitting measures of West occupa-

<sup>1</sup> Not printed.

<sup>2</sup> Regarding these proposals, see p. 1041.

<sup>3</sup> Regarding the January Congress of the SED, see telegram 170, February 8, p. 505.

tion powers and that outlook for an understanding is only very slight. Especially on account of proposals made yesterday by Bevin in name of West Powers at CFM which are downright insult to demands of German people for unity, just peace, and national autonomy. . . .<sup>4</sup> Is it not an insult to German people when, in light of clear intention to make Germany a colony of American imperialism, West Powers talk about wanting to set up political and economic unity of Germany? It is possible that West Powers are letting themselves be guided in these proposals by bad business principle of demanding much in order that one may be able to yield a little, and that an understanding might even yet be reached."

Pieck reiterated that National Front must comprise those groups which have not yet fallen in with People's Congress Movement and added: "We wish to draw new forces into this movement for unity and just peace and economic upsurge and thereby create the great National People's Movement in all Germany through which we can continue struggle for national autonomy and unity of Germany until it is achieved and secured. That is great task before whose fulfillment we stand and that is why this German People's Congress was called."

Following Pieck, Otto Nuschke (co-President People's Council and Chairman Soviet Zone CDU) also attacked West Powers proposals at CFM and demanded that US Government recall its Berlin Sector Commandant, General Howley, because he had broken Four-Power agreement by ordering US Sector police to occupy S-bahn stations.

Max Reimann (KPD Chairman) did not appear at People's Congress because of his rearrest by British Military Government. He was represented by Erich Ledwohn (KPD) who called National Front "great weapon of healthy part of our people against danger of chauvinism which is rising in West Germany and is used as weapon of imperialist interests."

Ex-Wehrmacht General, Vincenz Mueller (NDP), talked about nationalism and merits of his party until he was interrupted by SED shouts: "This is no party convention!"

Both Erich Kastner (Soviet Zone LDP) and Prof. Niekisch of Kulturbund admitted that living standards were higher in West Zones than in Soviet Zone and attributed this to, respectively, "unscrupulous debts" and "parasitic living."

Hans Jendretzky (SED) declared that Berlin problem could only be solved within framework of all-German settlement, and said that "those who talk so much of elections" should permit vote on question of unity and peace treaty or occupation statute and 30 year occupation.

According British-licensed *Sozialdemokrat* May 30, Pieck closed Sunday session with suggestion that delegates consider election of new

<sup>4</sup> Omission in the source text.

"People's Council" on Monday by acclamation because number of speakers led him to believe that secret vote would be "time consuming."

Sent Department 858, repeated Paris for USDel 355, London 302, Moscow 92.

RIDDLEBERGER

862.00/5-3149 : Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Acting Secretary of State*

RESTRICTED

BERLIN, May 31, 1949—8 p. m.

865. Mytel 858, May 30 repeated Paris for USDel 355, London 302, Moscow 92.<sup>1</sup>

Final session People's Congress May 30 accepted proposed "Constitution of German Democratic Republic,"<sup>2</sup> elected "peace delegation" to Paris CFM, chose new People's Council, and issued "manifesto to German people" (see separate telegram<sup>3</sup>) which contained appeal for broadening of "National front".

After long harangue by Otto Grotewohl<sup>4</sup> (SED, chairman People's Council Constitutional Committee) delegates dutifully signified by hand vote assent to constitution which has been lying around for many months. About one-third of 2016 delegates (1400 from Soviet zone, 616 from West zones according Soviet licensed press) were absent when vote was taken. One delegate voted against constitution with statement: "As German pacifist, I dissent".

People's Congress chose delegation of 22 to go to CFM as "representatives of German people". Their task is to bring "national demands of German people" to attention of CFM. Delegation is comprised of Grotewohl, Pieck, Nuschke, Kastner, Walter Ulbricht, Johannes Becher, Lothar Bolz, [Georg Dertinger], Prof. Friedrich, Ernst Goldenbaum, Dr. Hamann, Prof. Hestermann, Erich Honecker, Pastor Kralisch, Friedel Malter, Frieda Radel, Max Reimann, Kurt Schatter, Prof. Stroux, Kurt Vieweg, Herbert Warnke, and Arnold Zweig. According to Pieck, People's Council has already requested 4 Military governments allow delegation travel to Paris, and will likewise appeal directly to CFM.

<sup>1</sup> *Supra*.

<sup>2</sup> For the text of the Constitution of the "German Democratic Republic," confirmed by the third People's Congress and put into effect October 7, see *Soviet Zone Constitution and Electoral Law*, Office of the U.S. High Commissioner for Germany, 1951), Frankfurt, pp. 2-51.

<sup>3</sup> Telegram 863, May 31, from Berlin, not printed. (862.00/5-3149)

<sup>4</sup> For the text of Grotewohl's speech, see Grotewohl, *Im Kampf um DDR*, pp. 438-462.

New People's Council contains 330 members (90 SED, 45 Soviet zone CDU, 45 Soviet zone LDP, 30 FDGB, etc., through SED's satellite organizations) including all members of SED Politburo and Central Secretariat.

Gerhart Eisler was listed in group of 35 "leading personalities" on People's Council. 330 were "elected" by acclamation; Pieck remarked irritably that it was "always the same people" who voted in opposition. New People's Council elected a praesidium of 38 to guide it, composed of same old figures who have proved so useful to Soviet policy in past.

In closing Third People's Congress Pieck said: "We claim to be the national representatives of German people."

Our first impression of this 2-day meeting is that it will be remembered chiefly for having officially proclaimed "National Front of all Germans, democratic or not" as new Communist policy for Germany. People's Congress and People's Council will be used as tools in endeavor achieve this front.

Soviet impression of results of meeting was perhaps best summed up in SMA *Taegliche Rundschau* editorial May 31: "It has shown that broad masses of national-thinking Germans have understood that foreign policy of Soviet Union is founded on love of peace and justice."

Sent Department 865; repeated Paris for USDel 359; London 303; Moscow 93.

RIDDLEBERGER

740.00119 Council/7-749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

BERLIN, July 7, 1949—5 p. m.

1073. RefDeptel 757 July 5.<sup>1</sup> My press tel 1060 July 5<sup>2</sup> reports Politburo statement. Text has been translated and is being forwarded by pouch.

Following is translation that part of statement to which Middleton referred:

"The Politburo welcomes the agreement for the next CFM meeting and the acknowledgment of the principle restoring Germany's political

<sup>1</sup> Not printed; it requested a report and estimate on a story by Drew Middleton in the *New York Times*, July 3, which stated that the Politburo of the SED demanded abandonment of the establishment of the West German Government, for otherwise the Western powers would be violating agreements of the Council of Foreign Ministers. (862.00/7-549)

<sup>2</sup> Not printed. For the full text of the Politburo statement, see *Dokumente der SED*, pp. 257-261.

and economic unity. But the Politburo points out that execution of measures toward formation of a separate West German state and elections for the Bundestag are contradictory to the Paris CFM agreement.

If the Western Powers do not want to act in contravention of their agreement, they will have to revoke immediately all measures taken toward formation of a West-German state, because, according to the Potsdam Agreement, decisions on Germany rest not in the hands of the three Western Allies, but with the CFM. Only a settlement pursuant to the Soviet Union's proposals for speedy elaboration of a peace treaty and withdrawal from Germany corresponds to the vital interests of the German people. The Politburo is convinced that such a settlement will prevail in the end, just as reason prevailed in the agreement on the Austrian question."

This line has been expressed before in less positive terms. We think statement is of tactical nature designed to build up future case that West violated CFM agreements in much the same manner as Soviets previously attempted to construct argument that West violated Potsdam in order to provide debating points to justify their own actions.

If Sovs desire to jettison CFM and New York Agreements<sup>3</sup> at any time in future, this point will of course be a convenient peg on which to hang the argument for such action. But we do not believe this statement indicates that the establishment of a West German State per se would lead Sovs to nullify these agreements. We believe that the "reason will prevail in the end" theme in the last sentence of the quotation supports this interpretation.

McCLOY

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<sup>3</sup> For the text of the Paris communiqué, see p. 1062. For the text of the New York agreements, see editorial note, p. 750.

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862.00/7-2349 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

CONFIDENTIAL

BERLIN, July 23, 1949—8 p. m.

1164. 8th session German Volksrat July 22, despite postponement of meeting from July 15, did not formulate concrete National Front program, but confined itself to generalities in speeches and discussions and established a commission to work out actual platform.

Otto Grotewohl main speaker. Subject was CFM. Full text speech not available, but generous excerpts appear in Soviet licensed press July 23. Grotewohl followed general Communist line re CFM i.e., it was economic crisis in West and will of "peace forces" which forced

West Powers to gather at conference table with USSR and that result "victory for peace" despite desires of West Powers.

In common with discussion participants, Grotewohl asserted Foreign Ministers, had agreed to "convoke a new meeting in autumn." This assertion is in contrast to previous Soviet line which recognized that Foreign Ministers would merely discuss possibility of another CFM.

Grotewohl made strongest statement to date re rejection of Bonn. SMA *Taegliche Rundschau* quoted him as saying "If West Powers do not desire to violate their agreement they must immediately revoke all measures directed toward establishment West German state and stop election preparations, for decisions on Germany lie not in hands of three West Allies but in CFM . . . National Front means . . .<sup>1</sup> unconditional rejection Bonn."

This theme also expressed in resolution passed by Volksrat meeting. It was therefore surprise to correspondents who attended press conference (restricted to foreign press representatives) which followed meeting to hear Otto Nuschke, Soviet zone CDU Chairman and Volksrat Co-Chairman, declare that "Naturally", Soviet zone representatives would negotiate with West German state in seeking German unity. No mention of press conference made in today's Soviet licensed press.

Grotewohl, as quoted in SMA *Rundschau*, declared one of National Front tasks was to destroy "criminal plans, among certain circles in Germany to develop irredenta movement." *Rundschau* continued: "With very serious words Grotewohl warned against laughable but criminal attempt to create irredenta movement, which could only result in new political victims in East zone. Everybody knows that we will not permit the serious and difficult tasks of our workers and technicians . . . to be hindered by such criminal attacks." CDU Secretary General Dertinger also attacked "irredenta talk." This is first prominent Communist blast against recent designations of Soviet zone as "irredenta" a concept whose most ardent Berlin advocate is Eric Reger of US-licensed *Tagesspiegel*.

Wilhelm Pieck in discussion period declared sole condition for joining National Front is "willingness to fight against goals of American imperialism." At same time Dertinger declared one of chief tasks of National Front was to achieve "unreserved friendship with USSR . . . and Peoples Democracies." These are first positive conditions attached to National Front. Negative conditions restressed were "reservation of conflicts between political, ideological, and religious interests until German unity achieved."

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<sup>1</sup> Omissions in the source text.



Volksrat resolution listed familiar demands re stoppage of dismantling, all-German talks, all Berlin talks, German administrative and currency unity, and peace treaty. Volksrat called on all Germans to demonstrate on September 1 as "Peace Day."

Commission elected to draw up concrete National Front program consisted of 4 SED members, Pieck, Oelssner, Wandel, and Matern, two LDP members, Dr. Hamann and a Dr. Strasser, and two CDU members whose names not available. One is probably Dertinger.

Dr. Lothar Bolz, Chairman National Democratic Party (NDP) and Ernst Goldenbaum, Chairman Democratic Farmers Party (DBP) were elected as co-presidents of Volksrat and serve along with Pieck, Nuschke, and Kastner.

Representatives from Western Germany included Josef Ledwohn, Communist from Ruhr area, Liselotte Aufel, Frankfurt, Walter Sommer, Dachau, and Dr. Komter from Lower Saxony. Komter requested Volksrat to increase propaganda activity in West, including sending of emissaries, according to Western Press correspondent present, and was assured by Nuschke that Volksrat would comply.

Walter Ulbricht was present at Volksrat sessions, but did not take part in discussion.<sup>2</sup> Western correspondent told us that no Russians present at meeting.

Same correspondent informed us that at press conference following Volksrat session Nuschke stated, in answer to question whether Soviet Zone Government being considered as answer to West German Government, that "problem would become more immediate" after West German state set up. This contrasts with Berlin West Press reports July 23 that Nuschke stated problem of Soviet Zone Government now "immediate" (aktuell).

Sent Department 1164, repeated Moscow as 113.

McCLOY

<sup>2</sup> At this point in the copy of the source text in the Berlin Post File the following sentence had been deleted before transmission: "His presence would seem to contradict recent rumors that he has fallen from grace." (Lot 52F1: Box 610)

740.00119 Control (Germany)/8-449: Telegram

*The Acting United States Political Adviser for Germany (Gantenbein) to the Secretary of State*

CONFIDENTIAL

BERLIN, August 4, 1949—5 p. m.

1226. Re mytel 1217, August 3.<sup>1</sup> Soviet Zone Economic Commission (DWK) angling for all-German economic commission viewed by us

<sup>1</sup> Not printed; it reported that an exchange of letters between the DWK and the Bizonal Economic Council in July had failed to reach agreement on the restoration of economic unity for Germany. (740.00119 Council/8-349)

as part of campaign to raise status of German-conducted interzonal trade negotiations from technical to political level. Post-blockade history these negotiations has shown Soviet Zone representatives consistently pressing for comprehensive economic arrangements and establishment of permanent interzonal economic organs which could exert control over West Germany economic policy.

Proposal for all-German economic commission bears certain resemblance to Vishinsky CFM proposal for "state council" based on economic organs in West and East Germany. We regard Soviet Zone representatives' efforts to shift interzonal trade negotiations to top level as attempt to maximize political exploitation of trade issue through use of top personalities. These efforts also reflect endeavor to portray DWK as legitimate political-economic representation. Another example of Soviet desire politicize relations Eastern and Western Germany is recent SED Politburo proposal for conference of *Land* welfare ministers from all zones to discuss refugee problems. West Germans have so far ignored suggestion. There have also been newspaper rumors that Volksrat urging Soviet Zone *Laender* Ministers President to approach their opposite numbers in the West for an all-German conference on Ministers President level.

West German negotiators have had to be constantly on defensive in striving to pare down Soviet Zone proposals to level of technical trade arrangements between East and West. This policy has been constantly attacked by Soviet-controlled press as violating intent of that part of CFM agreement which recommends closer economic ties between Soviet Zone and West Germany. West German resistance to (1) compromising West German control of its own economy, (2) "legitimizing" DWK, and (3) involvement in political issues, being exploited by Soviet propaganda to place onus for continuing German disunity on West Germans.

Recent concentration of fire on West Germans rather than on West powers may presage Soviet approach to West powers asking them to "bring West Germans into line" with Paris agreement.

GANTENBEIN

740.00119 Control (Germany)/8-449 : Telegram

*The Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger), at Berlin*

CONFIDENTIAL

WASHINGTON, August 10, 1949—7 p. m.

873.<sup>1</sup> Department agrees with interpretation contained urtel 1226 August 4<sup>2</sup> and believes SMA will undoubtedly exploit every possibility

<sup>1</sup> Repeated to Paris as 2966, London as 2845, and Moscow as 572.

<sup>2</sup> *Supra*.

offered by present talks for dragging West German leaders into high-level consultations or some kind of "national" organization. There is no pressure on West Germans under terms of Paris communiqué<sup>3</sup> to go beyond exploratory talks of present character and level. Communiqué merely committed us to quadripartite consultations in which respective occupation authorities "may call upon" German experts and organizations for assistance. There is no mention of establishment of new German organizations and Germans who may participate in exchanges of views at our request are free to make recommendations but only such recommendations as they themselves wish to agree upon.

It might strengthen the resistance of West German leaders to present Soviet tactics to point out to them the limited extent of our commitment at Paris and to indicate that we view the current Soviet maneuvers as being largely political. We consider therefore that any elaborate high-level talks or any proposals for national economic commission would only serve current Soviet propaganda purposes, as well as the continuing long-time Soviet aim of achieving political control of all of Germany. Department believes adequate economic results could be achieved without these things if Soviet intentions are at all serious.

ACHESON

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<sup>3</sup> *Post*, p. 1062.

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862.00/10-649 : Telegram

*The United States Commander, Berlin (Taylor) to the Acting Secretary of State*

RESTRICTED      PRIORITY

BERLIN, October 6, 1949—4 p. m.

1415. All Soviet licensed papers October 6 give prominent coverage to report that Volksrat Praesidium and anti-Fascist Democratic bloc met in Berlin October 5 under chairmanship of Wilhelm Pieck and resolved as follows:

"Formation of western separate state, edict of an occupation statute, dismantling carried on in violation of international law, refusal of peace treaty, tutelage exercised by High Commissioners even re such matters as devaluation of mark and signing of trade agreements between eastern and western Germany—all this indicates grave national emergency in which Germany has been placed by dictatorial policy of western powers.

"To protect national interests of German people through self-help, we call upon German Volksrat, which was elected by third German Volkskongress on May 30, 1949, to reconstitute itself into provisional Volkskammer (Peoples Chamber) in accordance with constitution of German Democratic Republic as adopted by third German Volkskon-

gress (for constitution see Berlin's despatch 470, April 13<sup>1</sup>), and to establish a constitutional government of German Democratic Republic. For this purpose, Praesidium of German Volksrat calls German Volksrat into session at Berlin on Friday October 7 at twelve noon".  
*End resolution.*

This appears definitive indication that new government will be constituted by decree and not on basis of popular elections, despite specific wording of article 51 of Volksrat constitution which stipulates as follows: "Peoples Chamber (Volkskammer) shall be composed of representatives of German people. Representatives are elected in a universal, equal, direct, and secret ballot for term of four years, according to principles of proportional representation. Representatives represent nation as whole. They are bound only by their own conscience and are not tied to any mandates."

Elimination of electoral procedure will of course be "justified" on grounds new Volkskammer only "provisional" and that elections can be held later (according British Intelligence sources, Grotewohl recently told Dertinger and Nuschke of CDU that elections will not be held until September 1950). Attempt may also be made to pretend that Volksrat is, in fact, an elected body, representative of the people, since it was elected May 30 by Volkskongress (Berlin's telegram 865, May 31 to Department, repeated Paris 359, London 303, Moscow 93<sup>2</sup>) which had in turn been "elected" (on "yes" or "no" ballot) by people of Soviet zone and south sector May 15 and 16 (Berlin's telegram 755, May 18 to Department; repeated London 272, Paris 273, Moscow 85<sup>3</sup>).

Sent Frankfurt 1525, repeated Department 1415, London 456, Paris 506.

Department pass Moscow 136.

TAYLOR

<sup>1</sup> Not printed.

<sup>2</sup> *Ante*, p. 520.

<sup>3</sup> Not printed, but see the editorial note regarding these elections, p. 516.

862.00/10-749 : Telegram

*The United States Commander, Berlin (Taylor) to the Acting Secretary of State*

RESTRICTED      PRIORITY

BERLIN, October 7, 1949—8 a. m.

1417. Unprecedented haste with which Soviets and their helpers are whipping up an "all German Government" has compounded confusion even in those circles which are to set up this government. Presumably some of this confusion will be dispelled when decisions of October 7 Volksrat meeting are announced. However, on basis of most

plausible of many reports and rumors here, it seems that following preliminary conclusions may be drawn at present :

1. There will be no elections for parliamentary body;
2. SED has demanded and will probably get at least Chancellor, Interior, Economics, Education and Information posts (Gerhart Eisler appears favorite candidate for latter);
3. Government program will be carried forward under guise of national front which all "national-minded" elements will be invited to join;
4. Every effort will be made to increase industrial capacity of East zone and while emphasis will be on trade with East, trade with West will not be abandoned.

Re elections, Otto Nuschke, chairman of Soviet Zone CDU, revealed in a Berlin speech to East CDU October 5 that his party had given up its demand for the long overdue elections because of "the pressing task of setting up as soon as possible free democratic all-German republic". For months now Nuschke has reportedly based his standing in the party on new elections, even threatening to resign if they were postponed again. British licensed *Der Tag* October 6 reported Nuschke's announcement was received in "icy silence" by CDU members because they realized that to accept this bitter pill meant end of their last faint chance of getting rid of SED hegemony. Soviet Zone LDP leaders will of course have to fall in line as Nuschke did and abandon election issue.

Jockeying for positions in new government is still going on, according to reports, but SED will control most important positions with Grotewohl apparently slated as Chancellor.

SED executive committee has prepared long statement on national front which included 23-point "platform of national front of democratic Germany" (see separate telegram<sup>1</sup>).

General aims of future government's trade policy were outlined in Soviet licensed *Berliner Zeitung* October 6. This trade policy will include best possible relations with Soviet Union, Poland, and other peoples democracies:—"no one thinks of breaking off traditional relations with our Dutch, Danish and other business friends in West. Nevertheless in over-all picture of German foreign trade, Western Europe and US will have only relatively insignificant role." Article said that raw materials must be imported and finished products exported in "exact antithesis to JEIA practices." Foreign currency policy is to be based on slogan "freedom from dollar, freedom from deadly dollar clause of JEIA". When present Soviet Zone two-year

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<sup>1</sup> Not printed. For the text of the SED manifesto, October 4, on the national front, see *Dokumente der SED*, pp. 351-381 or *Obrazovaniye GDR*, pp. 120-159.

plan is successfully concluded, *Berliner Zeitung* added, new five year "all Germany" plan must be adopted.

First indication of concrete benefit which new regime might offer weary Soviet Zone population was recent Nuschke statement that one of most important tasks of new government was abolition of food rationing.

Nuschke also said it will be task of East Berlin to convince West Berlin of "madness of Reuter policy" since all Berlin belongs to "East area" (Ostraum).

Sent Frankfurt 154, repeated Department 1417, London 457, Paris 507. Department pass Moscow 137.

TAYLOR

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862.00/10-749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Acting Secretary of State*

CONFIDENTIAL  
NIACT

PRIORITY

FRANKFURT, October 7, 1949—11 a. m.

2849. Berlin telegram 1415, October 6.<sup>1</sup> With imminent establishment "all-German Government" in Soviet Zone made a certainty by resolution passed by Volksrat Praesidium and democratic bloc we feel it imperative that US information media make it very clear to Germans, both East and West, and to world at large, that this "government" being formed in complete[ly] undemocratic and unrepresentative manner.

It is almost certain that Soviets will install new regime without elections and that "government" will function some time before any record is made to any kind of popular balloting. This will be one of most vulnerable points in Soviet façade and we feel it should be exploited to full. Berlin PolAd office concerned that German media not making point strongly enough.

Following are some points re probable finesse of elections:

1. Volksrat Praesidium statement calling upon Volksrat to reconcile [*reconstitute?*] itself as provisional people's chamber (Volkskammer) apparently violates Article 51 of "constitution of German democratic republic" approved by People's Congress and allegedly the basis of the forthcoming government. Article 51 states that Volkskammer representatives are elected in a "universal, equal, direct, and secret ballot according to principles of proportional representation". Volksrat elected by People's Congress which in turn was "elected" on a single list ballot, thus making Volksrat constitutionally ineligible to function as Volkskammer on at least two counts.

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<sup>1</sup> *Ante*, p. 526.

2. Soviet case for postponement elections already being built up. One of chief arguments will undoubtedly be that new government might have to function on provisional basis until elections can be held on German-wide basis. (See Berlin telegram 1411, October 5<sup>2</sup>.) In view of history of Soviet sabotage of German unity it is highly problematical when this "provisional government" will make way for one based on popular election if such elections must be nation-wide. Moreover, it should be noted that while Volksrat Praesidium statement calls Volkskammer provisional, it does not apply that term to government which Volkskammer will establish. Other reasons advanced for postponement of elections are reportedly given in SMA statement which declared "delicate national and international situation" makes elections now undesirable and that anyway SED in process of reorganization which would give other parties unfair advantage in election campaign at present time. Ulbricht's statement that it is "fundamental mistake" to view democracy "only from standpoint of voting right" is another straw in wind. (Berlin telegram 1411.)

3. Soviet-controlled Germany has a considerable history of postponed elections. Soviet-controlled magistrat in Berlin east sector has existed more than ten months without ever having had recourse to ballot box. Local elections in Soviet Zone communities scheduled for 1948 were postponed until this year under flimsiest of pretexts with promise that they would be held simultaneously with *Land* elections due in 1949 (Berlin airgrams A-570, July 20, 1948 and A-652, August 24, 1948<sup>3</sup>). Now Soviets will undoubtedly kill three birds with one stone, delaying the local and *Land* elections in view of priority task of forming "all-German government" and waiting with "national" elections until Germany is reunited or until some other arbitrary contingency is selected.

Since Soviet policy on elections not yet absolute certainty, we would suggest that above material be used not in flat statement form but in series of rhetoric questions, waiting until election situation crystallizes to brand Soviet stand on elections as another outstanding example of undemocratic procedure.

In addition to Soviet vulnerability on election issue, we believe Soviets (as well as Germans and rest of world) can be made sensitive to perilous position of non-Communist parties in Soviet puppet governments. Reference could be made to disproportionate representation of LDP and CDU in Volksrat Volkskammer in comparison with that of SED, the NDP and Bauernpartei satellites, and the Communist-front "mass organizations" and to allegation that at time of People's Congress elections LDP and CDU had made known opposition to Volksrat becoming parliamentary body because of electoral basis of single-list. Recollection of what happened to non-Communist parties

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<sup>2</sup> Not printed.

<sup>3</sup> Neither printed.

which entered Communist-controlled coalition governments in other Soviet satellite states might also be appropriate.

Finally, traditional uncertainty of duration and status of "provisional governments" under Soviet aegis should aid in educating public opinion to true nature of so-called German democratic republic.

Sent Department Niact 2849, repeated Berlin 167, Bonn 5.

McCLOY

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### Editorial Note

On October 7 the Volksrat met in the East sector of Berlin, declared its work finished, and transformed itself into the provisional People's Chamber (Volkskammer) provided for in the East zone constitution. Before its transformation the Volksrat adopted a manifesto, based on part III of an SED resolution of October 4, which called for a national front for democratic Germany. The Volksrat also passed unanimously four laws: the first established the provisional Volkskammer; the second put in force the draft constitution of the "German Democratic Republic" which had been approved by the third Volkskongress on May 30; the third elaborated the composition of the Volkskammer; and the fourth provided for a cabinet of a minister-president (Chancellor), eight deputies, and fourteen ministers. Finally the session directed the ministers-president of the East zone to organize the Chamber of the *Laender* (Laenderkammer) provided for in the constitution and to arrange the postponement of elections until October 15, 1950.

The United States Mission at Berlin reported the course of these events in telegrams 1418, 1419 and 1423, October 7 and 8, none printed, 862.00/10-749 and 849. For the text of the SED manifesto of October 4, see *Dokumente der SED*, pages 351-381, or *Obrazovaniye GDR*, pages 120-159. For the text of the Volksrat manifesto, see *ibid.*, pages 17-23. Copies of the four enabling laws are printed in *Demokratie der Erprobten Leistungen*, pages 7-8 and *Obrazovaniye GDR*, pages 52-54. For the text of the Constitution of the "German Democratic Republic", see *Soviet Zone Constitution and Electoral Law* (Frankfurt, Office of the U.S. High Commissioner for Germany, 1951), pages 2-51 or *Demokratie der Erprobten Leistungen*, pages 9-25.

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### Editorial Note

Following the establishment of the Volkskammer, delegates for the Laenderkammer were elected by the five eastern zone *Landtage* on October 10. The Laenderkammer met the next day in Berlin and



elected Dr. Reinhold Lobedanz as its president. The Laenderkammer and the Volkskammer then met in joint session and unanimously elected Wilhelm Pieck, who had been proposed by Otto Nuschke, as president of the "German Democratic Republic". The final step in the organization of the government occurred on October 12 when Otto Grotewohl presented his Cabinet to the Volkskammer and delivered the policy statement of his government. Both the Cabinet and the policy statement obtained unanimous votes of confidence.

In the same period General Chuikov announced that the Soviet Union welcomed the advent of the "German Democratic Republic", which alone represented the path to German unity, and stated that the Soviet Military Administration was transferring all administrative duties to the newly formed government.

In response to these events in East Germany, the Allied High Commission declared on October 10 that ". . . the so-called Government of the German Democratic Republic is an artificial creation . . . which is devoid of any legal basis and has determined to evade an appeal to the electorate, has no title to represent Eastern Germany. It has an even smaller claim to speak in the name of Germany as a whole." The High Commission then stated that it would continue to support the Federal Republic. Two days later Secretary Acheson made a similar statement on the illegality of the "German Democratic Republic" and reiterated that the United States would give full support to the German Federal Republic.

For the text of Grotewohl's policy statement, see Grotewohl, *Im Kampf um DDR*, pages 509-532, or *Obrazovaniye GDR*, pages 78-103 (complete with stenographic interpolations). An extract from the statement is printed in Ruhm von Oppen, *Documents on Germany*, pages 425-430. For the text of Chuikov's announcement, see *ibid.*, pages 422-423; *Obrazovaniye GDR*, pages 160-162; *Documents on International Affairs*, pages 380-382; or *Documents on German Unity*, page 119. For the text of the Allied High Commission declaration, see *ibid.*, page 121. For the text of Secretary Acheson's statement, see Ruhm von Oppen, *Documents on Germany*, page 424; *Documents on International Affairs*, pages 382-383, or Department of State *Bulletin*, October 24, 1949, pages 634-635.

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#### Editorial Note

On October 13 Stalin sent a message to Pieck and Grotewohl in which he congratulated the German people on the creation of the "German Democratic Republic" and assured them of the sympathy and sup-

port of the Soviet people. In their reply on October 14, Pieck and Grotewohl expressed the thanks of the German people, recognized their guilt for the attack on the Soviet Union in 1941, and promised to fulfill the obligations arising from the Potsdam decisions. For the texts of these two messages, see *Documents on International Affairs*, pages 383-385 or *Dokumente zur Aussenpolitik der DDR*, pages 232-234.

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862.00/10-1349 : Telegram

*The Chargé in the Soviet Union (Barbour) to the Secretary of State*

SECRET

Moscow, October 13, 1949—11 a. m.

2575. While Soviet-sponsored "all German" Government certainly comes as no surprise (compare Embtel 774, March 29<sup>1</sup>) and presumably makes little immediate difference to over-all German situation, it raises number interesting questions:

As at time Paris CFM, Soviet-Communist position Germany continues weak in comparison western powers. Hence, latest Soviet move, despite accompanying propaganda claims, represents lead from weakness rather than strength, particularly as shown unwillingness risk popular elections and consequent necessity utilize Volksrat based far-from-impressive Peoples' Congress voting of last May.

Despite government's national pretensions, "observer" representation being accorded Berlin (Berlin's 1423 to Department October 8<sup>2</sup>) suggests Soviets anxious avoid giving western powers excuse incorporate western sectors into west German state. We doubt that formation new government will be followed by any immediate changes status Berlin, though if Soviets make any move incorporate Berlin or otherwise disturb western position, believe recommendation contained Deptel 1966 to Frankfort October 5<sup>3</sup> should be immediately carried out. At same time political tension in Berlin seems bound to rise in view continued presence western powers in face location new government. Some local observers believe formation this new government indicates Soviets have given up hope unifying Germany near future and will instead press radically ahead in open transformation Soviet zone into peoples democracy. Embassy is inclined question this view, especially on account government's national pretensions, terms of constitution and strong continuation national front movement. Though Soviets will continue in effect simultaneously ride two horses (Bolshevization their zone and winning all Germany), we feel Kremlin's aims in far more important western zones (including Ruhr),

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<sup>1</sup> *Ante*, p. 511.

<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 399.

have not diminished, for which reason recent tactical line of comparative moderation, e.g., allegations that Soviet zone not a peoples democracy, will probably be continued (Embtel 332, February 10 and page 11 enclosure despatch 443, August 4<sup>4</sup>). Soviets presumably hope new government and accompanying national front movement will prove more effective in realizing their all-German objectives, at same time constituting valuable counter in any future negotiations with western powers re German unification. In fact, national front movement increasingly represents application classic Stalinist strategy of "national liberation movement," in this case directed against imperialist western occupation powers and reminiscent "national Bolshevism" of 1920's.

Formation new government should enable Soviets put forward more progressive proposals than at Paris CFM when could only suggest all-German state council. Minimum Soviet position re provisional all-German government would presumably now be modelled their demand re Berlin made Paris, i.e., equal representation Bonn and new Soviet zone government. Latter's establishment now presumably makes prospects any real agreement another CFM even less than before (compare Embtel 2293, September 13<sup>5</sup>). Presume however that, having just launched this new government, Soviets not be interested in any immediate CFM re Germany, desiring instead time to get new regime properly established. Demand for CFM has been barely mentioned in connection establishment new government (only as part of item 2 agenda, ninth and last session People's Council October 7).

At same time, certain possible moves suggest themselves, by which Soviets might hope increase stature and popularity new government and at same time national front movement which it hopes develop western zones. While paragraph 21 of national front manifesto clearly implies new government must discharge Soviet reparation claims, Soviets may be planning, in view vast plant removals and shipments already obtained, eventual settlement under which new stooge government will apparently be left only minor obligations (with real exploitation German economy continuing via present Soviet-owned concerns and under terms Soviet-German trade agreements adopted, as in case eastern European satellites). When and if repatriation remaining German PW's from Soviet Union is decided, new government may attempt gain kudos by directing appropriate appeal which Moscow will promptly "grant" (despite Soviet promise complete repatriation by end 1949—reference Embtel 178, January 24<sup>5</sup>—numerous PW's still in evidence in and around Moscow and reported by recent travelers other parts Soviet Union, as result which Embassy inclined doubt

<sup>4</sup> Neither printed.

<sup>5</sup> Not printed.

Soviets will actually complete repatriation by year's end). Transformation SMA into Control Commission and "transfer" its former powers to new government are clearly aimed at scoring against much-criticized western occupation statute (Embtel 774, March 29). Some sort of decorative "diplomatic relations" may be established with Soviet Union and Peoples' Democracies, as well possibly as acceptance new government into Council Economic Mutual Aid (paragraph 9 of national front manifesto emphasizes encouragement of trade with "Germany's natural trade partners"). On basis population Soviet zone alone, new government should rate high in comparison with some other European satellite states, while its national pretensions make it potentially largest "People's Democracy" in Europe. Possible that this process of Germany's rehabilitation could be even further stretched by phoney "peace treaty," accompanied either by mutual aid pact under which Red Army remained eastern Germany for protection, or—if people's police sufficiently developed meanwhile—actual withdrawal Soviet forces on pattern Korea. Seems more probable however that, for reasons mentioned Embtels 774 and 2293, such moves are still impractical and Soviets far from ready for any real withdrawal, except perhaps from their sector Berlin. In view present temper city's inhabitants, latter move should not put too much pressure on western powers to follow suit. In any case, vague propaganda demands for peace treaty and complete withdrawal will now be redoubled.

New government's necessity to endorse unconditionally Oder-Neisse boundary should serve as effective millstone around its neck, and western powers should utilize every opportunity keep this issue alive, at least in terms advanced Secretary Marshall at Moscow 1947 CFM.<sup>6</sup>

Sent Department 2575. Department pass Frankfort 46, Berlin 225, London 282, Paris 365 for Ambassador Kirk.

BARBOUR

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<sup>6</sup> For documentation relating to Secretary Marshall's position on the Oder-Neisse boundary of Germany expressed at the fourth session of the Council of Foreign Ministers in Moscow, see *Foreign Relations*, 1947, vol. II, pp. 139 ff.

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862.00/10-1549 : Telegram

*The Chargé in the Soviet Union (Barbour) to the Secretary of State*

SECRET

Moscow, October 15, 1949—11 a. m.

2592. IBD.NY. Embtel 2588, October 14.<sup>1</sup> Stalin's letter to Pieck and Grotewohl and especially statement that German and Soviet peoples possess "greatest potential in Europe for accomplishment great acts of world significance" may strike uninitiated opinion as surprising gesture towards Moscow's wartime enemy.

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<sup>1</sup> Not printed, but see editorial note, p. 532.

However Stalin's letter represents logical development basic Soviet attitude towards Germany, interrupted only by: (1) 1941 criminal attack Hitlerite forces; (2) subsequent war of defense; (3) justified postwar Soviet demands re repatriations, denazification, demilitarization and democratization. At same time, both fact and content of letter effectively spotlight Kremlin's undeviating view that Germany is key to control and Bolshevization of Europe. National Liberation Movement represented by German National Front (Embtel 2575, October 13<sup>2</sup>) aims at appealing [to] elements ranging from Communists (National Bolshevism) to extreme rightists holding Rapalle-Auroggen [*Rapallo-Tauroggen*] views, with implied promise that Russo-German alliance will effectively dominate all Europe.

While western powers can be sure few Germans will at present be impressed by Pieck's October 11 speech<sup>3</sup> emphasizing "joy and satisfaction" over formation "free and independent Germany" and gratitude for "great and invaluable assistance" (including "supplies of valuable provisions, machines and factory equipment") rendered by Soviet Union following war's end, Stalin's reference to formation new government as "turning point in Europe's history" clearly implies swing in Soviet policy in direction much stronger bid for German popular support, presumably along lines suggested Embtel 2575.

Suggest US information activities should make every effort point out to peoples of Poland, Czechoslovakia, France and other victims of Nazi aggression clear implication of European domination by combination Communist Germany and Soviet Union contained Stalin's letter.

Department pass Frankfort 51, Berlin 229, London 283, Paris 367 for Ambassador Kirk.

BARBOUR

<sup>2</sup> Not printed.

<sup>3</sup> For the text of Pieck's speech to a session of the Volks- and Laenderskammern, October 11, see Pieck, *Reden und Aufsätze*, pp. 295-303.

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862.00/10-2749 : Telegram

*The United States High Commissioner for Germany (McCloy) to the United States Political Adviser for Germany (Riddleberger), at Frankfurt*

SECRET

BERLIN, October 27, 1949—4 p. m.

201.<sup>1</sup> For Riddleberger. Reference Berlin's 198, October 26.<sup>2</sup> Trend of events suggests we may soon be forced to make definite decision on

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Not printed; it reported an announcement in the Soviet-licensed press on October 26, that General Kvashnin had informed the Traffic Minister of the German Democratic Republic "... that administrative responsibility in traffic field would henceforth rest with his ministry." (862.00/10-2549)

nature and extent of *de facto* relations we are prepared to maintain with East German Govt. Following up Kvashnin's statements reported in telegram under reference Grotewohl, in press conference on October 26, is reported in West licensed press to have stated that S. Bahn in West Berlin would also be under control of Eastern Govt. No mention this alleged statement noted thus far in East press. Latter, however, reports other remarks by Grotewohl to effect *modus vivendi* must be created in Berlin (full report in separate cable).

We are confronted with the proposition that on the one hand we can not recognize the legality of the East German Govt, while on the other we must find some practical means of day-to-day operating relationship. The most acceptable procedure would seem to be to carry on such relationships through German channels, as is being done re East-West trade. With respect to the thorny problem of railway administration in Berlin and communications between Berlin and West Germany, there are no competent German authorities to represent us here now. It occurs to me that it might be worthwhile in this connection to explore the feasibility of establishing a competent office of the West German Railway Administration in Berlin, which would be empowered to represent us in all technical arrangements with East zone authorities. This would also contribute to our political objective of strengthening Berlin's ties with the West. Furthermore, it would place the Russians in a similar position vis-à-vis Federal Republic as we would be vis-à-vis Eastern Government. Our major bargaining point in any discussions with Russians on this whole question will be, of course, their apparent desire to avoid any disruption of East-West trade. Thus a pattern may be evolved to cover all *de facto* relations between East and West Germany. Efforts are being made to learn the nature of any orders or other measures taken to implement East German control of Reichsbahn, especially as it may affect West Berlin sectors.

Sent Frankfort 201, repeated Department 1466.

McCLOY

862.00/10-2849 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

PRIORITY

FRANKFURT, October 28, 1949—9 p. m.

3553. London's 4267 to Department, repeated Frankfort as 138.<sup>1</sup> I endorse British suggestion that it would be helpful if Department

<sup>1</sup> Not printed; it reported that the Foreign Office had informed the chiefs of the seven missions on October 24 that it did not intend to establish diplomatic relations with the "German Democratic Republic", and it hoped that their governments would adopt a similar position. (741.62/10-2549) The Foreign Office considered that analogous representations in Washington and Paris would be very helpful.

took action along same lines as Foreign Office, advising Benelux, Danes, Norwegians, Swedes and Swiss against recognition of so-called German Democratic Republic.

Preliminary review here of foreign political position of German Federal Republic in situation created by formation of East zone German Democratic Republic indicates breakdown international relationships into at least seven areas enumerated below. In view complexity situation, pressure developments, and necessity co-ordinating US with British and French views, would appreciate Department's comments and guidance with respect to the following:

1. Relations between German Federal Republic and German Democratic Republic (GDR). Basic assumption here is neither can recognize other. However, consistent with Western policy to encourage East-West trade, commercial agreements between two areas should be permitted, possibly on formula employed in agreement on interzonal trade 1949/1950 (Frankfort agreement) concluded between "competent authorities" in currency areas of DM East and DM West. Above formula involves no recognition by either party governmental status or structure of other.

2. Relations between Soviet Union and satellites and the GDR as affecting High Commissioner or German Federal Republic: USSR, Poland, Rumania, Hungary, Bulgaria, Czechoslovakia have recognized GDR and will not recognize High Commissioner or German Federal Republic.<sup>2</sup> Inasmuch as Poles and Czechs have military missions accredited to ACA which are located in British and US sectors Berlin respectively, question posed as to what action proper Western powers if Poles or Czechs combine military missions to ACA with diplomatic missions to GDR. (Note: Overt US *Neue Zeitung* reported October 26 that Czech Military Mission chief stated on October 24, after return from Prague, he will continue to be accredited to ACA but his office would probably be joined (verbinden) with administration of Czech diplomatic chief to GDR. Berlin office HICOG believes first statement may be used by Czechs as legalistic argument to support claim to continue maintenance Czech consulates in west zones. (Combination military and diplomatic missions may arise under either following two forms:

- a. Employment premises of military mission to ACA to house part or all of diplomatic mission to GDR;

- b. Employment personnel of military mission to perform functions of diplomatic mission to GDR (example this type action arose when General J. Pravin, chief, Polish Military mission to ACA in Berlin, on October 19 handed to Georg Dertinger, Foreign Minister GDR, note from Stanislaw Lescozycki, Deputy

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<sup>2</sup> The Soviet Union had announced its decision to exchange diplomatic missions with the "German Democratic Republic" on October 15. During the following week Bulgaria, Poland, Czechoslovakia, Hungary and Rumania also recognized the East German regime. For the text of the Soviet announcement and the notes of the satellites recognizing the GDR, see *Dokumente zur Aussenpolitik der DDR*, pp. 234-328 *passim*.

Foreign Minister Poland, extending official recognition and naming Karol Tkocz head diplomatic mission to GDR).

Although we cannot consistently tolerate in western sectors Berlin diplomatic missions accredited to GDR, if missions to GDR are established as separate entities and located on Soviet controlled territory, we can ignore them and thereby permit continuance Czech and Polish military missions in present status. Supporting this solution is probability that any aggressive action our part against Czech and Polish military missions will bring retaliation by Soviets, on pattern applied to Brazilians, against large number Western military mission chiefs to ACA who now being designated also to HICOG. Probably best solution under circumstances lies in our notifying Czechs and Poles immediately but informally, possibly through lower echelon contacts in Berlin, that amalgamation two missions will result in our reviewing their right to remain in area. However, before taking decision on expulsion military missions, important that we consider views of intelligence agencies, which may desire continued Czech and Polish residence in western sectors where surveillance and penetration facilitated.

3. Relations between the Soviet satellite states and the German Federal Republic: Although unwilling to recognize the Federal Republic the satellites will desire to have commercial relations with it and to maintain on its territory consulates or other agencies.

In view our general policy to encourage East-West trade, we should endeavor to find formulas which will make it possible for trade to continue under whatever commercial agreements will be necessary. Among methods devised in past, of special interest is formula employed in most recent trade agreements signed with Hungarians and Czechs, who, though refusing to deal with "a representative of the High Commissioner", signed with a "representative of the High Commissioners (US, UK and France)," who in both above cases was British national. Above formula suffers, however, from failure to provide for Federal Republic participation as well and may be unacceptable once Federal Republic begins signing agreements in own right.

Should no formula be devised for entering into formal trade agreements, commerce, though hampered [, and?] communication could still be carried on between Federal Republic and East either through device of currency area agreements between central banks of Federal Republic and satellites or through establishment separate trading agencies or corporations specifically created by Federal Republic to perform for it with respect to East-West trade functions normally negotiated directly between governments.

With regard to permanent residence on Federal Republic territory of consulates and other agencies of satellite states, we should decide immediately whether we can consistently tolerate such agencies on Federal Republic territory if countries they represent recognize GDR and refuse to recognize High Commissioner. It is to be noted that no retaliatory action can be taken by Soviets or East Germans on behalf of satellites since no consulates or similar agencies of Western nations are on GDR territory. Possible arguments against expulsion lie in advantages to US in their retention arising from considerations of commerce



(in facilitating East-West trade and negotiations), intelligence (this can be established by consultation with intelligence agencies), or personal convenience to allied nationals resident in Germany (visas, etc.). Arguments for expulsion center around considerations primarily of international prestige and of security. Possible compromise, informally suggested by British in Berlin, lies in not expelling present consulates but preventing establishment additional ones or enlargement current staffs. Important issue would seem to be whether it is in our interests to get rid of these consulates and special missions, many of whose personnel undoubtedly up to no good in Western Germany.

4. Relations between Western nations and GDR. Every step should be taken to prevent recognition of GDR by Western countries, and action by British Foreign Office in this matter welcomed here. With respect to encouragement of East-West trade, we should suggest use of devices such as trading companies, currency areas, etc., to avoid giving even appearance of recognition. If this impracticable and agreements must be concluded with GDR government bureaus, we should urge Western nations to deal only with more technical (non-political) bureaus and to make clear from beginning of negotiations that recognition of GDR is not implied or intended.

5. Relations between Western nations and Federal Republic. Concerted effort should be employed to induce Western nations recognize High Commissioner and Federal Republic, latter as sole governmental representative German people. To this end we should urge accreditation maximum number missions to High Commissioner, and should endeavor to obtain British and French consent in council to accreditation these missions to German Federal Republic as well.

Since majority governments thus far replying affirmatively to invitations accredit missions to HICOM have indicated their chief of mission will be present chief military mission to ACA, we should try to avoid complications with Soviets by urging them establish their missions to HICOM as entities independent of military missions to ACA even though both missions may share some personnel. Unless this occurs any action we contemplate against Czechs and Poles might be prejudiced by Soviet retaliation, on pattern their action against Brazilians.

We should also try to obtain British and French consent to establishment German consular-commercial service to start functioning abroad as soon as possible.

6. Special situation affecting "neutrals." We should strongly discourage "neutrals" such as Swedes and Swiss, from recognizing GDR by citing, if necessary, their commitments under OEEC, ECA, Council of Europe, etc. Inasmuch as HICOM has already extended unqualified invitations to establish missions at Bonn to all states with consulates in Germany, including satellites and "neutrals," it might be advisable to call attention of "neutrals" to implication that their acceptance of invitations rules out subsequent recognition of GDR.

7. Relations with UN subsidiary and other international organizations: We should employ our majority in UNO agencies and in other international bodies to obtain admission, at least as observers, of representatives of the German Federal Republic and to prevent admission

of representatives of the GDR. We recognize this problem is complicated and different policies may be necessary for different UN agencies. Washington tripartite working party may have already addressed itself to this problem.

8. Communication problems between Federal Republic and GDR. We have noted a recent announcement by General Kvashnin, transport chief of SMA, that responsibility for German traffic system will now be borne by German Traffic Minister (HICOG Berlin cable 201 to Frankfurt, repeated Department as 1466<sup>3</sup>). We are considering the effects of this announcement in terms of trans-Soviet zone movements. We will explore this with EUCOM and with British and French. For your private information British (Robertson) have indicated that they favor a strong position if it appears to be Soviet intention that Western occupation personnel will deal directly with East German officials.

Sent Department repeated London 232, Berlin 236, Paris 266; pouched Moscow.

McCLOY

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<sup>3</sup> Same as telegram 201, *supra*.

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#### *Editorial Note*

On November 10 the Foreign Ministers of the United States, United Kingdom, and France, meeting in Paris to discuss the German question, agreed to discourage other nations from taking steps that would lead to *de facto* or *de jure* recognition of the "German Democratic Republic". For a record of their discussion of policy toward the "German Democratic Republic", see telegram 4716, p. 305.

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#### *Editorial Note*

On November 11 General Chuikov announced the creation of a Soviet Control Commission for Germany and the end of the Soviet Military Administration, whose functions were transferred to the corresponding ministries of the "German Democratic Republic". Chuikov stated that it was

"... the task of the Soviet Control Commission to control the implementation of the Potsdam and other joint decisions taken by the four powers with regard to Germany. This means that the provisional government of the "German Democratic Republic" may freely function in accordance with the constitution of the "German Democratic Republic" in so far as this activity is not contrary to the Potsdam decisions and the obligations resulting from the decisions of the four powers."

For the full text of the statement, see Ruhm von Oppen, *Documents on Germany*, pages 435-436, or *Obrazovaniye GDR*, pages 163-165.

862.00/10-1849: Telegram

*The Acting Secretary of State to the United States High Commissioner for Germany (McCloy), at Berlin*

SECRET

WASHINGTON, November 23, 1949—7 p. m.

1026. Re future relations with Ger Dem Rep (urtel 1447, Oct. 18; rptd Fkft 181; pouched London, Paris, The Hague, Brussels, Luxembourg<sup>1</sup>).

As you are aware subject of relations with East Ger Rep was discussed briefly in course of recent Paris talks.<sup>2</sup> As result these conversations the principle was accepted by three Allies that we shld seek to avoid any action which wld involve even *de facto* recognition of Sov Zone Rep. Fon Mins were unable consider practical application this principle to specific issues due to crowded agenda, and it was agreed that each problem involving dealings with East Gers will have to be discussed and solved as it arises. By way of interim guidance, however, fol points represent current Dept thinking on subject:

1. HICOM shld seek to deal only with Sov control authorities in matters pertaining Sov-controlled area. No action shld be taken which might be construed as implying acceptance of claims of GDR to be legal govt of any part Ger.

2. Officials and agencies of Fed Rep shld be authorized engage in negots with corresponding reps GDR at technical level. Necessary relations between HICOM and officials of GDR shld be conducted through reps of GFR or the Sov authorities.<sup>3</sup>

3. Participation of GDR in internatl orgs in which any of Western occupation powers are members shld be strongly opposed.

4. We shld not tolerate in Western sectors Berlin dipl mission accredited to GDR. Any amalgamation of mil missions accredited to ACA with dipl missions accredited to GDR shld be considered as grounds for reconsidering right of former to remain in Western Berlin.

WEBB

<sup>1</sup> Not printed.

<sup>2</sup> Regarding the Paris talks of the Foreign Ministers of the United States, United Kingdom, and France, see pp. 913 ff.

<sup>3</sup> In telegram 1548, December 3, from Berlin, not printed, the Department of State was asked to clarify this paragraph since it seemed to conflict with paragraph 1 (862.00/12-349). Washington replied that necessary relations with the GDR should be conducted indirectly either through Soviet control authorities or through representatives of the GDR at the technical level. In Berlin relations between the sectors would also be carried on indirectly, through officials of the western magistrat. (Telegram 1038, December 7, to Berlin, not printed, 862.00/12-749)

840.00/12-249 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      PRIORITY

WASHINGTON, December 6, 1949—5 p. m.

4351. Dept concurs position outlined para 2, urtel 4811, Dec 2 (rptd Paris 952, Frankfort 193, Brussels 236, Luxembourg 19<sup>1</sup>). More explicitly we have recently advised Berlin and Frankfort of our position that (1) HICOM shld seek to deal only with Sov control authorities in matters pertaining to Sov controlled areas, avoiding any action which might be construed as implying acceptance of claims of Ger Dem Rep to be legal govt of any part of Ger; (2) any necessary relations between HICOM and GDR officials shld be conducted indirectly (through reps Ger Fed Rep or Sov authorities for example); however, officials and agencies of Fed Rep shld be authorized engage in negots with corresponding reps GDR only at technical levels where *de facto* or *de jure* recognition not in question.

Concerning possible future trade negots between Benelux and GDR, (para 3 reftel) Dept recognizes that such negots will probably prove necessary and presumedly will take place on technical level. Dept feels, however, it shld be made clear in all cases by countries involved that conclusion of such agreements does not imply even *de facto* recognition GDR.

Whether possible handle protection matters on same basis not clear. No test case involving U.S. has yet arisen. However, since ultimate authority in East Ger is Sov Control Comm Dept recommends such matters be taken up initially with Sov officials rather than with GDR puppets.

ACHESON

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<sup>1</sup> Not printed; in it Holmes reported that he had been invited to meet with the permanent Commission of the Brussels Treaty powers in London on December 8, when the problem of their relations with the "German Democratic Republic" would be discussed. Holmes indicated that he would emphasize the intention of the United States to adhere to the policy of non-recognition and that he would stress the "... desirability of Brussels Powers adopting similar attitude." (840.00/12-249)

840.00/12-849 : Telegram

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

SECRET

LONDON, December 8, 1949—8 p. m.

4891. Embtel 4811, December 2; Deptel 4351, repeated Paris 4684, Frankfort 3155, Brussels 1424, Luxembourg 62.<sup>1</sup> Very harmonious meeting today with permanent commission Brussels Pact unanimously agreed:

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<sup>1</sup> Telegram 4351, *supra*; regarding telegram 4811, see footnote 1 to telegram 4351.

1. That no action should be taken which might be construed as either *de facto* or *de jure* recognition GDR;
2. That trade relations should be conducted through private, non-governmental channels;
3. That GDR participation any international body to be opposed;
4. That protection matters should be handled with Soviet occupation authorities who should be held politically responsible for Eastern Germany.

Various suggestions were made as to how trade might be conducted through private agencies. Jebb pointed out that some British firms had successfully transacted business with Eastern Zone. Belgian stated that trade agreement of November 1947 between Benelux and Soviet occupation authorities still working. Suggestion was made that governments might consider permitting formation of committees of Chambers of Commerce to conduct trade on private basis. This was well received.

It was decided that summary of conclusions would be circulated and when text agreed, we should recommend all six governments instruct their missions in non Western Union European capitals with exception of Spain to communicate multilateral position urging those governments take same position. Shall communicate text of résumé when received.<sup>2</sup>

Fearing that any leak about meeting having discussed Eastern Germany and presence US representative would cause press speculation similar to that concerning rearmament of Western Germany,<sup>3</sup> I suggested great caution and, that if any questions asked, we reply that there was general discussion East-West trade. Conferees agreed.

Sent Department 4891; repeated Paris 981, Brussels 247, The Hague 227, Luxembourg 25, Frankfurt 200.

HOLMES

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<sup>2</sup> In telegrams 4947, December 13 and 4990, December 15, from London, neither printed, Holmes reported on the drafting of the position paper on the "German Democratic Republic". On the 20th, in despatch 2000, not printed, Embassy London then transmitted the minutes of the Brussels Pact meeting and the final version of the paper which contained the four points agreed on December 8. (840.00/12-1349, 1549 and 2049)

<sup>3</sup> For documentation relating to the question of rearmament of West Germany, see pp. 266 ff.

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862.00/12-949 : Circular Telegram

*The Secretary of State to the Diplomatic Officers in All the  
American Republics Except Panama*

SECRET

WASHINGTON, December 9, 1949—9 a. m.

It has been reliably reported from Germany that two representatives of the Sov sponsored govt of East Germany (German Democratic

Republic) named Erich Groel and Hermann Levy have recently been sent by air to Latin America with instructions to negotiate with certain unspecified South American govts for recognition of East German state and further to prepare for exchange of diplomatic representatives.

Among the other agreements reached at Paris Nov 11 between British, French, US Foreign Ministers was decision to avoid any expressed or implied recognition of so-called Ger Dem Rep as govt *de facto* or *de jure*. Was also agreed implement this policy by making representations other govts Western Europe if necessary. Though Latin American govts not specifically mentioned, obvious that same considerations apply, and we understand British have already instructed their missions Latin America make approaches to respective foreign offices this connection. Suggest you ascertain from British colleague what action he has already taken.

Please arrange personal interview at highest level FonOff, and present *aide-mémoire* stating US holds most firmly view that so-called Ger Dem Rep established in Sov Zone Occupation is without legal or moral foundation,<sup>1</sup> and that US, believing local govt doubtless holds similar view, hopes local govt will take no action which might be construed as giving *de facto* or *de jure* recognition to East German Govt.

Presentation of *aide-mémoire* may be accompanied by revelation of our info that East German representatives on way to South America, and by whatever oral representations may, in your view, best serve end of frustrating efforts of East-German agents. We suppose that in most cases most effective line will be that bid by Ger Dem Rep for recognition obviously less a German development than another thinly veiled Sov effort extend Communist influence through satellite action.

Would appreciate information regarding local FonOff reaction your representations and all available info re Groel and Levy and their activities if and when they appear your area.<sup>2</sup>

Copies this circular, by air to Frankfort, Berlin, London, Paris for info.

ACHESON

<sup>1</sup> At this point in the source text the following phrase had been deleted before transmission: "being based neither on international agreement nor on the free will German people expressed through democratic elective process. *Aide-mémoire* should state further."

<sup>2</sup> The replies to this circular telegram in file 862.00/12-1049 indicate that none of the other American Republics contemplated recognizing the "German Democratic Republic".

#### IV. REPARATIONS AND RESTITUTION

##### A. TRIPARTITE AND OTHER DISCUSSIONS, JANUARY-APRIL 1949: NEGOTIATION OF AGREEMENTS ON PROHIBITED AND RESTRICTED INDUSTRIES IN GERMANY AND ON REVISION OF THE REPARATIONS DISMANTLING LIST; REPORT OF THE HUMPHREY COMMITTEE

###### *Editorial Note*

The Economic Cooperation Act of 1948 charged the Administrator for Economic Cooperation "to request the Secretary of State to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three Western Zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European recovery program" (Public Law 472, 80th Cong., 2d sess., Title I, sec. 115 (f), 62 Stat. 137). To study the matter and make suitable recommendations the Administrator, Paul G. Hoffman, appointed the Industrial Advisory Committee, which is usually known as the Humphrey Committee, for its chairman, George M. Humphrey. For previous documentation on the Committee's activities, including discussions with British and French representatives at London in December 1948, see *Foreign Relations*, 1948, Volume II, pages 792 ff.

In late December 1948 and early January 1949, the British and French Embassies in Washington expressed to the Department of State the disappointment of their Governments that the Humphrey Committee had envisaged the problem of reparations deliveries only from a narrowly economic point of view, without regard to political considerations or the requirements of security for Western Europe. In their view, the proposed retention of 167 plants would materially increase the war potential of a united Germany or of a Germany occupied by a hostile power. (740.00119 Control (Germany)/12-3148; 740.00119 EW/1-349, 1-449)

The Humphrey Committee on January 12 presented to Mr. Hoffman its *Report on Plants Scheduled for Removal as Reparations From the Three Western Zones of Germany*, and on January 14 a copy was transmitted to Acting Secretary of State Lovett. The text was released to the press on April 14, and there is a copy in CFM files: lot M-88: Box 180.

The Military Governors of the three Western Zones, having found themselves unable to reconcile their differences on the related question

of proposed prohibitions or restrictions on industries in Germany, decided at their meeting in Frankfurt on January 15 to refer this matter back to their respective Governments, which subsequently agreed to continue the negotiations in London.

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740.00119 EW/1-1749

*The Secretary of State to the French Ambassador (Bonnet)*

SECRET

WASHINGTON, January 25, 1949.

The Secretary of State presents his compliments to His Excellency, the Ambassador of France, and has the honor to refer to the previous communications between the Government of the United States and the Government of France with reference to the plants to be removed from the Western Zones of Germany as reparations, and to the discussions between French and British experts and the Industrial Advisory Committee on German Reparations of the Economic Cooperation Administration, which took place in London during early December of 1948.

The report of the Committee has now been submitted to the Economic Cooperation Administrator. A copy of this report is attached.<sup>1</sup> The Administrator has considered the report with which he states he is entirely in accord. He is convinced that the purposes of the European Recovery Program will be most effectively served if the recommendations of the Committee are carried out. Accordingly, he has requested the Secretary of State to obtain the agreement of the Governments of France and the United Kingdom to the retention in Germany of all the plants which are recommended for retention by the Committee.

The United States Government strongly urges that the Government of France agree to the retention in Germany of the plants listed in the Committee report and earnestly hopes that it will receive promptly an indication of such agreement.

As the Government of France is aware, at the time the lists for the dismantling of plants in Western Germany were established, the European Recovery Program was in its early stages, and a coordinated recovery effort for all the participating countries based on mutual aid and the most effective use of existing resources had not been developed in detail, nor had United States support of the recovery program been authorized by the Congress of the United States. Further, a number of arrangements for dealing with the security problem in relation to Germany have been developed since the lists were first established,

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<sup>1</sup> Not printed.



notably the arrangements agreed upon in the London Agreements of June 1948.<sup>2</sup>

In view of these facts and as the implications of the recovery program began to appear, it seemed appropriate to the United States Government that a review should be undertaken of the dismantling program. This review has been conducted by a distinguished group of industrial experts, assisted by a technical staff, who through intensive study and individual plant surveys have come to the conclusions contained in the report. The Government of France has already been made aware of the detailed basis of their recommendations through the discussions the Committee conducted in London. The Committee in making its recommendations had the benefit of the views of the French and British experts expressed in these discussions and, having taken these views into account, eliminated a number of plants from further consideration. As the report of the Committee indicates, it has sought to reach a considered balance of the many conflicting factors involved in this difficult problem.

It is the view of the United States Government, after considering the report, that the retention of these plants in Germany will facilitate the accomplishment of the European Recovery Program.

In making this request, the Government of the United States wishes to make observations on two points involved in the recommended retentions. The first point concerns the relationship of the United States request to the negotiations which are currently being conducted by the three Military Governors regarding a revised list of prohibited and restricted industries. In previous discussions regarding the dismantling question, the Government of France has urged the removal of various plants from Germany on security grounds. The United States Government believes that the security aspects of the dismantling program should be dealt with in the context of the negotiations on prohibited and restricted industries. The United States Government is prepared to agree that a decision regarding the retention or dismantling of any plants included in the recommendations of the Committee which are in industries, except the steel industry, now under consideration by the Military Governors should be deferred until a definitive determination respecting prohibited and restricted industries has been made. In the case of the steel industry, the United States Government has previously indicated its willingness to agree to the continuation of a limit on production of 10.7 million tons of crude steel per annum in the Bizone area until the conclusion of a German peace settlement, unless a settlement is unduly delayed. Since this view

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<sup>2</sup> Documentation relating to the London Conference on Germany, February 23-March 6 and April 20-June 7, 1948, is in *Foreign Relations*, 1948, vol. II, pp. 1 ff.

is in accord with that of the French and United Kingdom Governments, the United States Government believes that consideration of the steel industry does not need to be deferred until the conclusion of the negotiation on prohibited and restricted industries.

The second point concerns the special recommendation included at the end of the report on steel, which relates to the Hamborn plant of the former August Thyssen-Huette A.G. It will be noted that the special recommendation contains alternative proposals. The principal proposal relates to the period of world steel shortage and contemplates the exportation of the product of this plant during that period, after which the plant would be dismantled. If a special arrangement of this character were adopted, the United States Government believes that special provision should be made for the operation of the plant under supervision of the occupying authorities rather than by the government or governments to which the plant might be allocated for reparation, as proposed by the Committee. In view of our common concern about the world steel shortage, the United States Government believes that this proposal merits serious study.

The United States Government has, of course, no objection to the immediate dismantling and allocation, in accordance with the arrangements on allocation agreed by the three Governments at London in June 1948, of those plants on the reparation list whose retention is not proposed. Instructions on this point will be sent to the United States Military Governor in Germany.

A communication similar to this note is being addressed to the Embassy of the United Kingdom.<sup>3</sup>

DEAN ACHESON

WASHINGTON, January 25, 1949.

<sup>3</sup> Not printed.

740.00119 EW/1-2749: Telegram

*The Secretary of State to the Embassy in France*

SECRET US URGENT

WASHINGTON, January 27, 1949—7 p. m.

248.<sup>1</sup> For Caffery. Dept considers important Douglas, who plans return London February 3, talk soonest possible thereafter personally Bevin and Schuman together re US request retain reparation plants Germany. Talk not intended discuss individual plants or detailed Brit and Fr objections, but rather ensure Bevin and Schuman recognize serious purpose with which this Govt makes request, to the end they correctly evaluate US position.

<sup>1</sup> Repeated to London as 305.

Most desirable talk occur before crystallization Brit and Fr positions in formal replies. Request Schuman therefore delay Fr reply until talk and seek his consent meet London Douglas and Bevin, exact date to be set later at Schuman convenience. You may quote purpose of meeting stated above. Rptd London.

London from Douglas: Will arrange meeting on return. Similar request to Bevin made thru Brit Amb. here.

ACHESON

740.00119 EW/2-649: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET NIACT

WASHINGTON, February 6, 1949—2 p. m.

432. For the Ambassador from Saltzman. We have again reviewed within Dept question you raised in Fri telecon<sup>1</sup> in light our phone conversation Sat.<sup>2</sup> In our view differences between us and Brit and Fr on prohibited and restricted industries are substantial and raise extremely important questions of overall policy. One of major differences concerns time during which restrictions now under negotiation are to be effective. Our position is they should be effective only until peace treaty, but subject to earlier review if treaty is unduly delayed (probably sooner than 5 years) and subject to periodic review of certain individual restrictions. Fr position, with which we believe Br are fundamentally in agreement, is that 3 powers should now commit themselves to support prohibitions and restrictions in peace treaty (see Paris 1427 to London Dec 6<sup>3</sup>).

Differences respecting industries to be limited are also still quite substantial. They flow from basic differences in approach. Our effort has been to limit prohibitions and restrictions to a few industries having direct relationship to military power and to avoid arrangement which would hamper Ger industrial production and be difficult administer. Br and Fr are seeking variety of restrictions throughout Ger economy. We have been willing envisage some concessions to them fixing limitations to "present capacity" in a number of industries until peace treaty subject to review. We believe these restrictions would not have unfortunate consequences provided these are not incorporated in peace treaty. We understand Clay has not offered these concessions

<sup>1</sup> Not printed; in it Douglas reported on a conversation with Bevin in which the British Foreign Secretary indicated his desire to settle the question of reparations. Bevin said the British would have great difficulty in accepting the Humphrey Committee recommendations and wanted to combine discussions on reparations and prohibited and restricted industries. (CFM Files: Lot M-88: Box 180: GRPG Documents)

<sup>2</sup> No record of this conversation has been found in Department of State files.

<sup>3</sup> Not printed.

and we will probably wish review our position on them when negotiations come to the governmental level. For these reasons the area of agreement shown in papers you have may be more apparent than real.

The continuing restrictions to be laid on Ger economy seem to us clearly far more important than fate of 50 odd plants in dispute in the dismantling issue, a point which Clay has also forcibly made to us. We would not consider it wise use concessions on this important issue as device for getting agreement on dismantling issue. If we should do so our feeling is we could get quick agreement only by making significant concessions in the prohibited and restricted industry field which we would consider unwise and which we would probably have new difficulties in justifying to Cong.

In view of current interdepartmental consideration under aegis of National Security Council now being given to overall approach to Br and Fr on Ger problem, we would encounter considerable difficulty in getting agreement within the Govt to high level negotiation on prohibited industry at this time. Position to be taken by this Govt would have to be coordinated with Army and ECA. All this would take good deal of time even if we agreed immediately proceed with such negotiations as you suggest.

You recall decision here was avoid linkage dismantling issue with prohibited and restricted industry negotiation, if by so doing early solution of former would be impeded. For reasons given above Dept concludes considerable period required for negotiation prohibited and restricted industries on basis satisfactory this government.

For foregoing reasons we do not think it wise at this time to agree to relating reparations negotiation with negotiation on prohibited and restricted industries. Therefore believe you should proceed to discuss with Bevin and Schuman our request based on Humphrey Report, urging prompt agreement on broad grounds in order clear up now the reparations situation which has been unsettled for so long and in order remove this obstacle in connection with ERP appropriations.

ACHESON

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740.00119 EW/2-649 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, February 9, 1949—8 p. m.

475. For Douglas from Saltzman. Reurtel 474, Feb 8,<sup>1</sup> recognize desirability from Brit and Fr viewpoint deal with dismantling and

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<sup>1</sup> Not printed; in it Douglas transmitted the text of a letter from Bevin of February 7, in which the British Secretary of State for Foreign Affairs stated his view that reparations and prohibited and restricted industries should be discussed concurrently. (740.00119 EW/2-849)

prohibited industries together and announce outcome simultaneously. Dept considers interrelationship largely eliminated by clauses in notes re prohibited and restricted industries and steel. See no possibility arrive prompt agreement on prohibited industries and little possibility obtaining agreement within Govt separate this issue from list to be dealt with contemplated omnibus procedure.

For your info representatives Brit and Fr Embassies called today with identical instructions to inquire what location for negotiations dismantling and prohibited and restricted industries.<sup>2</sup> They also pressed same point raised by Bevin regarding desirability link two negotiations. They were informed along lines of selected portions of Deptel 432 Feb 6,<sup>3</sup> relating particularly to relative importance of the two issues, the major difference as to the time during which restrictions in prohibited restricted industries would be effective, difference of approach as to type of prohibitions and restrictions and the careful consideration and extended period Dept considers to be required for acceptable negotiation of prohibited industry issue.

ACHESON

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<sup>2</sup> A copy of the memorandum of Saltzman's conversation with Penson and de Margerie is in file 740.00119 EW/2-949.

<sup>3</sup> *Supra*.

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740.00119 EW/2-949 : Telegram

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

SECRET URGENT

LONDON, February 9, 1949—11 p. m.

508. For Saltzman from Douglas. Deptel 432 February 6<sup>1</sup> and Embtel 474 February 8.<sup>2</sup>

Late yesterday Holmes explained to Kirkpatrick for communication to Bevin our inability to agree discuss dismantling and prohibited and limited industries simultaneously. Kirkpatrick stated that decision to expedite settlement of German question and to consider above problems together was made in Cabinet, that he would report our position to Bevin at once.

At Kirkpatrick's request Holmes called again this afternoon to receive message from Bevin requesting earnestly that even if we could not agree to simultaneous discussion we speed up determination of our basic policy concerning prohibited and limited industries in order to be in a position to give British and French some assurances respecting these matters at same time as settlement dismantling issue. Kirkpatrick went on to say that British are prepared to make substantial conces-

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<sup>1</sup> *Ante*, p. 550.

<sup>2</sup> Not printed, but see footnote 1 to telegram 475, *supra*.

sions regarding dismantling and that Cabinet would expect evidence such concessions justified. He said he wanted to be completely frank and that British would only raise questions concerning five plants among those remaining in disagreement. Any reassurances I may be instructed to give British concerning prohibited and limited industries will be advantageous in reaching agreement on dismantling.<sup>3</sup>

For example, could I say that we would make certain substantial concessions toward meeting the British and French position on those limited and prohibited industries about which there is present disagreement, on the clear understanding that at the expiration of three years, or earlier, if negotiations for a peace settlement are commenced, such prohibitions and limitations would be reconsidered.

This will, I am sure, evoke from the French and British the argument (1) that such a short term arrangement would not mean dismantlement and identification of plants for reparations which fall within the short-term arrangement, and that, therefore, it carries no permanent or more permanent guarantee in regard to such restrictions and prohibitions, and (2) that plants in Germany not in the immediate future dismantled, will as Germany becomes more independent and assertive, never be dismantled.

On the other hand, it is much easier to give away than to take away, to relax restrictions and prohibitions than to impose new ones. Three years hence we will know much more about the sort of Germany that is apt to emerge, the conditions and organization, if any, of Western Europe, the relationship of Germany to Western Europe, the progress of the Atlantic Pact, etc. This knowledge should provide an intelligent basis either for retaining restrictions now imposed or relaxing them.

The above is just offered as a suggestion, and I recognize there are objections to it, but there may be some variation of this line, which might be helpful, or some wholly different one.

Hope to be out of bed Friday and in the office Saturday.

Sent Department 508; repeated Paris 91.

DOUGLAS

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<sup>3</sup> In the margin of the source text Saltzman had written :

"1. No combination.

2. No change in position.

3. Discuss with Br. in Washington."

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740.00119 EW/2-1649 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, February 16, 1949—7 p. m.

553. For Douglas from Saltzman. Urtel 508, Feb. 9.<sup>1</sup> Appreciate your difficulty and desire that we authorize you to say something on

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<sup>1</sup> *Supra.*

prohibited and restricted industries. However, as indicated in Deptel 510 Feb. 12,<sup>2</sup> we cannot authorize either linking of this question with dismantling question, or any statement on substance of prohibited industry negots.

2. Forurinfo, Dept believes it would be desirable to proceed quickly with negots on prohibited and restricted industries at governmental level, in attempt at least to narrow area of disagreement. Brit have approached us here with suggestion of Govt negots limited to ship-building, machine tools, and duration of restrictions, remaining questions to be negotiated by MilGovs. We consider such division of question undesirable and wish negotiate on problem as whole. If we cannot reach agreement consistent with our views, negots would serve purpose of defining disagreements in terms of policy issues which could be resolved at high level tripartite meeting to deal with all outstanding issues. Will discuss this with Army but can not make any statement to Brit on this subject until US Gov decision has been reached. Appreciate that inability state to Brit that we are prepared proceed with attempt to resolve prohibited and restricted industries question even independently of dismantling issue, makes your task very difficult and will attempt get decision this point soonest. Meanwhile, believe you shld proceed with your attempt to resolve dismantling issue separately. Discussions you have had with Bevin seem to have been very useful already in drawing indication that Brit concern limited to five plants.

3. Dept believes solution might lie in public announcement that disposition plants involving security consideration will be settled in prohibited and restricted industry negots. We believe some chemical and nonferrous plants on Humphrey list fall in industrial classifications under consideration these negots, i.e., that they are in industries which wld be restricted under Brit or Fr proposals although in general not under present US positions. These are already deferred under our note of Jan 25.<sup>3</sup> Clay has been asked report which plants fall in industries under consideration in prohibited and restricted industry negots. Will give you numbers soonest. We wld in addition be prepared similarly to defer consideration three important steel plants to which security objections have been raised (Krefeld and Bochum plants of Deutsche Edelstahlwerke and Hamborn) if agreement cld thereby be reached on rest of our retention list.

4. Suggest without putting proposal re the 3 steel plants forward you carry on with your discussions with Brit and Fr which might give you indication whether some such solution might be acceptable to

<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 547.

them. We wld not be prepared to go beyond this position. Since we do not wish to be put in position of negotiating arrangement of this kind with Brit with possibility of Fr adding additional plants, consider it important dismantling question be discussed on tripartite basis before any such proposal is put forward. Meanwhile, we wld hope be able authorize you to say we will agree to governmental discussions on prohibited and restricted industries at early date, but not join with dismantling issue, although you shld not count on this possibility.

5. Foregoing wld not mean there wld be any commitment on our part to agree to dismantling plants whose consideration deferred. All parties wld maintain their positions pending outcome prohibited and restricted industry negots and dismantling wld continue in suspense. Merit this proposal is that, while continuing keep two subjects separate, Fr and Brit cld say they had not agreed to retention plants they felt strongly involved security problem and that these wld be considered from security viewpoint. Also they wld not at this time have to agree to our entire list. Ultimate agreement to retention additional plants within deferred list wld be at same time as announcement results prohibited and restricted industry negots, which wld presumably serve facilitate public acceptance in France.

Hoffman concurs foregoing.

ACHESON

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740.00119 EW/2-2349: Telegram

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

SECRET US URGENT

LONDON, February 23, 1949—9 p. m.

675. For Saltzman from Douglas.

1. I saw Bevin briefly yesterday about dismantling, and would have cabled substance of conversation had he not suggested that to save him certain amount of time, I elaborate on certain points with Kirkpatrick. This I agreed to do after making it clear (a) that I did not propose to discuss any technical questions; and (b) that this matter was one with which Bevin and Schuman must deal in broad and reasonable way.

2. In passing, it is interesting that Bevin seemed listless, tired, and although anxious to settle problem, without assurance that his recommendation would be accepted by the Cabinet.

3. I saw Kirkpatrick this morning and explained to him, in greater detail than time permitted in my conversation with Bevin, that we were not prepared discuss prohibited and limited industries in conjunction with retention of plants recommended by Humphrey Committee. I explained reasons which influenced us take this position.



In response Kirkpatrick repeated in more elaborate way what Bevin had said yesterday. Sum and substance is that British do not want to discuss dismantling as separate issue, because they fear that:

(a) If dismantling is settled by itself, their bargaining position in regard to prohibited and limited industries will have been impaired; and

(b) If issue of dismantling is once settled, our interest in prohibited and limited industries will wane, negotiations will be postponed continuously, and present situation will be reserved for an interminable period of time during which a German government may be established. This government will then become an ardent participant in matter of prohibited and limited industries, and controversy will develop into one between British and French governments on one hand, and German government on other, thus impeding, if not interfering with measures for assimilation of Western Germany in Western Europe.

4. Thus, in absence of confirmation from Bevin after he will have discussed matter with Cabinet, situation appears to be as follows: We will not discuss prohibited and limited industries coevally with Humphrey Committee's report, and British are very reluctant discuss two questions separately. As long as this situation prevails neither of the two issues will be discussed.

5. My analysis is that second of two reasons referred to above which influenced British to resist discussing question separately is by far the more important of two, and that if we could give British some firm assurance that we would initiate negotiations on prohibited and limited industries at earliest possible moment and bring them to conclusion at earliest possible date, this would go far to break deadlock.

6. Deptel 601, February 21.<sup>1</sup> Do not understand what is meant by "British and French composite list," but interpret cable to mean that we cannot supply list of plants referred to in Deptel 587.<sup>1</sup> This, however unavoidable, is I think unfortunate, because:

(a) It may tend further to delay result of negotiations; and

(b) It may place British and French in stronger position of indicating plants which they believe have security considerations.

Is there no way of getting around difficulty, so that Clay's list of plants can be adjusted to Humphrey Committee's list of plants?

7. Is any progress being made re paragraph I-(3) of Embtel 615, February 17,<sup>1</sup> in which hope was expressed that I might be able to tell British and French that negotiations on prohibited and limited industries at governmental level would commence shortly?

Sent Department as 675, repeated Paris as 122.

DOUGLAS

<sup>1</sup> Not printed.

740.00119 EW/3-249: Telegram

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

SECRET US URGENT

LONDON, March 2, 1949—11 p. m.

773. Personal for the Secretary and Saltzman from Douglas.

1. Before receipt Deptel 684,<sup>1</sup> spent an hour discussing reparations and dismantling with Bevin.

2. He had again reviewed the matter with Cabinet. As a result, I regret to say my analysis paragraph 5, Embtel 675<sup>2</sup> was too optimistic, for Bevin assured me that despite strenuous efforts on his part to persuade Cabinet to permit him to deal with problem dismantling separately from prohibited and restricted industries, he was compelled to maintain his former position that the two problems, reparations and dismantling on the one hand and prohibited and limited industries on the other, must be dealt with together.

3. Bevin repeated all of the arguments which have previously been reported, including emphasis on French position. I in turn advanced all the arguments against dealing with the two matters coevally, but the deadlock remains unlocked.

4. Bevin suggests that inasmuch as there will probably (depending upon outcome of discussions with Foreign Ministers France, Belgium and the Netherlands) be a meeting of Foreign Ministers in London of the Western Union powers commencing March 14, he, Schuman, myself would discuss and settle both questions dismantling and prohibited and limited industries on that occasion. He assured me that if we would agree to this proposition, he would go as far as he possibly could to meet us on the Humphrey Committee recommendations and to influence the French to do likewise. Moreover, he said that he was prepared, if we would agree to his proposal, to be reasonable on P. and L. industries, and to attempt to be persuasive with the French. He felt that the two matters could be disposed of within two days and stated emphatically that HMG was very anxious to dispose of these two questions with the greatest possible speed. He hoped that this might give us some confidence that HMG would not drag on the discussion interminably, delaying the final settlement for such a protracted period that it will not serve the purpose we have in mind with Congress and in other respects.

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<sup>1</sup> Not printed; in it Saltzman told Douglas that he could inform the British and French that the United States was willing to initiate negotiations on prohibited and restricted industries shortly after the settlement of the reparations question. (740.00119 EW/3-149)

<sup>2</sup> *Supra*.

5. Was handed very confidentially the following paper entitled "Prohibition and Limitation of Certain German Industries—Main Questions of Principle to be Decided":

"1. *Shipbuilding.*

(a) Removal of three largely destroyed shipyards over which local German authorities plan to develop other industries.

(b) Limitation of German shipbuilding capacity to capacity remaining in Germany after removal of the three yards referred to above.

(c) Maintenance of the prohibition of building seagoing ships until completion of coastal fleet required by European Recovery Programme.

(d) On completion of coastal fleet authorization of seagoing fleet subject to limitations on speed, tonnage and type of ship to be constructed proposed in letter from British to U.S. Military Governor of 4 May 1948.<sup>3</sup>

(e) Maintenance of Allied control authority shipping directives subject to minor amendment in the light of later study.

2. *Synthetic rubber.*

Prohibition of manufacture and removal as reparations of all equipment.

3. *Synthetic oil.*

Prohibition of manufacture and removal of all equipment other than that which British and American authorities are already prepared to leave.

4. *Ball bearings.*

Limitation of capacity to that required to meet German internal needs (estimated by appropriate authorities at 27 million units) and removal as reparations of surplus equipment.

5. *Machine tools.*

Prohibition of manufacture of two types of machine tools and of the larger sizes of 19 other types of prime importance to armaments production.

6. *Duration of restrictions.*

7. *Electronic valves."*

6. In discussing paper Bevin indicated that from British point of view shipbuilding and duration of restrictions were most important. He thought differences on ball bearings, etc. could be reconciled.

7. While recognizing the virtue of your arguments against negotiating on the two questions at the same time, I doubt that we will be able to loosen the British and French from their position.

8. Therefore, I suggest that we tell British and French that we are prepared to discuss both questions at the forthcoming meeting in London of Bevin and Schuman on the condition that if both questions are

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<sup>3</sup> Not found in Department of State files.

not satisfactorily disposed of within some definite period such as, for example, four or five days, we will then be compelled to consider them separately. This, it seems to me, protects our position against protracted delays and possibility of excessive concessions in order to reach agreement, and at the same time, gives the British and French an opportunity to discuss the two subjects together. Would either side lose much by agreeing to this compromise?

I have not given slightest intimation this compromise to British or French.

Please believe I do not want to negotiate these two questions together, but I do want to do the very best I can to break deadlock as I know you do.

DOUGLAS

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740.00119 EW/3-149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, March 4, 1949—7 p. m.

735. Personal for Douglas. Fol message from Hoffman sent at his request.

Ref Emtel 773.<sup>1</sup> I am greatly concerned present Brit position that prohibited and restricted industries and reparations issues must be settled together. I believe it of utmost importance that Brit and Fr be advised strong efforts now being made in Congress which have thus far been resisted to introduce legislation which could blow up entire reparation issue and result in final US position which goes far beyond Humphrey Report<sup>2</sup> in plant retention and would result in cut in funds allocated countries receiving reparations equipment. Success of resistance this or similar legislation cannot be guaranteed. In any event as indicated earlier there will be considerable and heated debate this issue and Humphrey Report will probably be public domain before issue resolved.

ACHESON

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<sup>1</sup> *Supra.*

<sup>2</sup> Not printed.

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740.00119 EW/3-749 : Telegram

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

SECRET

US URGENT

LONDON, March 7, 1949—4 p. m.

820. Personal for Acheson. Deptel 735<sup>1</sup> received here morning of 6th, delay due to servicing.

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<sup>1</sup> *Supra.*

1. Called on Bevin this morning. Explained to him your personal great concern about position British were presently taking and, as I had on other occasions, pointed out serious risks implicit in view which French and British take.

2. Urged on Bevin that we get at problem immediately of settling Humphrey Committee's recommendations as separate issue, subject, however, to serious commitment in regard to prompt commencement, on governmental level, of negotiations on question of prohibited and limited industries soon after settlement of problem of plant retention and dismantling.

3. Bevin replied that this would be very difficult; in fact, he wondered whether it would not be better for UK to take risk of some restrictive legislation or some limited provision in an appropriation act. He wondered whether he should not even take risk of a reduction in amount of appropriation for European recovery. Reasons for his taking this position are, as previously reported:

(a) He is very fearful that once question of retention and dismantling was disposed of, we would, in negotiations on prohibited and restricted industries, use same methods—that is to say, threaten to reduce appropriation for European recovery, threaten to enact restrictive legislation, et cetera,—to influence British to accept our views.

(b) If problems were dealt with seriatim, French Government would have very serious problem on its hands (according to Bevin).

(c) If problems were dealt with separately, report to House of Commons that an agreement had been reached on retention and dismantling of plants would give rise to serious internal political difficulties, particularly with shipbuilding industry on Clyde and their body of representatives and associates in House of Commons.

4. Notwithstanding above, Bevin agreed to reconsider matter. I hope to have answer either late tomorrow afternoon or Wednesday. He must go to Cabinet.

Sent Department, repeated Paris 146.

DOUGLAS

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740.00119 EW/3-1149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      US URGENT

WASHINGTON, March 11, 1949—7 p. m.

823. For the Ambassador.

#### PART I

Re our phone conversation Thursday<sup>1</sup> in which you indicated chances favorable of progress concerning Humphrey Report provided

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<sup>1</sup>No record of this conversation has been found in Department of State files, but presumably it is the one which Clay and Voorhees discussed in their teletype conference on March 17, p. 105.

you could also discuss prohibited and restricted industries (PRI). Approve this with understanding that it be made clear to Brit and Fr that such negotiations shld not extend longer than 4 or 5 days. Urinfo only, this is because Steering Group of NSC Subcommittee on Germany has recommended early Three-Power conversations to consolidate their [*the?*] unresolved questions with Brit and Fr affecting Germany and if this recommendation is approved, best time for such negotiations might be immediately preceding FonMins Conference here on Atlantic Pact or in margin of such conference.

On Humphrey List you have been authorized make several concessions to obtain agreement and to submit to us for our consideration Brit or Fr proposals for further concessions. We want you to be fully as clear on our position re PRI negotiations. We feel this is especially important because our position is such that negotiations will not be easy for you.

Our PRI position arises out of our desire to go cautiously in committing ourselves to long term restrictions on Ger economy. We feel US must not commit itself to restrictions which prevent economic progress and capital development except where absolutely necessary for security purposes. We are certain if we did so our Congress and people wld not endorse the decision and we wld eventually have to revise or abandon it. We cannot contemplate a repetition of our experience with Congress on reparations. For that reason we felt and still feel that instructions sent to Clay are as far as we can go in this matter. Specifically we cannot agree now to commit ourselves to permanent restrictions of type and range under discussion but must insist on limiting our commitment to period preceding peace treaty or some determined date if treaty continues be delayed. Nor are we prepared make concessions greater than those Clay was authorized make with exception of case of shipbuilding, discussed in detail below. We feel maintaining our PRI position far greater importance than Humphrey List in terms of basic policy toward Germany.

Our initial position was that prohibitions and restrictions shld be confined to relatively narrow list. Brit and Fr, however, put forward extensive lists covering broad segments of Ger industry. In Dec we authorized Clay make what we regarded as significant concessions on removal of synthetic oil facilities in exchange for abandonment of proposals by Brit and Fr to impose restrictions on or limits to present capacity in considerable range of industries. If necessary, he was further authorized to agree to limitations to present capacity in most of these industries.

Our understanding is that Clay offered our concessions on condition Brit and Fr agree to remainder of our position. They did not do so and he withdrew concessions. US positions shown in report of Eco-

conomic Advisers of Jan 5<sup>2</sup> Brit gave you last month therefore generally represent maximum US positions and not positions from which we are prepared to bargain. I feel that in undertaking negotiations, you shld know these positions already go beyond what we consider satisfactory, and that we cannot consider further concessions in effort to reach agreement solely in context of discussions this subject. Your task in negotiation would therefore be primarily to seek to reach agreement on proposal which has already failed of acceptance at MilGov level.

Our present positions are those set forth in TIN/P(49)1 of Jan 11,<sup>2</sup> copy of which you have. There follow below maximum positions you are authorized agree to. Bearing in mind previous history of negotiations and fact these are absolute maxima, your bargaining leeway will be small and you will wish adjust your tactics accordingly.

### *Coverage*

We deem it essential discussion cover entire PRI. Brit proposal wld leave aside number of industries on which we are in disagreement with both Brit and Fr. Disagreement with both Brit and Fr involves scope of removals, while there are further disagreements with Fr concerning their proposals to limit production or exports in certain industries. Brit proposal wld bring under negotiation only matters they deem of importance and force us to negotiate remainder later after our bargaining power has been completely exhausted.

### *Duration*

Our position has been that the agreement to continue these restrictions should be effective until the conclusion of a Ger peace settlement unless such a settlement is unduly delayed. When there is a settlement, it has been our position that the entire subject shld be reviewed and that we were free to reconsider our position on the prohibitions and limitations. We do not wish be caught in a situation where the restrictions continue indefinitely because there is no instrument which cld be regarded as a peace settlement, which seems to us to be a possibility. There must therefore be some device whereby the restrictions can be reviewed in such a situation without necessity for unanimous agreement to any change.

We believe an acceptable agreement re duration cld be worked out in one of two ways:

a. Agreement might be until conclusion of a peace settlement or an agreed date, say end of 1950 or June 30, 1951.

b. Agreement might run until conclusion of peace treaty subject to right of MilGovs to relax limitations (but not prohibitions). Action

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<sup>2</sup> Not found in Department of State files.

by MilGovs wld have to be by majority vote, subject to appeal to Govts, but without indefinite suspension in event of appeal.

## PART II

A. In beginning negotiations it is desired you make brief statement. Our position those negotiations based belief that security against Germany can best be maintained by total prohibition of a small number of industries without which it wld be impossible for Germany to fight a modern war, that limitations or restrictions on volume of production in any large number of industries will be difficult to justify on security grounds, difficult to enforce and will tend to undermine the acceptance and enforceability of the system as a whole and that security against Germany in practice depends on continued willingness Allied Peoples to enforce restrictions which they judge are fair, necessary to security, and involve minimum of detailed and troublesome administrative action.

B. On basis this view we urge that Brit and Fr Govts reconsider mass of restrictions now under consideration to determine which can be eliminated. This request stems from views expressed in (A) above and additional conviction that Fr and Brit Govts will find, as time passes, that many restrictions they have urged are neither fundamental security measures nor compatible with European cooperative economic development in broadest sense.

C. Steel. You are authorized agree 10.7 million ton limitation (bi-zone production) for steel. Authorized agree that electric furnace steel will be limited to production possible with capacity recommended to be retained by Humphrey report.<sup>3</sup>

[Here follow specific instructions on various industries and products.]

## PART III

Any agreement you, Bevin and Schuman reach on this subject shld be in form of a directive to MilGovs calling upon them to complete their negotiations and submit them to Govts for approval.

Position on shipbuilding stated above not cleared within Govt and shld not be put forward or discussed until you are advised further.

Our agreement to discuss two subjects jointly is on basis stated para 8 ur 773,<sup>4</sup> i.e., that if no agreement reached within 4 or 5 days, we will be compelled deal with subjects separately again.

ACHESON

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<sup>3</sup> The Humphrey Committee recommended the retention of 472,080 metric tons of electric furnace steel.

<sup>4</sup> *Ante*, p. 557.



740.00119 EW/3-1449: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

TOP SECRET

BERLIN, March 14, 1949—7 p. m.

382. For Murphy Eyes Only. Deptel 294, March 11.<sup>1</sup> In reply to Army Department cable to CINCEUR W-85469 March 11,<sup>2</sup> outlining ref tel and suggesting OMGUS representation at London conversations, Clay sent following personal top secret cable for Voorhees March 12.

"It would appear late for me to comment on what is already a decision. However, I would fail in my duty if I did not say what I firmly believe, that in making these types of decisions we are playing into Communist hands. It does not stand to reason that in the years to come, Germany will not be permitted to build merchant ships because they are a risk to security in that the yards could be directed to other and war uses. Obviously this applies to any heavy industry and the pressure from British indicates the economic competitive fear which is involved other than security fear. Moreover we have provided for security inspection of all types to insure industry is used for peaceful purposes.

I must go on record as stating my fixed opinion that such limitations on production which seriously affect the ability of 65 million people to live, make not for security but rather to plant the seeds of hatred and distress which lead to war. Moreover, this was the most important factor at our disposal for a one package rather than a piecemeal solution. In trading this agreement for a few ECA plants, I think we should be clear in our own minds that we are in fact in the prohibited and restricted industries agreement placing further shackles on the German economy, which more than offset any economic benefits which will accrue from the comparatively small value plants to which ECA attaches so much importance to their retention in Germany.

In sheer economic value, the giving up of the ECA insistence on plant retentions in exchange for a very limited prohibited and restricted industry policy would make sense. I hope that the bargaining, if such it is to be and that appears to be what Ambassador Douglas has in mind, is based on obtaining minimum restrictions rather than maximum plant retentions. In any event, we are certainly knocking the pins down in one alley at the same time we set them up in another.

I would like to add further that with these same instructions, we might have reached agreement here. So again and for the fourth or fifth time during the past year, we are placed in a position to have been more unyielding than our government which of course means that our negotiating position here is once again undermined. It seems that the instructions which we receive are always only an interim

<sup>1</sup> An extract from telegram 294 (823 to London) is printed *supra*.

<sup>2</sup> Not printed; it reviewed the history of the prohibited and restricted industries question and repeated the first paragraph of telegram 823 *supra*. (Department of Defense files)

government position. It has of consequence made the position of the American Military Governor here almost an impossible one for it is more and more apparent to his colleagues that he does not have government support.

I will advise later as to time required to complete small vessel program.

I have no one to send to London from here. In point of fact, we could contribute nothing since our views have already been made known and our representative would serve no useful purpose. Normally when they do go to these conferences they are not permitted to attend the actual meetings, I presume from fear of contamination."

RIDDLEBERGER

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Department of Defense Files

*The Department of the Army to the United States Military Governor  
for Germany (Clay)*

SECRET      PRIORITY

WASHINGTON, March 14, 1949.

W 85524. From Voorhees. Reurad CC 7998 March.<sup>1</sup>

1. I have discussed your comments with Murphy and he has asked me to send the following message from him to you:

"I feel that you are unduly disturbed over a technical position which results from an impasse in which we find ourselves in respect to the Humphrey Committee Report. As you know the United Kingdom and France had been adamant in their determination to link the 2 conversations. The Department has been unwilling over a period of time to do so. Douglas believes that he sees an opportunity to make some progress in both fields without yielding firm positions which have been taken in respect of PRI. You have known right along that the discussions regarding the Humphrey Committee Report were taking place in London and in respect PRI you took the initiative to return that negotiation to a Governmental level. In the present instructions sent to Douglas<sup>2</sup> the positions adopted on the specific industries correspond to those given you with which we thought you were in accord, except that regarding shipbuilding. There the United States Government position has not yet been established. The proposal included in the telegram to Douglas is a tentative one formulated on a technical level on which we asked for your reaction. As you know there had been a difference of opinion in our Government regarding this problem involving both the Navy and the Maritime Commission.

I do not anticipate that Douglas will succeed in arriving at definitive solutions of these 2 problems but do expect that with the possibility of discussing the Humphrey Committee Report we may achieve at least a narrowing of the area of disagreement. I expect that there will be Tripartite discussions in the near future in Washington where the negotiation of these 2 items will be continued. Those discussions which

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<sup>1</sup> For text of message, see telegram 382, *supra*.

<sup>2</sup> Transmitted in telegram 823, March 11, p. 560.

will probably first be on a technical level will be followed by some form of conversations among the Foreign Ministers. I think your conclusion that the present instruction to Douglas constitute a fundamental change of policy really is not justified and I would appreciate your reexamination of the telegrams which have been sent in that connection. Please remember that the consistent position here is that PRI is of greater importance than the Humphrey Committee list."

2. We are instructing Crook to act as liaison with Douglas on this matter and to advise you and ourselves daily on the progress of the negotiations.

[VOORHEES]

740.00119 EW/3-1549: Telegram

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

SECRET URGENT

LONDON, March 15, 1949—4 p. m.

971. I met last night with Bevin and Schuman. I outlined basis our agreement to discuss PRI and Humphrey list at this time and 4- or 5-day deadline. I also outlined our position with Congress on Humphrey list and our basic attitude PRI as given Deptel 823,<sup>1</sup> part two, paragraphs A and B, and added US not willing make unjustifiable concessions on PRI, the more important, to obtain agreement on Humphrey recommendations, the lesser in importance.

Bevin burst out about our assurances of last year, was generally petulant, thought way negotiations PRI terminated in Berlin arbitrary, questioned motives of US steel recommendations which he said were inspired by US steel industry's desires for foreign influence and control. I replied vigorously to his outburst and he modified general attitude and specifically withdrew last statement. Thereafter, he presented agenda and we agreed talks today by officials on general details Humphrey list and PRI.<sup>2</sup> We may meet again tonight, otherwise sometime tomorrow. Schuman remains. Schuman said little. Significant, however, he indicated French concern with Hamborn, Bochum and Kimfeld plants and, in steel group, mentioned no others. British offered to retain 20 more plants than the 117. I replied could not re-

<sup>1</sup> Ante, p. 560.

<sup>2</sup> In telegram 982, March 15 (11 p. m.), from London, not printed, Douglas reported further details on the discussion with the British and French. The number of plants to be removed was reduced to eighteen and the questions of shipbuilding, electronic valves, synthetic gas and oil, rubber, ball and roller bearings, machine tools, and aluminum were considered. Douglas also reported British and French resentment and doubt about the United States interest in security. (740.00119 EW/3-1549)

consider. We had very little, if any, latitude within area of Humphrey report.<sup>3</sup>

Both Bevin and Schuman stated categorically anxious promptly to reach settlement. British raised question deliveries to Soviets and IARA. I attempted avoid detailed discussion on grounds no instructions Soviet problem and IARA has no rights so that problem simply one of judicious and non-excitement-creating presentation. Does Department wish instruct? <sup>4</sup> Daspit not coming here re Swiss accord.<sup>5</sup> Might be useful have him later this week.

I am neither optimistic nor pessimistic but I feel we have laid before British and French only basis on which agreement is possible and passed first crisis negotiations. I expect more, nevertheless. Thanks for urtel 847.<sup>3</sup>

Repeated Paris for Caffery 176, Berlin for Riddleberger and Clay 151.

DOUGLAS

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<sup>3</sup> Not printed.

<sup>4</sup> In telegram 894, March 16, to London, not printed, the Department advised Embassy London that in view of the situation in Berlin it was undesirable to dispose of the plants set aside for reparations for the Soviet Union. (740.00119 EW/3-1549)

<sup>5</sup> Under reference here are the negotiations concerning German assets in Switzerland, which took place in London and Bern in early 1949, before being transferred to Washington, May 11. Documentation relating to these talks is in file 800.515; for a summary of the talks and the issues considered, see *Germany 1947-1949*, pp. 408-409.

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740.00119 EW/3-1649: Telegram

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

SECRET US URGENT  
 NIACT

LONDON, March 16, 1949—6 p. m.

993. There follows my next telegram text of draft paper PRI and Humphrey list which we will present to British and French this afternoon.<sup>1</sup> Basic outlines position this paper were discussed this morning with Bevin and Schuman. It is our hope that agreement on a specific paper may be reached today and presented to the governments immediately for consideration and, if possible, approval during Thursday. I will send you agreed paper, which may differ from this one, tonight. If you can give your approval, I will then endeavor to get Bevin's and Schuman's. Schuman has gone back to Paris and unless we can go to him for agreement Friday, the matter will have to go over

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<sup>1</sup> *Infra*.

until Monday because of French electioneering Saturday and Sunday. That is why I hope to hear from you Thursday.

I believe that the basis for agreement outlined in my next numbered telegram is substantially what we will be able to obtain later today. However, it appears likely that the French will hesitate to agree to unlimited production of synthetic ammonia and chlorine, and will want to restrict to present capacity. British and French, I have good reason to believe, will agree to 36 million unit per annum limitation of ball and roller bearings. I can agree to their positions on these items on the basis of my instructions. I feel we are going to have some real successes on the Humphrey list and the PRI, elimination of many industries from the limited category. I do not believe that we can do any better in the remaining matters, and hope you will feel justified in leaning their way on these, in view of the successes.

Specifically, on the Humphrey list, Bevin indicated he might be able to come down to ten, but I will try to insist that he come down to seven and that Krefeld be retained.

On synthetic rubber, the British are insistent butadiene facilities and 50 percent of styrene capacity be removed. This means all of Leverkusen and substantial parts of Huels and Ludwigshafen. I understand butadiene capacity is not readily and efficiently convertible to production of other chemicals for which there is a market and need and could always be easily reconverted to rubber. I don't know how great German needs for styrene are, but perhaps the British are right in asserting that the capacity is excessive. In any case, I feel that we must decide whether the elimination of essential parts synthetic rubber capacity, which is in line with our basic belief that a few strategic industries should be absolutely prohibited, is an unwise exchange for an agreement which includes the elimination of any restriction on a number of industries.

I don't know if our proposal on electronic tubes will be accepted. It is more likely that the French and British will insist on their proposal transmitted to you Embtel 982 March 15.<sup>2</sup> Would that be acceptable in some form?

Our machine tool proposal may also not go quite far enough.<sup>3</sup>

Doubt whether we will be able to change the existing agreement on aluminum.<sup>4</sup>

On shipbuilding, Bevin had Admiralty First Lord at meeting. British feel very deeply this problem, and I cannot see how we can

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<sup>2</sup> Not printed, but see footnote 2 to telegram 971, *supra*.

<sup>3</sup> The United States position prohibited the manufacture of machine tools specifically designed for the production of war material. (740.00119 EW/3-1149)

<sup>4</sup> The agreement on aluminum provided for production of 75,000 tons and the removal from Germany of any capacity in excess of this figure.

avoid agreeing to some limitations size, and speed for various types of ships. Would not we be faced with great pressure at home to do so later, if we did not now? I think we may be able to get British to relax position on 6,000 GRT and 12 knots some in expert negotiation.

I think that the proposal on duration is the best we can hope to get. Bevin wanted five years. I have not presented alternative (b), because the British attitude has persuaded me that we would not be likely to obtain a majority vote of the Military Governors in this matter.<sup>5</sup>

The British and French do not want any publication of the fact of our agreement or its substance until after the 28th of this month, in order to avoid an unfavorable impact on the French elections. I indicated we might have to tell the Committees of Congress before the 28th, to avoid a heated and unfavorable debate in either the Senate or House.

The Foreign Office will issue an announcement that we have met, discussed these problems, and that discussions are continuing through regular channels. No background information will be given to the press.

Sent Department 993; repeated Paris (for Caffery) 179; Berlin (for Riddleberger and Clay) 154.

DOUGLAS

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<sup>5</sup> For a summary of the positions on the question of duration, see telegram 823, March 11, p. 560. The reference to alternative (b) is to that alternative in telegram 823.

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740.00119 EW/3-1649: Telegram

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

SECRET      US URGENT  
NIACT

LONDON, March 16, 1949—7 p. m.

994. Following are draft recommendations to be submitted to their respective governments by Messrs Bevin, Schuman and Douglas.

PART I. THE HUMPHREY COMMITTEE PROPOSALS OF THE UNITED STATES  
GOVERNMENT<sup>1</sup>

It is recommended that the governments agree to retain in Germany the industrial plants which the ECA advisory committee (Humphrey Committee) recommended be retained in Germany to further the purposes of the European Recovery Program with the following exceptions:

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<sup>1</sup> Not printed.

(A) Cind 1324, August Thyssen Hütte, Hamborn (except that the facilities mentioned in the alternative proposal of the United States Government shall be retained in Germany).

(B) Cind 1327, Deutsche Edelstahlwerke (Tiegelstahl), Bochum.

(C) Five other plants to be agreed, including probably Cind 2042, I. G. Farben, Ludwigshafen (Buna).

## PART II. DIRECTIVE TO THE MILITARY GOVERNORS

I. The military governors are instructed to complete the drafting of an agreement on prohibited and limited industries on the following basis:

Duration: The ultimate long-term prohibitions and limitations to be imposed on Germany must be a matter for a peace treaty or other instrument by which responsibility for the maintenance of prohibitions and limitations is assumed by or imposed upon a German government with authority over the whole of Germany. The following prohibitions and limitations shall be imposed and maintained until reviewed at the conclusion of a peace treaty or June 30, 1953, whichever shall be earlier. Should any change in the prohibitions or limitations agreed herein be made in a review at June 30, 1953, it shall not become operative until March 1, 1954.

II. The following industries shall be prohibited:

(A) All items listed in schedule A of the Control Council's Law 43, including aircraft.<sup>2</sup>

(B) Radioactive materials.

(C) Magnesium.

(D) Beryllium.

III. (A) The production of synthetic gasoline, oil and other synthetic liquid fuels shall be prohibited. All bergius capacity except the Wesseling plant shall be removed. The Wesseling plant shall be retained only to process petroleum still bottoms in connection with petroleum topping. All seven Fischer-Tropsch plants shall also be removed, except that the plants now engaged in producing soap-making materials shall be retained temporarily.

(B) The manufacture of synthetic rubber shall be prohibited. Facilities for copolymerization and facilities for the production of butadiene shall be removed from the Huels Leverkusen and Ludwigshafen factories. A portion of the styrene facilities in the Huels and Ludwigshafen plants agreed to be excess to German requirements shall also be removed.

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<sup>2</sup> For the text of Control Council Law #43, December 20, 1946, see the *Official Gazette of the Control Council for Germany*, December 31, 1946, pp. 234-239. Schedule A of this law listed war materials whose manufacture, import, export, transport, and storage were prohibited.

(C) The manufacture of electronic valves of more than ten watts anode dissipation shall be prohibited except under licensing by the Military Security Board. The production of other electronic valves shall be permitted except for those which may be on a list to be agreed by the military governors, which shall be subject to licensing.

(D) The production of ball and roller bearings shall be limited to existing capacity.

(E) The production of steel shall be limited to 10.7 million tons per annum for the Bizone (11.1 million tons per annum for the Trizone). Capacity shall be limited to that remaining after the removal of reparations.

(F) No limitation shall be placed on the production of the following items:

- Heavy tractors;
- Concentrated nitric acid;
- Vanadium;
- Radio transmitting equipment to the extent not prohibited by schedule A of Control Council Law 43;
- Tar distillation;
- Calcium carbide;
- Copper refining;
- Zinc refining;
- Semi-fabricated non-ferrous metals;
- Dyestuffs.

(G) No limitation shall be placed on the production of synthetic ammonia and chlorine.

(H) The capacity for production of electric arc and high frequency furnace steel shall be limited to that remaining after removal of reparations.

(I) Machine tools. The production of spiral bevel gear cutters and items 4 to 11, 16, 17, 19 to 25, and 28 of Annex B DECO/P(47)19/1<sup>3</sup> shall be permitted under license by the Military Security Board. Licenses for the production of these machine tools shall be granted by the Board unless evidence is produced that their intended use is not peaceful production. The Board shall maintain listings of the location and use of all such tools permitted to be produced.

(J) Aluminum. Production and capacity of aluminum is to be limited to ——— tons per annum for primary aluminum in the Tri-zone. No specific limitation shall be placed on imports of bauxite and aluminum which should, however, be controlled by the Military Supply Board to prevent stockpiling above reasonable levels.

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<sup>3</sup> Not printed; the machine tools enumerated in this annex were various types of lathes, milling machines, grinding machines, boring machines, and general machine tools designed for the production of war material. (862.50/4-2347 Bulky files)



## IV. Shipbuilding.

(A) Seven shipbuilding yards shall be removed from Germany, viz: Blohm and Voss, Hamburg; Deschimag, Bremen; Kriegsmarine Werft, Wilhelmshaven; Deutsche Werke, Kiel; Germania Werft, Kiel; Kriegsmarine Arsenal, Kiel; Deutsche Werft, Reiherstieg, Hamburg. Removals shall be limited to the items and equipment proposed by the US and UK members of the Tripartite Shipping Committee.

(B) The US, French, and British Governments agree as a matter of operating practice in the light of economic factors in Germany in the discharge of their functions as occupying powers, rather than as a matter of security suitable for inclusion in an agreement on prohibited and limited industries, that they will not permit the production of ocean-going ships until the requirements of the Bizone's ERP coastal craft fleet have been met by new construction. Thereafter the German shipyards shall be free to construct ocean-going vessels which do not have any characteristics which make them convertible or suitable for direct military use (e.g., landing troops or launching aircraft). It is agreed that some limitations on the size of the various types of ocean-going craft built in Germany and their speed are necessary.

Technical experts will meet to determine these limitations. The Military Security Board will enforce these limitations when they have been agreed.

(C) The limitations in ACA directives 33, 37, 44 and 45<sup>4</sup> shall be modified to permit the construction of small craft suitable and economic for the purposes for which they are needed.

(D) The limitations in paragraphs B and C above shall not be applied to ships purchased by Germany from builders or owners of other countries.<sup>5</sup>

Sent Department 994, repeated Paris 180 for Caffery, Berlin 155 for Riddleberger and Clay.

DOUGLAS

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*Editorial Note*

On March 17 Clay held a top secret teletype conference with Voorhees concerning the general trend of events in Germany and the nego-

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<sup>4</sup> For the texts of Directives 37, 44 and 45, see the *Official Gazette of the Control Council for Germany*, October 31, 1946, pp. 280-282 and November 30, 1946, pp. 224-226. All four of the Directives under reference here restricted the size, speed, and specifications of various types of shipping and pleasure craft.

<sup>5</sup> In telegram 1014, March 17, from London, not printed, Douglas reported further on the discussions with the British and French. While some agreement was confirmed along the lines of these draft recommendations, the Ambassador noted some hedging in preparation for another ministerial meeting. He requested flexibility in dealing with the most critical issues, which he saw as shipbuilding, synthetic rubber and electronic tubes. (740.00119 EW/3-1749)

tiation in London on prohibited and restricted industries. For the transcript of this conference, see page 105.

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740.00119 EW/3-1749: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      NIACT

WASHINGTON, March 18, 1949—7 p. m.

944. For the Ambassador. [1.] We feel your success in obtaining elimination of great variety of restrictions from discussion constitutes helpful achievement. Our opposition to far-reaching industrial restrictions does not stem from any lack of preoccupation with security matters as Bevin charges (para 10 ur 982<sup>1</sup>) but desire that what is done have a direct relationship to security considerations. Unless it is, enforcement of restrictions will not in long run commend itself to Allied opinion. Furthermore while we believe Germans may be reconciled to limitations which can be seen to be related to military security they will resist strongly limitations which appear to them to be directed toward restricting German trade for reasons of commercial competition. Brit and Fr attitude has seemed to us inconsistent. If West were to base its policy primarily on risk of Soviets overrunning Germany, it wld have to be wholly different from what we have all agreed. If German collaboration with Soviets is what Bevin fears, one way to diminish this risk is to refrain from measures which needlessly restrict reconstruction German life and breed communism or foster Rapallo mentality.

2. Proposals reported ur 994<sup>2</sup> and 1014<sup>3</sup> still involve serious difficulties from our viewpoint, most important of which is duration. Period of 5 years proposed wld involve commitment longer than we consider wise on some parts of PRI, particularly steel. Events during next five years may make advisable change in some restrictions. In addition, we hesitate to enter into commitments for so long a period independently of agreement among Western powers on more fundamental aspects of our policy toward Germany. As mentioned by Murphy on phone, we wld like ur opinion whether we could advantageously link at this time the discussions on occupation statute and principles of trizonal fusion with your present talks.

3. We have gone over carefully draft ur 994 and comments in 1014. There are set forth below proposals which we hope wld enable you to reach agreement. If we cannot get agreement on something substan-

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<sup>1</sup> Not printed.

<sup>2</sup> *Ante*, p. 569.

<sup>3</sup> Not printed; for a summary of this telegram, see footnote 5 to telegram 994.

tially along the lines of your proposal as thus amended, our current thinking is to allow two subjects, PRI and dismantling, to go over to tripartite meeting in Washington.

4. Duration. In line with position US has consistently taken in pre-peace agreements on Germany that peace settlement supersedes and necessary to retain possibility of review as German situation develops, we wld be prepared to accept following formula :

(a) Prohibitions to continue until a peace treaty or other instrument by which prohibitions and limitations are accepted by or imposed upon the German Govt. Believe phrase "with authority over the whole of Germany" in para one Part II ur 994 should be omitted.

(b) On other hand, restrictions (limitations) should be maintained until treaty or other instrument referred to in (a) or until June 30, 1952 (i.e., end of ERP) whichever is earlier. If no treaty, they [*then?*] reviewed prior to June 30, 1952 and wld continue after that date only to extent then agreed. Text in para one Part II ur 994, however, does not seem to us make entirely clear that new agreement necessary to continue them after agreed date. Limitations understood to mean steel, aluminum, shipbuilding, bearings and, if they are included synthetic ammonia and chlorine.

(c) It shld be understood that any individual item in either prohibition or restrictions could be reviewed at any time (either before or after June 30, 1952) on request of one of three Govts, if it felt that circumstances warranted reconsideration, but wld continue, within time limits stated above, unless three Govts agreed to change it.

5. Shipbuilding. We feel heart of security question is German building capacity, not characteristics of German ships. Position you have been authorized to take wld, in Clay's opinion, severely restrict German building capacity and consequently ability to initiate naval building program. We are ready to agree that committee of experts shld be established to recommend on prohibited characteristics of a genuine security nature, but do not wish to have a situation in which the present mass of restrictions continue unless all three Govts agree on their relaxation. We do not believe that limitations such as 6000 tons and 12 knots on ocean going ships are necessary on security grounds. We are not clear what the security considerations are on which we wld base limitations of kind discussed in ur 1031.<sup>4</sup> (Urtel 1014 not clear on whether Brit proposals apply only to ships built by Germany or also to those acquired from other sources.) Way out might be to agree on directive to committee of experts which wld set pattern for their work and exclude possibility of introducing commercial considerations. Could you get from Brit exact statement of purpose of continuing restrictions, which could be considered as basis for directive?

<sup>4</sup>Not printed; in it Douglas asked if the Department of State would accept the following limitations for speed and tonnage on shipping: cargo liners and combination ships, 18 knots and 12,000 dead weight tons; tankers, 18 knots and 20,000 dead weight tons; coastal ships, 12-13 knots and 5,000 dead weight tons except for special purpose ships; fishing craft, 12-13 knots and 5,000 dead weight tons. (800.85/3-1749)

6. Synthetic Oil. We have asked Army to query Clay on his views, to be repeated to you.

7. Synthetic Rubber. State agrees to removal of research and testing facilities, and those for butadiene production but Army request you obtain Clay's views. On styrene we lack info to make judgment on amount of capacity which could be removed. We have requested Army to seek Clay's views, repeating to you. State is in principle prepared to agree to removal of whatever is excess to German peacetime need.

8. You may agree to limitation synthetic ammonia and chlorine to capacity remaining after reparation removals if essential to reach agreement and if our position on duration is accepted.

9. Very pleased with agreement on aluminum.

10. Humphrey Committee Report. Satisfactory proceed according your proposal re seven plants, but steel plants, items 5, 6 and 7 have been assigned priority for release by Wolf as follows: 7, 5, 6 (7 being least desirable to retain). Assume re Item 2 ur proposal envisages agreement to retention facilities mentioned in alternative recommendation. We cannot agree to removal of Krefeld.

It is understood that PRI agreement on foregoing basis will be subject to reaching satisfactory agreement on occupation statute and trizonal fusion.

Army and ECA concur.

Will send supplementary telegram on electronic valves and machine tools.<sup>5</sup>

Repeated to USPolAd, Berlin for Riddleberger and Clay, and to Paris for Caffery.

ACHESON

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<sup>5</sup> In telegram 950, March 19, to London, not printed, the Department of State informed Douglas that the Department of the Army was hesitant to use the Military Security Board as a licensing agency for electronic valves and machine tools. Production of machine tools for peaceful use should be under the discretion of the Military Governors and only these items not intended for peaceful production would be prohibited. The Department preferred that production of all electronic tubes under 10 watts and 250 megacycles be permitted except those having military characteristics. (740.00119 EW/3-1749)

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740.00119 EW/3-1849 : Telegram

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

SECRET      US URGENT  
NIAC

LONDON, March 18, 1949—9 p. m.

1075. For Murphy from Douglas. 1. In accordance the request you made in our phone conversation this afternoon <sup>1</sup> we have carefully

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<sup>1</sup> No record of this conversation has been found in Department of State files.

considered the possibility of joining the continuing discussions of occupation statute and trizonal fusion with my talks on PRI and Humphrey list.<sup>2</sup> Our reasoning, which I think explains my reluctance to combine these negotiations, follows for what it is worth.

2. Our conclusion stems from review of the path we have traveled to reach this point. When we first asked the British and French to reduce the reparation program, I told them in good faith that only 30-40 plants were involved. The figure subsequently rose to 40, 70 and finally to 167. When we finally requested their agreement to the Humphrey report, we asked a quick reply. For six weeks we refused join PRI and the Humphrey list although the PRI talks had been continuing for nearly six months. We required as a condition of our taking part in the present PRI talks that they be completed in four or five days and I have made much of this deadline in order to keep the heat on.

3. We feel we are about to obtain a great deal in terms of plants retained in Germany in accordance with the Humphrey recommendation and in terms of the elimination of restrictions on a whole group of German industries. The concessions we may have to give do not seem excessive. The major ones are synthetic rubber, an uneconomic industry in Germany, and shipbuilding, an industry in which our position is likely to be fiercely attacked at home in Congress as too generous to the German shipping industry. We have required Bevin and Schuman to take serious issue with their Cabinets and especially their service ministers on matters which they feel affect the security of their countries.

4. I am not sure that we must finalize the occupation statute or principles of trizonal fusion so quickly in view of the necessity of Washington discussions on arrangements for financial contributions, the necessity to work out the structure of Allied administration in Germany, and our own lack of knowledge regarding the nature of the organization which will evolve in Germany. In addition, the German basic law is apparently still developing slowly.<sup>3</sup>

5. I believe the British and French are presently very suspicious as to our real motives and intentions regarding Germany. The remaining occupation statute and fusion issues are comparatively abstract questions of an entirely different order than those involved in PRI and Humphrey discussion.

6. The scars that insisting combining talks on occupation statute and fusion would leave here, even if their introduction did not lead to a break-down of our nearly successful negotiations, would embitter our

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<sup>2</sup> For documentation relating to the discussions of the occupation statute and trizonal fusion, see pp. 1 ff.

<sup>3</sup> For documentation relating to the promulgation of the West German Constitution (Basic Law), see pp. 187 ff.

relations French and British, not only in relation to German matters but generally. It is my considered opinion that British and French would view such an attempt at this late stage as a breach of faith.

7. Combining the negotiations would wreck more than this deal.

Sent Department 1075; repeated Paris 197 for Caffery.

DOUGLAS

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740.00119 EW/3-1949: Telegram

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

TOP SECRET      US URGENT  
NIACT

LONDON, March 19, 1949—8 p. m.

1080. Murphy (Eyes Only) from Douglas. [1.] I fully appreciate the not unnatural and subconscious tendency of a person stationed in a foreign post to take on, like the chameleon, the color of his environment and to assume, in part at least, the attitude of government to which he is accredited. In this instance I doubt that I am completely guilty of this charge. Because I am very critical of British indifference to their problem of high costs, and particularly to attitude of this government to problem of high cost, I am not insensitive to British tendency to rationalize fears of competition. Furthermore, because I understand past consequences of British high costs and future adverse effects of British indifference to high costs, I am even more critical of them on this score than many at home.

I hope you will, therefore, construe substance of this cable as being as objective an analysis of problem of plant retention and PRI as I can make against the background of security and competitive considerations, within the complex of French and British apprehensions and what British and French believe, rightly or wrongly, to be an increasing indifference to them on the part of US.

2. Paragraph one of your Deptel 944.<sup>1</sup> We are in complete accord with the general basis of our position as stated. Indeed, we have advanced the arguments in support of this basis I think, on the whole, with considerable persuasiveness and French and British have agreed to the elimination of mass restrictions on ten industries. We agree, too, that prohibitions and limitations must be related to military security, but not to the exclusion of broad national economic factors—for example, in resisting British and French we are often advocates of German economic interests and even of our own.

As to last two sentences of your first paragraph, frankly, we have some doubt. At some time in the future Germany may, for a variety

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<sup>1</sup> *Ante*, p. 573.

of different reasons some of which may be good, some, from our point of view, bad, conclude that at least in economic sphere, they should make arrangements with the East. Should there be such arrangements, German war potential, whether in shipping or in other industries, may become partially available in peacetime to Soviet. This is, however, not the only method by which German industry might become available for Soviet use. Should war break out and should Soviet over-run and occupy part, if not all, of Germany as far westwards as Rhine, German industrial capacity and German "know-how" would be available to Soviet. This does not mean, however, that German industry should be arbitrarily restrained. Some sort of a compromise between adopting an excessive attitude in one direction or the other is the only answer, it seems to us, to the present issue with which we are dealing.

To say, for example, that our attitude toward Germany should be such as effectively to prevent her from making associations with the East is to be indifferent to certain forces which are almost certain to operate. At some time Western Germany must begin to export her industrial products eastwards in consideration for the importation of raw materials. Similarly, to assume that in event of war Germany may not become, through Soviet occupation, tool of Soviet, is to ignore what may be an event which no collection of powers can prevent. We are not, it seems to me, dealing with the recurrence of a Rapallo attitude of mind, but with an unforeseeable future.

In this context, will deal specifically with the question of shipping which is one of items in British and French position which you apparently consider to be dictated more by commercial than by security interests.

This question in Britain and France is wrapped up in politics. There are commercial interests, particularly in Britain. Labor, particularly on the Clyde and in other shipbuilding areas in Britain would doubtless be hostile to unlimited German ship construction. The British Government's position is, therefore, in part only, a rationalization, but I am convinced it is not dictated exclusively or predominantly by the political and commercial considerations. The following are my reasons:

a. British and French insist that a ship with a speed of 18 knots or more is much more difficult to locate and much more difficult to catch than a slower ship. It was for these reasons, to which I can testify from my personal experience in war shipping during the past war, that we permitted cargo ships a 17 knot speed or more to run free of convoy except on a few particularly dangerous routes. It is for this reason British and French feel that ships of this speed have greater war use and would be more effective tenders for submarines

of which the Russians have already a substantial fleet to which they are adding by construction the most modern.

b. British and French will not accept technicians of commercial shipping interests or the Ministry of Transport to determine the limitations on speed and size. Only admiralty technicians acquainted with problems of security, both British and French insist, must be chosen to make the determination. (We here have maintained that the problem consisted of reconciliation of security considerations on the one hand with an effective dry cargo and tanker fleet on the other, and that accordingly, the naval experts were not the only ones who should play a part in defining speed and size.)

3. There follow comments on the specific instructions your 944.

4. Our views covering suggestion that discussion on occupational statute and trizonal fusion be linked with PRI and plant retention were submitted in Embtel 1075,<sup>2</sup> March 18. The more we consider the matter you suggest, the more we believe that it would be unwise.

5. As to duration—your paragraph 4, (a) will constitute concession to previously advanced British and French position; (b) will present some difficulty. Do not believe either British or French will agree that restrictions (limitations) presently agreed upon (if an agreement is reached) will lapse automatically on any date. Believe that if we can meet them substantially on shipbuilding and synthetic rubber and other items, may be able to persuade them to accept a review on June 30, 1952, on understanding that any modifications of the limitations and restrictions will not become effective until possibly six months thereafter. This assessment of British and French attitude may be optimistic. Believe we could persuade British and French to agree to paragraph (c).

6. Your paragraph 5—shipbuilding. There are three questions which are related to the problem:

a. First is what sort of agreement will be relatively immune to disturbance by our own commercial shipping interests operating through Congress and Bland Committee.<sup>3</sup> Even if we could obtain British and French agreement to unrestricted German construction of ocean-going vessels within limitations of the retained shipbuilding yards, there would be about as much chance, in my opinion, of such an agreement being undisturbed by Congress as there is of snow remaining unmelted in Arizona desert. For more than twenty years I have had, from time to time, intimate experience with shipping lobby—first as member of Congress; second in Bureau of Budget; third in war shipping; and fourth, in connection with ECA presentation in Senate and House last year. I have recently observed the not unsuccessful endeavors of same interests to frustrate us in our attempts to save

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<sup>2</sup> *Supra*.

<sup>3</sup> The Committee on Merchant Marine and Fisheries, House of Representatives, of which Schuyler Otis Bland of Virginia was chairman.



money for European Recovery Program. Why then insist upon Clay's position when it is almost as certain as death and taxes that, should French and British agree (most unlikely) Congress would intervene to upset?

b. Second consideration is the type of agreement which we can reasonably expect to obtain from British and French. We have discussed with them security considerations which apply to limitations on speed and size of various types of vessels. Specifically, ocean-going, dry cargo and tanker vessels; coastal vessels including specialized types, the Baltic pulp carrier and the iron ore carrier; and fishing vessels. Have indicated and made general comments in this regard in paragraph 2 above. Believe British and French would welcome a directive to their admiralty experts and our naval experts requiring definition of limitation on speed and size related to security considerations. Believe, however, that in respect of ocean-going cargo vessels and tankers they will insist that we state in present agreement some maximum limitation on speed, such as 16 knots, and on size, such as 12,000 tons dead weight for cargo vessels and 16,000 to 18,000 dead weight for tankers. For various types of vessels there are obviously a number of combinations of speed and size which affect security. For example, a 15,000 dead weight ton cargo vessel designed for Swedish iron ore trade might without impairing its effectiveness have a speed of not more than 12 knots.

c. Third is how legitimate security considerations are reflected in restrictions on characteristic[s]. I confess that from my own experience, British and French are not completely off base when they urge limitations on those grounds and I could defend, I believe, adequately, limitations and restrictions for security reasons if the limitations and restrictions were reasonable. In this connection, a standard of reasonableness might be the adequacy of speed and size to permit the Germans to service a reasonable portion of their export and import trade thus relieving their economy of exchange burden.

d. Further, in this connection British and French urge that limitations and restrictions imposed now can, when subject comes up for review, be relaxed and that restrictions and limitations agreed upon now are not necessarily permanent. During period prior to review it is not unlikely that considering capacity of the retained yards that will be used for repairs (a very lucrative business) and shipbuilding facilities that must be devoted to the coastal and fishing fleets, small tonnage of ocean-going vessels will have come off the ways.

e. British and French want restrictions applied to purchased ships also.

7. As to your paragraph 6 and 7. I hope General Clay will give me his views very promptly. After their receipt I may find it necessary to consult you further.

8. Your paragraph 10. We have been completely unyielding on Krefeld. I assume if absolutely essential we can release in the following order: plants 7, 5 and 6 or any two of them. Your assumption item two is correct.

9. Believe that can obtain agreement British and French substantially along lines indicated above if we will agree on butadiene, styrene and a reasonable formula as to shipping.

10. I realize you may not have received my 1075, March 18 when you sent Deptel 944, March 18. Perhaps my reports have not given you full flavor of diet here, the heat to which we have subjected Bevin and Schuman, the unwillingness with which they permitted me to extract concessions and bitterness which remains. We have obtained agreement considerably better than our instructions required in several fields, eliminating all restrictions on ten industries, including some which had been agreed in Berlin, raising the level of permitted aluminum production above level agreed in Berlin. We may still be able to do better than our instructions required in bearings. In addition, of course, we were close to an agreement on Humphrey list. Delay may lead not to gains but to losses for our view.

11. If our position is substantially less conciliatory on PRI than that indicated in this cable, a break in our negotiations seems inevitable. If, in addition, it is necessary that the negotiations on the occupation statutes and the principles of trizonal fusion be linked—a decision with probably far-reaching consequences. I would prefer, instead of laying down this condition, simply to tell Bevin and Masigli that we cannot reach agreement and that negotiations must be broken off for the present.

12. I agree I cannot at the moment tell them we expect to have general discussions on Germany, although they may have picked up news in Washington. I would not want to tell them unless I could give them a fairly detailed outline of what we have in mind.

13. Even simple breaking off of negotiations would, after all that has been said and all that has transpired over past two months, leave a bitter taste in British and French mouths.

14. Would appreciate your advice by Monday in order avoid embarrassing delay and arousing suspicions we did not mean what we said about need for speed to allay congressional attacks. If negotiations are to be broken off, a phone call will do.

15. What stinkers we are here!!

Sent Department 1080, repeated Paris (Caffery Eyes Only) 200.

DOUGLAS

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740.00119 EW/3-2049: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      NIACT

WASHINGTON, March 20, 1949—10 p. m.

955. For Douglas Eyes Only from Murphy. Not for distribution outside Department. Appreciate ur thoughtful appraisal situation PRI

urtel 1080 Mar 19.<sup>1</sup> Impossible as you can understand to get consideration here on Sunday of points you make. Under circumstances believe best you can do is proceed along lines suggested in Deptel 944<sup>2</sup> para 5 on ad referendum basis. We have given some thought to ur problem in Dept and have attempted to work out possible formula which we would be prepared, if accepted by Brit and French to get approved by US Gov.

Our formula follows:

1. Plans of any vessel in excess of limits set forth below, whether to be built in Germany or acquired abroad, should be approved by Mil Govs on recommendation of MSB. Review of plans would be directed to inhibiting military effectiveness, taking into account necessity that vessel be economic for the trade or use for which intended.

(Following are minimum limits to which we think you should agree for this purpose. For tactical reasons you may wish to propose higher limits.)

*a. Dry Cargo.* 12 knots and 10,500 deadweight tons. (Comment: This would cover Liberty-type vessels and would in practical terms rule out combination vessels and cargo liners.) This would also adequately cover coastal ships, for which we see no need to make separate provision.

*b. Tankers.* 16 knots and 16,000 deadweight tons. We might go to 14 knots. Limit below 16 knots however will tend to inhibit purchases of vessels which might come on market during next few years.

*c. Fishing craft.* 12 knots. We prefer no limit on size but if adequate security grounds would consider 750 tons.

2. Committee to be constituted to recommend:

*a.* Specialized features of warlike character (stiffening plates, etc.) which should be prohibited.

*b.* More detailed criteria to guide Mil Govs in exercise of functions provided for in para 1 above.

3. Committee to be appointed by Govts. Since economic as well as security factors would have to be considered, task could not be placed solely in hands of naval experts. (*End formula*)

In view limited Ger building capacity, principal effect limitation in near future will be on acquisition of vessels by purchase or charter. We do not feel limits should be such as to prevent Ger from having reasonable access to suitable types of vessels which might become available in next few years. We feel that, Ger should be allowed to carry petroleum in view of prohibition of synthetic oil industries and also carry grain. These will probably be largest volume, of inward cargoes

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<sup>1</sup> *Supra.*

<sup>2</sup> *Ante*, p. 573.

on ocean-going vessels. Figures suggested in urtel 1031<sup>3</sup> appear high for use in this formula. Even as prohibitions, they are not in fact restrictive and would not constitute concession to Brit viewpoint. Ur para 8 of 1080 clearance here covers only one plant but would be prepared support your present proposal.

We understand ur preoccupation over linking occ stat and trizonal fusion with subjects you are now discussing; and we are willing to go along on basis that your agreement will be subject to this Gov's approval and that text PRI agreement will be for completion by Mil Govs. Concurrence of Army and ECA in preceding messages was based on obtaining a composite agreement on four subjects. In view situation on Ger shipping, you will in any event have to go ahead on ad referendum basis, which would meet the problem. Suggest you state frankly you have not been able to get instructions on all points. We consider our formula on duration reasonable and fair and hope you will press it. It is the best for which we can obtain concurrence here.

At our suggestion, General Clay has been requested by the Army to visit you in London for purpose of discussing whole range of negots there. While we have no definite word of the time of his arrival in London we believe he may arrive there on Monday Mar. 21. Clay will be able to give you info on those technical matters on which we do not have info here and can of course give you first hand his general views which should be most helpful.

ACHESON

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<sup>3</sup> Not printed; for the figures cited in this telegram, see footnote 4 to telegram 944, March 18, p. 573.

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740.00119 EW/3-2249: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      NIACT

WASHINGTON, March 22, 1949—10 p. m.

987.<sup>1</sup> For the Amb.

1. Duration and review. Understand from ur 1106 Mar 22<sup>2</sup> that duration point is now key question on which agreement depends. There has been continuing disagreement between us and Brit and Fr on this subject. Brit and Fr have wanted agreement which would last until treaty and would thereafter be agreed position of three Govts in peace treaty discussions. We have been unwilling to commit ourselves re treaty, in connection with which we feel there shld be full review of

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<sup>1</sup> Repeated to Paris as 898 and Berlin as 344.

<sup>2</sup> Not printed.

all related aspects of settlement. We are not clear, *ur* para 7, whether Brit and Fr understand para 4 Deptel 944<sup>3</sup> which leaves situation on individual points open at time of treaty. In this connection, US has agreed to principle of demilitarization, disarmament and control of industry for security purposes in Annex L of London Agreement.<sup>4</sup> Our opposition is to committing ourselves indefinitely to individual points of specific implementation. If we were to commit ourselves to all individual prohibitions and limitations under discussion until such time as it might be unanimously agreed by three Powers to modify them, we wld in effect be making part of peace treaty. We have not submitted any of agreements respecting Germany to Senate and have assured Senate leaders that Senate will have opportunity to review settlement when treaty is made. Do not understand Bevin's question about legality of agreement we propose. Provision for duration of any agreement can be made whatever parties wish.

Re limitations (restrictions) question centers around steel limit, altho other limitations are also important. In case of steel, we have committed ourselves to continuation of 10.7 level until treaty unless treaty unduly delayed. What we are now doing is making more specific provision for eventuality of delay. We can see that, in light of our previous statements that we do not favor continuing steel limit after treaty is concluded, our proposal may be construed by Brit and Fr as foreshadowing our intent not to agree to any steel or other limit after cut-off date. We did not intend this, but merely to leave matter open without implication one way or another.

Suggest as possible solution wording language to cover 4(b) of our 944 as follows: "The restrictions on the steel, etc, industries shall continue until June 30, 1952 and thereafter as agreed." In addition, we wld be prepared to have agreed statement in minute or some other appropriate form substantially as follows: "The provision fixing the duration of the limitations on the ——— industries does not imply that these restrictions may not be renewed on June 30, 1952, but that they shall be reviewed in the light of the circumstances then prevailing, including the requirements for security of the Allied Powers, the state and effectiveness of arrangements for preserving security, and the needs of European economy."

It shld be quite clear among the three Govts that this means that a continuation will be, as we have said before, the result of a new agreement, and we must be free so to inform Congress.

<sup>3</sup> *Ante*, p. 573.

<sup>4</sup> For the text of the London Agreement on demilitarization, disarmament, and control of industry (Annex L), see *Foreign Relations*, 1948, vol. II, p. 291.

We wld not object to making review as of June 30, 1952, modifications to be effective December 31, 1952.

Is it your view, if you find it impossible to obtain agreement to suggested language, that it might be possible to do so by providing that determination re continuation with respect to phrase "and thereafter as agreed" be made by majority vote. This idea has not been cleared and shld not be discussed with Brit and Fr.

Re proposal para (c) Deptel 944, we have no particular point in mind in proposing this understanding. We agree that it shld not be made public. Our reason for proposing it is that we feel it shld be open to any of the Govts, if it believes there is warrant in a review of any particular phase of agreement, to approach other Govts with request for such review without being open to charge of bad faith. If other two Govts did not agree that changes were necessary, arrangement wld continue as provided.

2. Shipping. Dept wld be prepared to support tonnage figure on coastal ships. Our info is that coastal type vessels for that area do not generally run in excess of 4000 tons except ore carriers which run 5000-6000.

3. In view info in CC 8030 Mar 20<sup>5</sup> from Wilkinson hope you can persuade Brit to retain styrene capacity. Comment US chemical expert that styrene plastics substitutable for urea and bakelite phenolics seems to us to support Wilkinson argument.

4. Electronic valves. Suggest our formula Deptel 950 Mar 19<sup>6</sup> modified so that "new types valves" require license.

5. Machine Tools. Re para 2 ur 1106. Does agreement already reached mean that our position in Deptel 823 Mar 11<sup>7</sup> is agreed? This is what we want and our difficulty is that felt here language quoted in II(I) of ur 994 is not clear. We wish language so clarified. If this is done, you may disregard Deptel 950 except for making clear that MSB acts under direction of MilGovs.

6. Humphrey Committee List. Brit proposed in the London discussions with Humphrey Committee plant BS 57 Hattingen be substituted for BS 60 on Wolf's tentative list, since they had no fundamental objection to retention crude steel and plate capacity represented by BS 57. We agree to nine plants proposed, but request you explore and seek agreement Brit and Fr retain BS 57 in lieu BS 60.

ACHESON

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<sup>5</sup> Not found in Department of State files.

<sup>6</sup> Not printed; for a summary of this telegram including the United States formula on electronic valves, see footnote 5 to telegram 944, March 18, p. 573.

<sup>7</sup> *Ante*, p. 560. Regarding the United States position on machine tools, see footnote 3 to telegram 993, March 16, p. 567.

740.00119 EW/3-1849

*Memorandum by Mr. William K. Miller of the Division of German  
Economic Affairs*

SECRET

WASHINGTON, March 24, 1949.

Subject: Disposition of Reparation Equipment in Western Germany  
Earmarked for USSR

*The Problem*

To determine the disposition of reparation equipment in the three Western Zones of Germany earmarked for possible future delivery to the USSR.

*Background*

A statement of the background of this problem is given in Attachment 1.<sup>1</sup> A brief summary follows.

It was agreed at Potsdam that the USSR should receive twenty-five percent of industrial capital equipment scheduled for removal from the Western Zones. The USSR was to deliver an equivalent value of certain commodities to the Western powers in exchange for three-fifths of this twenty-five percent and was to receive the other two-fifths without payment or exchange of any kind in return. A number of plants were allocated and delivered to the USSR pursuant to this undertaking, but ACA plant allocations were stopped early in 1948 in connection with a general review of the dismantling problem.

The Western Zone Commanders, however, proceeded with separate allocations to the Inter-Allied Reparation Agency as plants were made available, and simultaneously earmarked a quarter share for possible future delivery to the USSR. A total of 217 plants and part plants have been set aside under this arrangement, with a residual value of slightly over \$50 million.

The British recently proposed that these earmarked plants should be turned over to IARA as a "sweetener" in connection with the final results of the Humphrey Committee survey. Ambassador Douglas replied that so long as the Berlin problem<sup>2</sup> continues under discussion and the U.S. is committed to undertake negotiation of all-German problems if the blockade is lifted, the Department considers it undesirable to dispose of the plants which have been set aside.

Reciprocal deliveries by the USSR have not been substantial. None have been made since August 1948.

*Discussion*

It appears unlikely that the Russians will resume reciprocal deliveries in a volume sufficient to merit resumption of plant deliveries. Any move on their part to proceed with deliveries should be en-

<sup>1</sup> Not printed.

<sup>2</sup> For documentation relating to the Berlin blockade, see pp. 643 ff.

couraged. However, it would be most inadvisable to deliver any further plant equipment unless the Russians actually resume reciprocal deliveries in substantial volume and indicate convincingly that they will continue such deliveries up to a value sufficient to cover their present obligations and obligations incurred as a result of any further plant deliveries.

The Department has already taken the position that the earmarked plants should remain available for possible future delivery to the USSR so long as the Berlin problem continues under discussion and we are committed to undertake negotiation of all-German problems if the blockade is lifted.

There are two basic alternatives for action at a future date, assuming that developments do not dictate a resumption of deliveries to the Soviets or a continuation of the present set aside with a view to possible future deliveries:

- (1) The earmarked plants could be turned over to IARA for allocation among the member governments.
- (2) They could be retained for eventual use in Germany.

The British have proposed the first alternative, and the Department has agreed that delivery to IARA would be logical if the plants are not disposed of in the relatively near future. Since this view has been communicated to the British, we may be considered committed to some extent to this position.

The allocation of these plants to IARA might do much to make up for the ill-feeling developed through the Humphrey Committee survey and the resultant plant retentions. The turn-over to IARA could be based on the failure of the Soviets to fulfill their obligations in respect to reciprocal deliveries, as well as on the more general grounds that the Soviets had satisfied their reparation claims from the Eastern Zone to a far greater degree than had the Western Powers from their Zones, and had blocked the economic unification of Germany at no little expense to the Western Powers. A further argument for allocation to IARA (as opposed to retention in Germany) is the fact that none of these plants was recommended for retention by the Humphrey Committee.

The exact position of the French is not known. However, it is believed unlikely that they would object to the allocation of the earmarked plants to IARA. Almost certainly they would object vigorously to leaving these plants in Germany.

### *Recommendations*

As long as the present situation vis-à-vis the USSR continues, i.e., so long as the Berlin problem continues under discussion and we are



committed to negotiate if the blockade is lifted, the status quo in respect to the Soviet share of Western Zone reparation plants should be maintained. If the British or French press for allocation of these plants to IARA we might reiterate that we are favorably disposed to such action at a later date, provided developments of the situation vis-à-vis the Soviets do not indicate some other course, but we should make no definite commitment as to the timing of this move other than to agree to review the question in the light of developments at any time in the future when the British or French may wish to do so.<sup>3</sup>

*Attachments:*<sup>4</sup>

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<sup>3</sup> In telegram 968, March 21, to London, repeated to Paris, Berlin and Brussels, not printed, the Department of State advised its representatives that for the reasons stated in this paragraph the turnover of plants set aside for the Soviet Union as reparations would be untimely. (740.00119 EW/3-1749)

<sup>4</sup> The six attachments to this memorandum are not printed. Their content was incorporated into the memorandum by Miller.

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740.00119 EW/3-2449: Telegram

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

SECRET      US URGENT  
NIACT

LONDON, March 24, 1949—5 p. m.

1179. For Murphy from Douglas. Bevin was so rushed this afternoon I could see him for only a few minutes. I told him, as I told Massigli later, that we felt negotiations should be suspended and Humphrey list separated from PRI (if we choose to do so) unless they were prepared to meet our positions on Krefeld, shipping, styrene, and duration. He said he would have to see what could be done in Washington and I told him, that after discussions with Washington I thought he could do no better there and might have greater difficulty. He then reviewed disagreed and reserved items; indicated a desire to reach agreement now; asked me to go over the problems with Kirkpatrick, to whom in my presence, he gave instructions to do his best to get things settled, clearing what was necessary with Ministers of other departments.

We then met with Kirkpatrick for British and Massigli for French. Kirkpatrick, as a result of our talk, undertook to get approval of a position which we worked out together, during today and Friday. I told him and Massigli if we could not get agreement tomorrow we should then suspend.

Massigli undertook to ask for approval of the position in Paris, although I have the impression he was not so sanguine as Kirkpatrick. In essence the basis for agreement is as follows.

1. Krefeld to remain in Germany, Hattingen to be retained in place of Niederrheinische, that is BS 57 to stay in Germany when BS 60 is removed. (Would yield on BS 57 if necessary.)

2. Styrene. Removal of plant number CIND 2042 Ludwigshafen. We had agreed, you recall, to release this in deal on Humphrey list. It means about 5000 tons of styrene capacity goes. We then agreed that the military governors should retain 20,000 tons in other plants, mainly Huels, and should limit capacity by preventing repairs or other means but not by removals, to meet Clay's desire avoid removals of plants which have not been listed for removal insofar as possible. (20,000 tons capacity is more than British programme and, according to British figures, about  $\frac{1}{2}$  former German capacity when synthetic rubber plants were operating.)

3. Agreed 33 million units ball bearings.

4. Shipping. Ocean-going dry cargo vessel. We propose to permit Germans acquire by purchase or charter from date final agreement 100,000 GRT tankers, with speeds up to 14 knots and size up to 16,000 DWT and 300,000 GRT dry cargo vessels, 12 knots and 10,800 DWT, during period of agreement.

However, Germans could not build tankers above 12 knots and 10,800 DWT. British assert that the new British tanker production is less than 12 knots and 12,000 tons. They will give me detailed figures in the morning.<sup>1</sup> Moreover they say from past experience German constructed 12 knot ship has effective cruising speed of 14 knots.

As previously indicated, we agreed coastal ships limited to 4000 DWT and fishing vessels 1000 DWT or 650 GRT.

I made point of saying that we expected to have exceptions granted at least in limited tonnages for ocean-going cargo ships exceeding limits in speed but smaller or having shorter radius, (this to meet General Clay's view) as well as ships for special trades i.e., iron ore, etc. In my opinion important security type of limitation would be one of radius and would justify higher speed. I also said that refrigerator ship could justifiably be faster than limits.

5. I indicated no real trouble on machine tools and electronic valves. While I will try to persuade them to accept draft most favorable our view each case I think there would be little difficulty if we accepted our

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<sup>1</sup> In telegram 1181, March 25, from London, not printed, Douglas reported the detailed British figures which showed that over 75 percent of the new tanker construction was for ships of less than 12,000 tons dead weight. (740.00119 EW/3-2549)

first draft on machine tools,<sup>2</sup> which British agreed as concession, or British compromise<sup>3</sup> on electronic valves, especially in view of General Clay's dismissal of latter problem as silly but not very unimportant [*sic*].

6. Duration. On this subject we worked up language quoted below, which French may not completely understand. I think it is far better than we could have expected. I want particularly to explain that I felt your authorization to propose a formula under which majority could continue restrictions until peace settlement was much more dangerous to us than the proposal below. With majority rule, the contemplated restrictions in toto could be extended indefinitely by two i.e., British and French, who could theoretically use this device to postpone for protracted period any peace settlement and thereby frustrate us in matter restrictions, prohibitions and possible settlement, if we want one. I recognize that agreed minute in this language gives possibility of delay until 1 January 1954. I question whether French or British will insist maintain restrictions against our opposition. At the least they will attempt a compromise with us. Our very powerful influence on European affairs will not end with ERP nor will the desire to avoid serious issue with us by taking action against our will. If, however, British and French threaten to insist on maintenance restrictions and invoke majority rule we can inform them that if they do so we will agree to renewal of no restrictions whatsoever after December 31, 1953. (Under our proposal only restrictions agreed by unanimous consent can for any period remain after December 31, 1953.) Accordingly we have fairly strong bargaining position on restrictions during period June 30, 1952–December 31, 1952 under this proposal, whereas we would have little to bargain with under more sweeping proposal we were authorized to offer. For these reasons I think (may be wrong) there is little danger in our proposal. Kirkpatrick agreed, urged French agree and will continue to do so.

Following is language :

“The agreement on prohibited industries based on this directive shall remain in force until a peace settlement. The limitations on industries agreed shall continue until a peace settlement or until 1 January 1953, whichever is the earlier, and thereafter as agreed. On 30 June 1952 the military governors shall review the limitations in the light of the circumstances then prevailing, including the requirements for security of the Allied powers, the state and effectiveness of arrangements for preserving security, and the needs of European recovery. Should the military governors not reach agreement on the limitations

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<sup>2</sup> For the United States position on machine tools, see footnote 3 to telegram 993, March 16, p. 567.

<sup>3</sup> The British compromise proposal on electronic valves is printed in telegram 993, March 16, p. 567.

which shall be continued and those which shall be modified or eliminated within 90 days from 30 June 1952, the matter shall be considered forthwith by the governments.

*Agreed minute.* In the event that no complete agreement on the renewal of restrictions is reached, those restrictions on which agreement has been reached will become effective from 1 January 1953. The restrictions on which no agreement has been reached will be continued on the decision of two of the three powers for another year." The above is result of long discussion.<sup>4</sup>

7. UK and French have suggested article in agreement as follows: "Action within the discretion of the military governors under the terms of this agreement shall be taken by unanimous decision." Do you see any objection to this article which seems to us in line with our general approach.

8. I continue to feel strongly that we have now offered the British and French less on the whole than the Department authorized us to concede in our instructions. Moreover, many of the concessions we have made, principally those on shipbuilding, are more or less academic ones, since (a) it is unlikely that the limitations will prove serious to German economic life before the review period is over and (b) perhaps unlikely that by then we ourselves will be permitted by Congress to lift them. If I get favorable word from Kirkpatrick and the French tomorrow on Krefeld and shipping I will probably call you to ask that you give me the go-ahead if you can. If British or French reaction unfavorable propose to suspend completely here on issue of Krefeld.

9. Have informed British and French that if we suspend, all offers by us will be automatically withdrawn and any new discussions must start de novo.

Sent Department; repeated Paris for Caffery, Berlin for Riddleberger and Clay.

DOUGLAS

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<sup>4</sup>In his next telegram (1180, March 25, not printed) Douglas elaborated on this proposal, reporting that it was clearly understood by all that any one of the occupying powers had the right to raise the question of lifting restrictions at any time. (740.00119 EW/3-2549)

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### *Editorial Note*

After further discussions the three Governments reached agreement in London on March 31 on the text of an agreement concerning prohibited and limited industries in the United States, United Kingdom and French Occupied Areas of Germany. For the text as promulgated on April 13 by the three Military Governors, see *Germany 1947-1949*, pages 366 ff. Documentation on the final negotiations is in file 740.00119

EW/3-2449 through 3-3149 and in the London Post File, Lot 58F47, Box 1394: 236 Reparations.

On March 31 Kirkpatrick, Massigli, and Douglas also reached agreement on the questions raised by the Humphrey Report. For the text of "Retention in Germany or Removal as Reparations of German Industrial Plants: Agreement Between the United States of America, the United Kingdom, and France, Signed at London March 31, 1949, Entered Into Force April 8, 1949," see Department of State, Treaties and Other International Acts Series No. 2142, or 63 Stat. (pt. 3) 2901. The agreement was approved by the three Foreign Ministers in Washington on April 8, and it entered into force on that date. For the text of an announcement by the Department of State on April 13, describing the negotiation and terms of the agreement, see *Germany 1947-1949*, pages 425 ff.

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740.00119 EW/4-1349: Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

SECRET

BRUSSELS, April 13, 1949—9 p. m.

554. EP from Daspit.

1. Revision reparation plant list presented Assembly in manner outlined mytel 482, April 1 to Department, repeated London 50, Paris 75, Berlin 22.<sup>1</sup> Failure of French zone commander supply list plants removed from October 1947 list and inclusion by British commander in his submission of several letters and appendices not directly related main topic, produced considerable confusion. Although most delegates from OEEC countries and Dominions appeared have received information re major outline of settlement from their govts, satellite delegates thoroughly confused as to facts of situation.

2. Relatively brief discussion followed reading by Rueff of letter addressed him by delegates three powers. Only Yugoslavia, Albania registered protest. Czechoslovakia joined them in requesting matter be held over for discussion next session. Belgium took strong position that major aspects of problem outside Assembly competence and to be fruitful discussion must be confined to technical question such as balancing of agency accounts. Australia stated although his govt not direct beneficiary ERP, would probably have no objection to agreement. Agreed with Belgium that doubtful that Assembly had competence to take any action but felt matter should be retained on agenda if desired by other delegates. Indicated he would probably have noth-

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<sup>1</sup> Not printed; in it Daspit reported that he and his British and French colleagues had agreed that the most effective procedure for notifying the Assembly of the I.A.R.A. about the agreement on the Humphrey report would be by a joint letter to its president (740.00119 EW/4-249).

ing further to say on subject at next meeting. No other delegate spoke. Matter held over for April 26 session.

3. Would be useful if information re plants available under PRI agreement could be made available prior April 26 meeting.

Sent Department 554, repeated Paris 90, London 60, Berlin 31.

KIRK

740.00119 EW/4-2749: Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

CONFIDENTIAL

BRUSSELS, April 27, 1949—3 p. m.

614. EP from Daspit.

[1] After three hour debate on revised plant list, Assembly adopted by 7-3 vote my closure motion put forward as substitute for Yugoslav motion to address request occupying powers to reconsider plant withdrawals. In putting closure motion president indicated affirmative vote would be interpreted as ending discussion and demonstrating that Assembly considered undesirable to act on Yugoslav proposal.

2. Supporting motion were US, UK, France, Netherlands, Greece, South Africa and Pakistan, the last apparently as result misunderstanding of motion. Canadian delegate, who had promised support prior to April 13 meeting, absent. Opposing were three satellites.

3. Yugoslav and Albanian delivered lengthy attacks on revision agreement, Albanian proposing that Assembly demand reparations from current production. Czech registered brief protest. Indian, Pakistanian both expressed disappointment at further reduction reparations pool, Indian pointing out that explanation of revision emphasized European recovery and asking that great needs of his country be remembered.

4. I made statement outlined mytel 495, April 5.<sup>1</sup> British delegate gave moderate support. French made no statement but Rueff in chair conducted debate in helpful manner. Dutch delegate, Gelissen, spoke strongly in support. Australian repeated position summarized mytel 554, April 13.<sup>2</sup>

5. Several delegates pointed out that uncertainties would continue surround operations until Assembly had received final list of plants available from PR item. British delegate promised list of plants from

<sup>1</sup> Not printed; in this statement Daspit had traced the development of the European Recovery Program, the Organization of European Economic Cooperation, and reparations, concluding that the retention in Germany of the plants in question would best serve the purposes of European recovery. (740.00119 EW/5-549)

<sup>2</sup> *Supra.*

UK zone in near future but indicated that valuations and inventories would probably be incomplete.

6. Vote yesterday should end discussions this matter except for technical implications for agency's work. However, lack of effective rules of procedure in Assembly, together with irrepressibility of Albanian and tendency of most delegates abstain on controversial issues in which they are not directly concerned make prediction unsafe.

Sent Department 614; repeated Paris 107, London 71, Berlin 87.

KIRK

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## B. DISCUSSION OF DISMANTLING AND RELATED MATTERS, OCTOBER-NOVEMBER 1949

740.00119 EW/9-1349: Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

PRIORITY

FRANKFURT, September 13, 1949—10 p. m.

2261. For the Secretary. Adenauer and Schumacher called separately upon me at their request when I was in Bonn today for the reception of the newly-elected President.<sup>1</sup> Both discussed dismantling at length and both requested me to urge you to review this painful subject with Bevin and Schuman during the current Washington discussions.<sup>2</sup> Both emphasized the current meeting is probably last clear chance to revise present policy and start the new government off in a good atmosphere. They emphasized that the dismantling was now proceeding primarily on a demolition basis with little or no economic benefit to anyone. Adenauer stressed primarily the psychological and political aspects of dismantling and Schumacher stressed the economic and social consequences. Latter stressed particularly that this move for a reconsideration of dismantling came from workers and their families; that he could not be accused of representing nationalistic interests. Adenauer feared that dismantling would provide extreme Right elements with the same effective issue and slogan that Versailles gave the Nazis and they would not fail to exploit it with large segments of the German people who saw their means of livelihood disappear over 4 years after hostilities had ceased. Right or wrong, the workers were convinced that competition more than security animated certain of the Allies and they pointed to certain methods of dis-

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<sup>1</sup> In telegram 2178, September 8, from Frankfurt, McCloy had reported *inter alia* on a previous approach by Adenauer. For the text of this telegram, see p. 375.

<sup>2</sup> Regarding the discussions on the dismantling question in Washington, September 15, see pp. 599 ff.

mantling which encouraged this thought. Adenauer was personally disposed to go very far in meeting the Allies on security, but if Western Europe was to be restored economically, Germany must be permitted to contribute and must be encouraged to feel that it is contributing. Adenauer had exchanged views with Schuman who, he felt, would be inclined to agree to a review of dismantling but would not want to open the subject in Washington or to find France alone in advocating such a measure. He hoped our Government would support any moves Schuman made or indicate their receptivity to such a move. As a compromise, Germany might agree to some form of internationalization if such works as Thyssen could be preserved.

Schumacher, who was accompanied by several experts, stressed the severe economic consequences and stated categorically that some dismantling, such as Thyssen Combine, was nothing other than demolition as it was being removed in such manner as to make it valueless to anyone. He suggested a review of the program, a temporary halt, and an expert investigation of the methods employed. He deplored the dismantling of the Fischer-Tropsch Plant which was to have been retained until Germany could import and pay for gasoline, which was patently impossible as yet.<sup>3</sup> He cited numerous examples of unemployment and severe distress which already existed and would be multiplied. He promised [*praised?*] the Humphrey Report as a sensible solution of the problem but the results of the negotiations whereby 8 plants were doomed to dismantling meant that as many men were to become unemployed as were maintained in employment in the entire 159 which were to be saved. In conclusion, he said the German workmen wanted to be internationally minded but this program was again making them cynical. In reply to both I attempted to review the background of the dismantling issue in its psychological, political and economic aspects. I reminded these German leaders that Germany likewise had to comprehend the mentality of other countries who had been the victims of Germany. 4 years was a relatively short time to assuage the sufferings and bitterness of the last war. It was my observation that the Germans had underestimated the security fears of other countries and it was a mistake to assume that the Allies were animated by fear of competition rather than security. In US, fear of competition was inconsequential, but there was a very important body of opinion which was disturbed by the war potential of the Ruhr and who

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<sup>3</sup> Next to this sentence in the source text was written "Germans have been claiming F-T plants produce practically no gasoline."



strongly supported the reparation removals. Concessions resulting from Humphrey Report seem to have met with little appreciation in Germany and indeed the speeches of both Adenauer and Schumacher themselves during the political campaign had clearly aroused fears of the rival of German nationalism in minds of many peoples. I told them that I did not desire in any way to suggest or request any limitation of debate in the Bundestag, yet the fact that Schumacher and the Communists saw fit to place dismantling first on the agenda when there were so many other problems of greater importance to debate did not augur well for sympathetic consideration in Washington. I felt that anything suggesting a test of strength particularly at the outset of the new government could only have one result as far as the Allies were concerned. I reminded both that dismantling could not be settled separately in a manner satisfactory to them but had to be considered in the light of all the important problems which affect the relations of Germany with the Western Allies. It seemed to me that Germans must be prepared to make some proposals which would take account of such problems as security, the Ruhr, etc. before they could expect a change in present dismantling program. Otherwise, we might merely move from one German complaint to another without any comprehensive settlement of other important issues. In response to Schumacher's observation that in dismantling, the Allies placed too heavy a mortgage upon the new German Government, I replied that the US was most anxious that the new government should get off to a good start, but the new government should also realize its responsibilities. I said I was fearful that having removed one cause of complaint, another would quickly arise and the popular game of criticizing the occupier would not fail for want of a slogan or an issue. If there were a real indication of genuine cooperation in the erection of a new democratic and peaceful state, the cessation of dismantling might be a very easy concession to make but unfortunately we could not wipe out in a breath the general distrust of future aggression which still pervades so much of the world. Schumacher responded particularly to my criticism of his campaign speeches. He said the newspapers did not do him justice. I agreed to convey the substance of these interviews to you but made no promises.<sup>4</sup> Will give my views tomorrow.<sup>5</sup>

McCLOY

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<sup>4</sup> In telegram 1644, September 20, to Frankfurt, not printed, the Department of State informed McCloy that his reply to Adenauer and Schumacher seemed appropriate in this case and that it did not contemplate any statement with regard to dismantling. (740.00119 EW/9-2049)

<sup>5</sup> For McCloy's views on dismantling, see telegram 2287, *infra*.

862.60/9-1449 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET

FRANKFURT, September 14, 1949—10 p. m.

2287. (OMGUS CCF 1192) From McCloy. My views on dismantling as follows:

It is too early to tell where this government is headed in the way of cooperation with the Allied Powers. I do not have enough evidence to convince me that there is a sinister rise of nationalism in West Germany. Here and there expression has been given to nationalistic sentiments of an irritating character which are quoted abroad and commented on here while a number of contrary expressions have been uttered which have caused no comment, but whatever this condition may be I am convinced that the present agitation against dismantling is not inspired by former Nazi influences.

It is significant that the extreme right remain relatively silent on this issue while it is the left and the center which press it most. I believe it arises from four sources: (a) Communist agitation among the workers whose only motive is to stir up trouble; (b) A real fear of the growth of unemployment and distress among the working people of the Ruhr which is reflected in the SPD attitudes; (c) Minority groups in the Ruhr and church groups throughout Germany whose influence is effective in the CDU; and (d) The desire on the part of both CDU and SPD to record their defense to the charge of collaborationism.

As far as I can see the dismantling process has little value to us, if any, and its abrasive character is so great that it affects us as well as the British. Moreover, I believe we are risking some of our main objectives by continuing with it so long after the hostilities have ceased. I feel that we might give solid support to the entire framework of the new government by a modification of this policy and at the same time attain advantages that might move us ahead considerably. I have no illusions that once this issue is out of the way no other issues will be put forward, but on the other hand, I do not believe we should hold on to policies that are not profitable merely because we are being simultaneously pressed by Germans to give them up. Wherever possible we should be forehanded in this field so that we avoid the mistakes that we made after Weimar where we were rather hasty to give up to the wrong government things we had long begrudged to a better one.

Many aspects of the present dismantling are economically incongruous and the unnatural effect of tearing down plants which are

clearly useful for peacetime purposes in the midst of so many ruins and unemployment is very great. I am conscious that the attitude expressed by Adeneuer and Schumacher also covers any objection against dismantling plants or parts of plants falling under the prohibited and restricted industries agreement. I feel that we must go ahead with the dismantlement of all war plants and with the destruction or removal of all machinery which can be used for war-making purposes. However, certain of synthetic processes now prohibited by the PRI agreement<sup>1</sup> could be reviewed with a view to retention. As to those plants, and I am thinking particularly of steel, which would exceed present limits on capacity, they could be held idle pending a later review by the Allies as to Germany's general position, record and attitude in Europe.

Consequently, I feel that we should immediately announce the cessation of dismantling, except for war plants and war-producing equipment, pending consultation with the German leaders on a plan whereby security assurances could be given us (perhaps in terms of internationalizing to some degree some of the properties, or by other means) and whereby we might receive some assurances as to cooperation on the part of the Germans with certain of our other definite objectives.

I am also thinking of the possibility of securing a prior German agreement to a quick accession to the Ruhr agreement<sup>2</sup> as an evidence of their desire to cooperate. If they should refuse to respond, I would take this as an indication of their lack of cooperation and go ahead with the program. The technicalities of the proposal could be further refined but this might be our general proposal leaving it to the Germans to make counterproposals which might satisfy all three governments on security. I feel that some step such as this would give us at least a breathing spell of cooperation which would be highly beneficial to the new government and would tend to consolidate its position as well as to bring us closer to our over-all objective which is to bring Germany more firmly into the western family of nations. It might anticipate Russian proposals which we can be certain will be made in connection with their fanfare over the creation of an eastern government whenever it comes about. Some such step as this would, in my judgment, be much more helpful than any form of amnesty or other

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<sup>1</sup> Not printed; for the text of the Prohibited and Limited Industries Agreement as promulgated by the Military Governors April 13, 1949, see *Germany 1947-1949*, pp. 366-371.

<sup>2</sup> For the text of the agreement for the establishment of an International Authority for the Ruhr, December 28, 1948, and signed by representatives of the United States, United Kingdom, France, Belgium, the Netherlands and Luxembourg, April 28, 1949, see *Foreign Relations*, 1948, vol. II, chapter II, part B.

gesture that we could make at this time and there is even a possibility that it might accomplish something of lasting value.

RIDDLEBERGER

CFM Files : Lot M-88 : Box 144 : Meeting of the Foreign Ministers September 15

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

[Extract]

TOP SECRET

WASHINGTON, September 15, 1949.

PARTICIPANTS

Mr. Bevin  
Sir Oliver Franks  
Sir Roger Makins  
Mr. Barclay

Mr. Schuman  
Ambassador Bonnet  
Mr. Clappier

Mr. Acheson  
Ambassador Jessup  
Ambassador Murphy  
Mr. Butterworth  
Colonel Byroade  
Mr. MacArthur  
Mr. Satterthwaite

Bevin opened the discussion on Germany by saying that the British were worried by the onerous task of dismantling. He said the main points are (1) reparations and (2) security. Adenauer recently got word to Bevin that Schuman was ready to agree to modification of the present position. Bevin wanted to know what our and the French views now were—if they had changed or were the same as six months ago. I asked how many plants had been marked for dismantling which had not yet been done. Mr. Murphy pointed out that we had completed dismantling of all those in our zone.

Schuman said he had received a letter from Adenauer asking him to raise the question of modification of the present agreement while he was here in Washington. He had replied that the question had been settled months ago and he would not raise it again; that nothing new could be done. Schuman agreed with Bevin that the problem was one of the effects on Europe of productivity in Germany, as well as reparations.

Bevin said we had to be careful or the Germans would take whatever we give them and then ask for more. The British wanted Germany to be a part of the Western world, but they had to proceed carefully. With regard to category 1 (war plants), the British should be through dismantling about April of next year. If dismantling were stopped on the limited and restricted lists, about fifteen million tons of steel capacity would be left instead of 11.1 million. Shipbuilding plants should be dismantled by about January. They had done nothing on the synthetic oil and rubber plants so that if dismantling were to stop,

<sup>1</sup>The memorandum was prepared by Livingston L. Satterthwaite of the Office of European Affairs.

these would remain intact. He said the German agitation centers on the steel, synthetic oil and rubber plants. Even with German co-operation the dismantling of the steel plants would take a long time, a year or a year and a half. Germany has not indicated yet what her attitude will be on the Ruhr Control, the Military Security Court [Board] and other agencies. Bevin thought that if Germany came satisfactorily into these organizations, the British might be able to take greater risks on the industrial side. The British did not want to yield on dismantling until they knew more about Germany's attitude on the occupation statutes. If Germany worked in an honest manner, they might review some of the plants, dismantling of which has not been started.

Schuman said that the German government is always making claims, and that if we accept the present claims, they would only make new ones. He thought it would be a mistake to renounce a policy which had been established with so much difficulty. He wouldn't like to open the policy to change. The French Government could not accept further concessions. They must wait to see whether the German government will meet its responsibilities. Germany should not complain. It was receiving help via the Marshall Plan and was well treated in spite of the war. He said that our policy should be better coordinated. For example, he knew of a case in which a dismantled plant had been rebuilt by Marshall funds. He concluded by saying that he thought the United States, Britain and France should be firm and unyielding to the demands of Germany.

I said that just this morning Mr. Hoffman had made a plea to Mr. Schuman on dismantling. There is wide criticism in the United States whenever a plant is pulled down. We are under strong pressure to change the policy. Mr. Murphy said we are sympathetic to Schuman's point of view and we prefer to leave the agreement alone. We had hoped, though, that the dismantling would have been concluded by now. The longer it is delayed, the stronger is the pressure for review of the policy. Should we set up a working party to have another look at the problem?

I said that we are faced with a miserable choice, but that we have to make a choice. We can do what the Soviets did, take the plants down and take the consequences along with it, but we never go through with that kind of action. We are likely to yield eventually under German pressure and not because of our own policy decision. Wouldn't it be better to yield now as a conscious move? Perhaps the situation is hopeless. Maybe Germany can't be a useful quiet member of the European community. The best chance and hope seems to us to be under French leadership. It doesn't work for us to take the lead. We are too far away and to a lesser degree this is also true of the British.

In the long run if there is to be an answer, there must be a solution of Franco-German troubles under French leadership. If all plants could have been or could be dismantled very quickly, it would not be so bad. It is the long drawnout process that causes recurring and continuing troubles. What we are likely to do is to stop dismantling after we have generated the maximum of ill will.

Mr. Schuman replied that he understood what the public opinion in the United States was and that it was equally difficult in France on this problem. He had no doubt whatever that the question of abandoning dismantling would cause serious and immediate trouble in France. It was not only the trouble it would cause. There were many real reasons why the French want to continue the dismantling. He said the French were mindful that they had been much easier than Russia. They would be cut off from reparations. Schuman said Adenauer had written to him proposing that the plants be put under international ownership and he had replied that we could not go along with this since we had protested proposals for similar action which the Russians wanted to take in Eastern Germany. He agreed with Bevin that only a small number of the plants were causing agitation and that there was an artificial factor behind some of the agitation. He said he had had long talks in the French zone with his own and German officials there and no mention was made of dismantling. He realized, however, that it was more difficult in the British zone. He believed we should not get excited or the Germans would dismantle western solidarity. He would not wish the Germans to think they can get anything they want just by the asking.

Bevin then said he thought last April that everything was final, until Congress appropriated \$25,000 to ECA to examine the situation again. Ambassador Bonnet said that they interpreted that as a subtle way of the Congress expressing its hope that the subject was not closed. Bevin said that the appropriation had given the impression in England that the United States was going to reopen the dismantling question with the British. He thought Adenauer was trying to play us off one against the other and stated that our High Commissioners in Germany should be warned about what Adenauer tells us about each other. Adenauer should know we have a coordinated policy. Bevin did not look with favor on the proposal for a working party now, as the British are in the middle of a series of dismantlings which will substantially reduce the problem. He did not want a working party, at least before April, when the backlog should be cleared. He said the delay in dismantling had been caused by the inquiry into the problem. Bevin went on to say that he wanted the Ministers to ask themselves whether any concession should be made before we see what the German attitude

to the occupation will be. Otherwise, Germany will cause trouble on the occupation statutes as well. He said the British don't want to treat the Germans badly but he did not want them to treat us badly either. He wants the Germans to think that we will be kind and firm and to realize that the game of splitting the occupation powers will not work.

I said that the agreements stand and that we are not reopening the question, but that it will be a troublesome year and the dismantling problem will have an effect on many other things. I was sure that the Germans would cause difficulty whatever happens. Nobody likes to be occupied. The Germans are surly and certainly will be difficult. They will never have loyalty to the occupation statute whatever we do. All we can do is try to create a self-interest of Germany in the statute. We would have no objection if all of the plants were dismantled right now, but I just could not believe that we would find it advisable to continue dismantling over a period of the next couple years. Bevin said that the British have been held up in completing their dismantling, that they still have the job to do. I said that we had held them up and Bevin replied "So did the Russians". Bevin said a review after three or four months should meet the British position. Schuman said we must review all German problems and that he would talk to his Government.<sup>2</sup>

Bevin then brought up the subject of the disposition of the undelivered Soviet share of reparations from Western Germany. He stated that they had finally and with great difficulty arranged the details for the shipment of these plants to the Soviet Union, but at that time the United States had objected to any portion of these plants being sent to the USSR. He stated that this shift in policy had got them into a "terrific administrative muddle". He stated that he hoped an early and firm decision could be made on the disposition of these plants. As far as the British were concerned Bevin stated that they had already taken what they themselves wanted and that they were not interested in receiving any share of these plants. If we wished to give them to the IARA countries Bevin was agreeable but stated they wanted to see the matter definitely settled.

Mr. Murphy pointed out that Mr. Bevin might not be aware that complete agreement had been reached between the three Western powers on this subject within the last three days. He referred to British Foreign Office memorandum signed by Mr. Kirkpatrick which had been relayed to us by cable on 6 September <sup>3</sup> and which agreed with

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<sup>2</sup> The following three paragraphs were not part of the source text. They were an attachment to a memorandum from Byroade to Satterthwaite, September 26, not printed, in which Murphy requested that they be inserted in the official record of the conversation at this point. (CFM Files: Lot M-88: Box 144: Memos ForMins and Sec Sept 1949)

<sup>3</sup> Telegram 3579, from London, not printed. (740.00119 EW/9-649)

the United States position. He also stated that we had received word of the agreement of the French Government on September 12.<sup>4</sup>

Bevin and Schuman stated they were glad this matter was now agreed. Bevin stated that it was not unusual that he did not know of this development as it happened while he was enroute to the United States by ship. The matter was therefore dropped as requiring no further discussion.

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<sup>4</sup> The French Embassy in London had telephoned Holmes its agreement on September 12 and he had in turn communicated this agreement to Washington in telegram 3672, not printed. (740.00119 EW/9-1249)

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740.00119 EW/9-2249 : Telegram

*The Acting Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

TOP SECRET      PRIORITY      WASHINGTON, September 22, 1949—8 p. m.

1706. For McCloy. Re allocation of set aside plants to IARA, Bonn 6, Sep 21.<sup>1</sup> We are committed by Wash Agreement to removal from West Ger of all plants on reparation list which were not taken off list as result Humphrey Comite review and subsequent agreement based on report of Comite. Validity this agreement not affected by question of what countries get set aside plants, disposition of which has been under discussion among three Govts for long time. In connection with negots on Humphrey Comite report, Brit proposed to us last Mar that plants be turned over to IARA. We expressed desire to defer decision in view possible CFM meeting, but agreed that, if plants were not disposed of in near future decision to give them to IARA wld be logical.

Fol CFM, Brit again approached us suggesting (a) all plants be given to IARA, or (b) 10% Sov share under Potsdam be delivered to USSR on condition Sov claim to remaining 15% and our claim to reciprocal deliveries be mutually waived. Brit proposed second course. In July, Dept, with approval of President, rejected Brit proposal and proposed that plants be turned over to IARA. This proposal has now been accepted by Brit and Fr.

At time Brit acceptance was conveyed to us, we raised question of consistency with idea of reviewing dismantling, which we understood Bevin would propose at FonMins talk in Wash. Brit subsequently informed us there was no inconsistency in their view, but we delayed action pending FonMins talk.

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<sup>1</sup> Not printed.



At FonMins talk, subject was briefly alluded to (fact inadvertently omitted from summary of talk telegraphed you), it being stated that agreement had been reached to deliver plants to IARA.

In view foregoing, we consider ourselves clearly committed to go forward with allocation to IARA. Re penultimate para urtel reciprocal deliveries are reparations for IARA countries, so that when we in effect abandon them, IARA countries have legitimate claim to that part of Sov share. Our calculation is that Sovs have already received on account 10% of practically all they are entitled to. We understood that set aside plants represent less desirable plants in respective industrial categories. While we are still awaiting detailed info with respect to dismantling, info here indicated dismantling on these plants had progressed to substantial extent.

Foregoing answers question (b) urtel. Referring to other specific questions:

(a) No negots seem necessary since list is already established, list of unallocated plants scheduled for removal in three zones (other than those removed from list by Apr agreement).

(c) We have agreed that all three Govts shld bear responsibility for allocation to IARA. Therefore, joint letter signed by representatives three zones has seemed to us best procedure. Since we wish minimum publicity, we prefer letter be signed by Chiefs of Reparations Divisions rather than High Commissioners, which might attract more attention.

(d) This matter does not require action or discussion by HICOG since it relates to action which will be taken by UK in IARA. As we understand it Brit will not bid on plants in this list, but have assured us they will not make any public statement which would embarrass us.

(e) Resolution has already been adopted by IARA.

WEBB

740.00119 EW/9-2349

*The Administrator for Economic Cooperation (Hoffman) to the Secretary of State*

SECRET

WASHINGTON, September 23, 1949.

DEAR MR. ACHESON: This will confirm my telephone conversation with Ambassador Murphy on Tuesday morning, September 20,<sup>1</sup> that ECA is sorry to see you release to IARA at this time the 185 plants (more or less) having a stated value of some 100 million Reich marks, which had heretofore been earmarked for delivery to the East.

You will recall that on August 19 the question was first raised in conference with you as to whether ECA had some obligation under

<sup>1</sup> A memorandum of this conversation, prepared by Murphy, not printed, is in file 740.00119 EW/9-2049.

Section 115(f) of the Foreign Assistance Act with respect to these 185 plants. At that time according to Ambassador Murphy's memorandum of the conference <sup>2</sup> "it was agreed that the Department's experts would provide Mr. Foster and Mr. Hendrick with whatever data might be necessary to clarify the position."

On September 19 we learned that a memorandum had been prepared by the Legal Adviser, Mr. Fisher, to the effect that ECA had no obligation in the matter.<sup>3</sup> A copy of this memorandum was given to one of our representatives at 8 o'clock that evening. The next morning when I called Ambassador Murphy and asked for some time to consider the question before the allocation was to be made, he advised me that he could not delay instructions to the High Commissioner to join with the French and British authorities forthwith in allocating these plants to IARA.

Due to the fact that this decision was communicated to me on such short notice and to the fact that some expression of Congressional intent on the dismantling issue may be contained in the ECA appropriation bill, I am not in any position to state with finality what may be the extent of my responsibilities with respect to these plants. I do believe, however, that such responsibilities may indeed exist, and that an extremely unfortunate situation may be created by the immediate release of these plants.

Bearing in mind that developments since the time of the August 19 conference have indicated that the door is not necessarily closed to the revision of the plans for dismantling, it would seem to me a mistake, at least at this time, to release to IARA plants made available by the decision that there is no obligation to send them to USSR against reciprocal deliveries (which could be applied in part at least for the benefit of the German economy) or otherwise.

I believe the subject should be studied also from the standpoint of our relations with Congress. As you know, the Senate has proposed an amendment to the ECA appropriations bill which if enacted into law may give some indication of Congressional intent that ECA should review the dismantling situation. Should it become incumbent upon me to make a survey and a further request to you under Section 115(f), it would be easier to negotiate retention of plants heretofore earmarked for USSR if those plants had not been actually released to IARA. If these plants were given to IARA nations they would be in the nature of a windfall. For this reason it might well be possible

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<sup>2</sup> Not printed; Hendrick and Foster had raised the question at this meeting with Murphy and Secretary Acheson whether ECA would have a responsibility regarding the eventual allocation and disposition of these plants if they should never be delivered to the Soviet Union. (740.00119 EW/8-1949)

<sup>3</sup> Hoffman was referring here to a memorandum dated September 14, from the Legal Adviser, Adrian S. Fisher, to Murphy, not printed (740.00119 EW/8-1949).

without any great negotiating difficulties to let some or all of them remain in the German economy in the interest of an overall solution of the problem. Even the retention of only a small proportion of these plants could conceivably facilitate a final solution to this vexatious problem. On the other hand, to let the plants go at once might eventually subject the Executive Branch of the Government to criticism for hasty action.

It is becoming increasingly apparent to me that sooner or later a further consideration of at least some aspects of the dismantling issue cannot be avoided. For this and other reasons stated above, I repeat my regret and concern that action has been taken now to place the 185 plants out of the control of the United States, British and French governments. I hope that if it is not too late for reversal of such action you will give me the opportunity to sit down with you and discuss the problem further.

Sincerely yours,

PAUL HOFFMAN

London Post Files : Lot 58F47 : Box 1391 : 236 Reparations

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, September 30, 1949—8 p. m.

3571.<sup>1</sup> Following from New York.

"Delau 308, Sept. 29, 8:55 p. m. For Murphy from Reber. The following is British text of draft memorandum prepared by three High Commissioners in Germany containing their recommendations:

1. At their meeting in Berlin on 24th the three High Commissioners have studied the effect of the decision taken in Washington<sup>2</sup> that the present reparations programme should be maintained unaltered and that the entire problems should be reviewed again in some months time. The Federal Chancellor in declaration of policy informed the Bundestag that he understood that the dismantling question would be raised in Washington. If only to enable him to deal with questions from the opposition he will thus certainly ask for information about the outcome of the discussions of the Allied Ministers for Foreign Affairs, [and] the High Commissioners will not be able to avoid giving him some reply.

2. The High Commissioners do not consider that a statement should be published. Such a statement would necessarily be negative and would draw a very bad political reaction. A public statement would only be of value if it announced the cessation of dismantling.

3. On the other hand, the High Commissioners consider that it would be beneficial if they could invite the Federal Chancellor to exercise a moderating influence upon the attitude both of the Bunde-

<sup>1</sup> Repeated to Frankfurt as 1883 and Paris as 3736.

<sup>2</sup> Regarding the Foreign Ministers' discussion of dismantling, see memorandum of conversation, Washington, September 15, p. 599.

stag and of the workers, opposition elements among whom favour agitation.

4. From this point of view the High Commissioners desire to be authorized to remind the Chancellor that dismantling is made necessary:

(a) By reasons of security, and

(b) By the obligation to make reparations for the losses suffered by the countries who were the victims of German aggression.

They would wish to add that public opinion in their countries would not understand a surrender of these objectives particularly at a moment when the atmosphere of the recent elections<sup>3</sup> and the awakening of nationalism has spread alarm outside Germany and when the new German Federal Government has not yet had time to translate its professions on this subject into action. They would like to be able to inform the Federal Chancellor at the same time that they would always be ready to welcome, in this context, any proposals which he might wish to submit to them.

5. If the current dismantling programme is carried out there is the risk that trouble will occur at certain key plants such as August Thyssen, Borsig, Reichswerke and the chemical plants. The High Commissioners consider that it would be desirable, without prejudice to the accomplishment of this programme, to reduce the pace of dismantling operation at these plants. This would prevent tension becoming widespread thus aggravating the position and making any later review of the problem impossible.<sup>4</sup>

As Bevin explained it, this recommendation has been referred to the three Governments and at today's meeting he asked whether Mr. Schuman and Mr. Acheson would be prepared to give their approval. Schuman pointed out that as the first sentence of paragraph one was merely a statement of the decision taken in Washington he had no objection. He is likewise in agreement with the course of action outlined in paragraphs 2, 3, and 4 and will authorize the French High Commissioner to agree. As to the proposal contained in paragraph 5 to reduce the pace of dismantling, Schuman prefers to reserve his decision in this respect until after consultation with his government in Paris next week. The Secretary likewise agreed to authorize the U.S. High Commissioner to proceed in accordance with these recommendations."<sup>5</sup>

Frankfort for McCloy.

WEBB

<sup>3</sup> The reference here is to the first West German Bundestag election, August 15, in which the Christian Democrats won 139 seats, the Social Democrats 131, the Free Democrats 52, and the Communists 15. For further documentation relating to the establishment of the West German Government, see pp. 187 ff.

<sup>4</sup> In telegram CC 9524, September 24, from Berlin, McCloy had transmitted the text of a similar message which François-Poncet was sending to his government. The portion of this telegram dealing with devaluation of the mark is printed p. 458.

<sup>5</sup> In telegram 1884, September 30, to Frankfurt, not printed, the Department of State informed McCloy that the last sentence of the quoted text authorized him to proceed in accordance with the recommendations of the British memorandum (740.00119 EW/9-3049).

740.00119 EW/9-2349

*Memorandum by the Administrator for Economic Cooperation  
(Hoffman) to the Acting Secretary of State*

SECRET

[WASHINGTON,] October 3, 1949.

This will confirm our telephone conversation Saturday morning in which I made the following points.

1. I am greatly concerned over the dismantling situation, all the more so since Congress had now inserted a statement in the ECA appropriation act that of the amount to be appropriated "not more than \$25,000 shall be available to the Administrator for any further action he may consider advisable to carry out the provisions of section 115(F) of the Economic Cooperation Act of 1948, as amended by the Act of April 19, 1949 (Public Law 47.)"

2. I am fully aware of the commitments made by the United States that this question was never again to be reopened, and of the attitude recently expressed by Mr. Bevin and Mr. Schuman on the subject. Nonetheless, I do not feel we should close our eyes to the actualities or assume that the British and French governments will continue to do the same.

3. First of all it has become clear from the recent action of Congress that it considers reparations a live issue. This action stems in large part from the feeling of the people in the United States that continued dismantling makes no sense when we are pouring money into Germany. I do not see how I can authorize ECA financing for replacing equipment removed as reparations, although the prospect of a regulation on this point brings up a host of technical difficulties which are bound to slow up our recovery program. On the other hand, I can not avoid authorizing ECA financing to put Germany on its feet industrially and this can properly be characterized as building up that which we are tearing down. The American people, originally quite content apparently with the April agreements, are now growing restive, and this creates a difficult situation for both of us, which we can not ignore.

4. I have at all times maintained that the amount of reparations equipment which the allied nations are receiving from Germany is negligible, and that the entire question has been exaggerated out of all proportion. But developments in Germany since the April agreements<sup>1</sup> have indicated that the problem may be regarded as being of far more importance by the German people than by our allies. Under the circumstances, particularly with a new government established and a formal request made by the Bonn Parliament on dismantling,

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<sup>1</sup> For the texts of the Tripartite Agreements on Germany, April 8, 1949, see p. 177.

I am impressed with Mr. McCloy's sensitive and intelligent discussion of September 14 (Frankfurt 2287<sup>2</sup>) and believe his recommendation that we stop dismantling must be seriously considered.

5. I do not feel that we should consider solely a stop to all dismantling. There is a fertile field for negotiation in the case of the plants heretofore earmarked for the USSR, as pointed out in my letter to the Secretary of State, dated September 23.<sup>3</sup> Even if we did nothing other than to obtain reconsideration of the Gelsenberg case we would have accomplished something positive. Finally it might be possible to reach an understanding on what action might be taken conditioned on positive cooperation of the Germans in dismantling of plants which would in any case have to go, or cooperation in other fields, along the lines at times suggested by Mr. Bevin. I certainly do not advocate a "get soft" policy toward Germany, but I do question whether it is necessary to stir up unrest and forcible resistance unless circumstances entirely require it; I question whether a "hold the line to the last inch" policy is justifiable or practical and whether it is the policy which Mr. Bevin and Mr. Schuman really desire.

6. In fact this would be a recommendation merely "for the record" on my part if I were not convinced that a renewed discussion might very well produce results. It was not long ago that Mr. Bevin on his own initiative told me he would be willing to negotiate a stop on dismantling; and it is certainly possible that he may be persuaded to revert to this position. Judging from my talks with Mr. Schuman I do not feel that he has a closed mind on the problem. Both of them agree with me, as I am sure you will, that there is no other international problem of major importance which is of so little economic significance but which has created so much ill will.

7. We know that the only possibility of getting anywhere in a review of the reparations issue at this time is at the very top level. It would seem to me we have an ideal opportunity while both Mr. Bevin and Mr. Schuman are here in this country<sup>4</sup> to make an effort to get the problem settled on a common sense basis. It may be our last chance.

8. Therefore, though I fully realize the burden placed on you by many other responsibilities, I urge you very strongly to arrange for a meeting on this extraordinarily important subject before these gentlemen return to Europe. Should my presence be desired at such a meeting I would be very glad to attend.

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<sup>2</sup> *Ante*, p. 597.

<sup>3</sup> *Ante*, p. 604.

<sup>4</sup> Following the Foreign Ministers' meetings in Washington on Germany and NATO, Bevin and Schuman had gone to New York to attend the Fourth Regular Session of the United Nations General Assembly. Documentation relating to the proceedings of this session is in volume I.

862.60/10-649 : Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET

PRIORITY

NEW YORK, October 6, 1949—7:25 p. m.

1235. From the Secretary. In course of conversation with Bevin and Couve de Murville today, I referred to fact three Ministers had agreed in Washington, September 15 to review German dismantling once again in three or four months.<sup>1</sup> I suggested High Commissioners be asked to make report on subject prior to review by Ministers. I expressed hope report would contain concrete recommendations and might have French approval.

Bevin expressed agreement to this procedure, suggesting that study by High Commissioners should commence in November, that their report should be submitted at end of year and that it should be considered by Ministers either directly or through diplomatic representatives in London at beginning of new year. He expressed his preference for this timetable on grounds that current dismantling in war plant category, which he thinks it unwise to interrupt, will be largely finished by end of year. I accepted Bevin's timetable.

It was pointed out that Schuman had not recollected that Ministers had agreed in September to definite time for review of subject, but had however stated this and related matters would necessarily have to be reviewed from time to time. Couve promised to submit my proposal and Bevin's timetable to Paris and ask for replies to Washington and London as soon as possible.<sup>2</sup>

Please relay AmEmbassy London as USUN 24, AmEmbassy Paris as USUN 23, USPolAd Frankfort as USUN 3.

[ACHESON]

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<sup>1</sup> Regarding the Foreign Ministers' discussion of dismantling, September 15, see p. 599.

<sup>2</sup> A memorandum of this conversation is in file 740.00119 EW/10-649.

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740.00119 EW/9-1549*The Acting Secretary of State to the Administrator for Economic Cooperation (Hoffman)*

TOP SECRET

WASHINGTON, October 7, 1949.

MY DEAR MR. HOFFMAN: I refer to your memorandum of October 3, 1949<sup>1</sup> regarding German reparation and your letter of September 23, 1949<sup>2</sup> on the same subject. I have forwarded your memorandum to

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<sup>1</sup> *Ante*, p. 608.

<sup>2</sup> *Ante*, p. 604.

Mr. Acheson and will communicate with you as soon as I hear from him.

I might point out that, as I believe Mr. Murphy has already told you, the German dismantling program has been discussed with Mr. Bevin and Mr. Schuman. For your information, I enclose a copy of the memorandum of conversation which Mr. Acheson had with Mr. Bevin and Mr. Schuman on this subject on September 15.<sup>3</sup> I should add that it was agreed by the Foreign Ministers that the fact that they had discussed the subject of dismantling and the possibility of a further review of the matter at a later date should be kept most secret. I would therefore appreciate it if you would limit access to this document in the Economic Cooperation Administration as narrowly as possible.

I believe that Mr. Murphy's letter to you of September 23,<sup>4</sup> which was written prior to the receipt of your letter, deals with most of the points made in your letter of the same date regarding the 185 unallocated plants in Western Germany which have been set aside against the Soviet reparation share. As was pointed out in Mr. Murphy's letter, we are obligated by international agreements to remove these plants from Germany. The plants had in fact been reviewed by you in accordance with Section 115(f) of the Economic Cooperation Act and had not been recommended for retention in Germany. It has seemed to us that the fact that they had been reviewed is the important point and that the question of whether, if removed from Germany, they should be delivered to one country rather than another is a wholly separate matter to be determined separately in accordance with our international agreements.

There is one point in your letter of September 23 on which I should like to comment. This is the suggestion that the delivery of those plants to IARA is in the nature of a windfall and that a decision not to deliver them to the Soviet Union will result in the non-receipt of reciprocal deliveries which could in part be applied to the benefit of Germany. I believe that this comment may result from a misunderstanding of our agreements which it would be useful to clarify.

The plants removed from the Western zones of Germany, including those to be exchanged for reciprocal deliveries, are reparation. The reciprocal deliveries received from the Soviet Union are likewise reparation and are distributed by IARA. If the IARA countries are, as in fact has been the case, unable to obtain reciprocal deliveries, it is the Department's view that they are clearly entitled to claim the plants for which the reciprocal deliveries would be exchanged. No windfall is therefore involved.

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<sup>3</sup> For the text of this enclosure, see p. 599.

<sup>4</sup> Not printed.



As one of the countries which benefits from German reparation, the United States is entitled to claim a portion of the reciprocal deliveries. We have in the past claimed such a portion, which we have used as part of the support of the occupation of Germany. Any supplies so used are charged to our reparation share and reduce our share of reparation from other sources within the category of reparations to which they are charged. The situation with respect to such supplies furnished to Germany is in effect the same as that with regard to supplies secured from appropriate funds. Needless to say, there is no right insofar as Germany is concerned to receive any benefits from these reparations. The question is largely academic, since no reciprocal deliveries have been received from the Soviet Union for some time and there appears to be little or no likelihood that the Soviets would deliver any substantial quantities if we had deferred the action we have taken any longer.

As was pointed out in Mr. Murphy's letter, the decision to allocate these plants to IARA was approved by the President.

Sincerely yours,

JAMES E. WEBB

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*Editorial Note*

At an informal meeting on October 13, the Council of the Allied High Commission for Germany considered three letters from West German Chancellor Adenauer concerning dismantling. The first letter requested the discussion of dismantling with the West German Government and suspension of further dismantling until the Allied Governments had come to a decision on the whole program. In the second letter Adenauer proposed two alternative plans with regard to the August Thyssen Steel Works at Duisberg. The first plan would have created a company with those countries that were allocated part of the plant holding shares in proportion to the value of their reparations, but with the steel works remaining in Germany. In the other plan the Federal Republic would have furnished new or equivalent steel plant elements, taken partly from stocks on hand and partly from new production, as substitution for the August Thyssen Steel Works. The third letter called attention to the dismantling of the Gelsenberg Benzin Plant which seemed incompatible with the provisions of the Prohibited and Limited Industries Agreement.

In the course of its discussion of these letters, the Council agreed to meet with Adenauer at 9:30 on October 14.

The full texts of the three letters from Adenauer were transmitted in telegram 18, October 13, from Bonn, not printed (740.00119 EW/10-1349), and the record of the Council's meeting was transmitted in telegram 19, October 14, from Bonn, not printed (862.00/10-1449).

When the Allied High Commissioners met with Adenauer, the Chancellor repeated his arguments for slowing down the dismantling program, especially at the August Thyssen works, and the Commissioners indicated that they were not in a position to reply definitively with respect to his arguments at that time, although the French Commissioner, François-Poncet, noted that he had been delaying the dismantlement of the UN Borsig plant for three months. The record of this meeting was transmitted in telegram 3136, October 15, from Frankfurt, page 416.

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740.00119 EW/10-1749: Telegram

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

TOP SECRET

LONDON, October 17, 1949—8 p. m.

4163. Kirkpatrick called Holmes and Massigli Foreign Office today on Bevin's instructions to express latter's concern over suggestion that German reparations might be paid from current production. He cited Adenauer's letter number 2 (Bonn's number 18 to Department of October 13<sup>1</sup>) and INS despatch on interview with McCloy on October 8 in which he is quoted as saying: "I am confident we can secure an effective agreement from them including payment of reparations from the Ruhr production and the setting up of an effective international control board with real teeth."

Kirkpatrick said that Bevin was disturbed by these suggestions on both political and economic grounds. He pointed out that we had continuously criticized the USSR for taking reparations from current production and also pointed out ill effects of reparations from this source following World War II. He expressed the fear that if German production were to be allowed to increase sufficiently to permit reparations payment such increase would produce German demands for higher share of ECA aid and that commercial and financial relationships of Western Europe would be seriously upset. Kirkpatrick asked that these considerations be communicated to our governments.

Massigli said that as far as he knew the French were opposed to payment of reparations from current production. Holmes stated that he had reported his remarks to Kirkpatrick (Embtel 4066 October 10<sup>2</sup>) expressing the opinion that McCloy had been misquoted concerning this matter. Holmes gave it as his personal opinion that the United States would not be in favor of reparations from current

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<sup>1</sup> Not printed; regarding Adenauer's second letter to the Allied High Commissioners, see the editorial note, *supra*.

<sup>2</sup> Not printed.

production as in light of the US subsidy of the Western Germany economy this would result in the US paying of German reparations.<sup>3</sup>

Sent Washington 4163, repeated Frankfort 128 for McCloy, Paris 787.

DOUGLAS

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<sup>3</sup> On October 18, Hubert Penson of the British Embassy discussed the McCloy interview, at the request of his government, with Geoffrey Lewis, the Acting Assistant Chief of the Division of German Economic Affairs. He was assured that the United States remained opposed to any form of reparations from current production and that, as the Department of State understood the matter, McCloy had been inaccurately quoted in the article. (Memorandum of Conversation, October 18, not printed, 740.00119 EW/10-1849)

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862.60/10-649 : Telegram

*The Secretary of State to the Office of the United States High  
Commissioner for Germany, at Frankfurt*

TOP SECRET      PRIORITY      WASHINGTON, October 25, 1949—7 p. m.

2314.<sup>1</sup> For McCloy.

1. Dept has reviewed dismantling program in light proposal outlined in New York's 1235 Oct 6 <sup>2</sup> rptd Frankfort as USUN 3 for study by High Commissioners and review by Govts and suggestion urtel Bonn 12 Oct 6 <sup>3</sup> that PRI plants not be allocated to IARA pending completion review by Govts or survey by ECA if undertaken.

2. We are fully aware desirability finding solution which will reduce friction caused by dismantling. We also agree we shld retain our maneuverability far as possible and seek over coming weeks avoid actions which might prejudice decisions to result from governmental review. We hope UK will soften its position in near future, and do not overlook possibility, though remote, Ger Govt may find formula to ease problem. Situation, however, is extremely delicate and involves not only our relations with Gers but also agreements with Brit and Fr. Necessary therefore keep clearly in mind field in which we have freedom to operate.

3. Nub of situation lies in plants which have not yet been dismantled. As we see it retention plants already dismantled wld not relieve situation, but on contrary might even feed public discontent at continued removal plants still in process being dismantled. Certain plants now scheduled for dismantling are being removed or destroyed pursuant agreed security arrangements. These include war plants and

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<sup>1</sup> Repeated to London, Eyes Only for Douglas, as 3838; to Paris, Eyes Only for Bruce, as 4074.

<sup>2</sup> *Ante*, p. 610.

<sup>3</sup> Not printed.

relatively small number plants in prohibited and certain restricted categories under PRI agreement, such as beryllium, magnesium, synthetic oil, and aluminum. Retention such equipment wld represent modification agreed security arrangements which might impair unity of three powers achieved at London and Wash discussions. There is another group of plants, principally steel plants, whose removal was agreed to in dismantling agreement following Humphrey Committee survey. Finally there are certain so-called set-aside plants not within category of war plants which are still being dismantled. It is among last two groups that area of maneuverability exists. As between two groups, public interest has centered chiefly on steel plants. Little concern has been expressed as to set-aside plants. Steel plants, however, have already been allocated to IARA. Set-aside plants have not been allocated to IARA.

4. Scheduled review of dismantling by Govts will not modify PRI agreement or dismantling undertaken pursuant to agreement, recognizing, as explained below, removal steel plants, although these industries are covered by PRI agreement, was reached as part of agreement on plant removals negotiated on basis Humphrey Comite report. Although dismantling issue figures largely now in our relations with Ger Govt, our preoccupation with this problem shld not distract us from major objectives sought in London and Wash agreements. As you know, Fr regard their agreement to establishment responsible Ger Govt with freedom action contemplated in Washington agreement as bargain in which they obtained agreed security arrangements. We can expect difficulties with Fr in working out agreement in practice. Our difficulties will be intolerable if they believe we are seeking withdraw from our part of bargain, particularly as regards security.

5. Apart from our relations with Fr, we must consider our relations with Gers. Ger agitation has been particularly intense concerning prohibition against synthetic oil. US at cabinet level determined this particular prohibition to be wise and necessary in interest our natl defense. PRI agreement was laboriously negotiated as one of basic security arrangements underlying Washington agreement. Although there may be some doubt as to necessity each specific prohibition and restriction, each provision agreement was accepted by three powers. We cannot yield to Ger pressure on question of security.

6. For same reason, removal of PRI plants determined for reasons security cannot be reviewed in light purely econ considerations. US through Hoffman and Douglas gave UK and France categorical assurance in Dec 1948 there wld be no review under Section 115(f) of ECA Act of removal of plants resulting from decisions taken in PRI agree-

ment. (See Deptel 4593 to London Dec 9, 1948 rptd to Berlin as 1933<sup>4</sup> and Embtel 5212 from London Dec 13, 1948 rptd to Frankfort as 49.<sup>5</sup>) We cannot go back on this agreement.

7. Within this framework of security arrangements, we propose, subj your comments, fol course action, looking toward removing principal source irritation with Gers:

a. Discontinuance all dismantling in Berlin. In view situation Berlin, further dismantling in Western sectors is source major political embarrassment. Understand plants involved are in Fr sector. Borsig plant in this group is listed as war plant and has already been allocated to IARA, and may cause complications. Nevertheless, believe it desirable you indicate your support to Fr High Commissioner of any action he has taken or may take toward halting removals from Berlin in present situation, and in support action already taken by UK (See Embtel 4214 Oct 20 from London rptd Frankfort as 130<sup>6</sup>).

b. In view major emphasis placed by Gers on unit of Gelsenberg synthetic oil plant engaged in hydrogenation process, Dept is considering discussion with FonOff through Amb Douglas following expedient for softening impact PRI agreement in Germany:

(1) Limiting dismantling at Gelsenberg for time being to units necessary for preparation of coal for hydrogenation. This wld permit completion study situation and preparation definitive proposals. This suggestion based on assumption, which we believe shld be verified by Frankfort, proposed limitation dismantling is feasible without seeming to local population as evident sign of change in dismantling policy there.

(2) We have in mind possibility raising with UK and France granting permission for six-month period for operation of unit for hydrogenation of oil. We do not wish make such proposal however until we are absolutely sure existing refining facilities not adequate meet current requirements or that alternative arrangements cannot be worked out. In any event plant will be obsolete after repair or construction of other more economic facilities has been completed. We have conflicting estimate as to time when Gelsenberg unit will be clearly surplus to Ger requirements. We intend raise this matter with Fr only after UK has agreed to whatever proposal we decide to make.

c. Amb Douglas will be asked raise with FonOff problem created by continuing dismantling of plants which may upon review be retained in Germany. He will inquire of Brit if they have considered

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<sup>4</sup> Not printed; but see footnote 3 to telegram 5157, December 8, from London, *Foreign Relations*, 1948, vol. II, p. 843.

<sup>5</sup> *Ibid.*, p. 849.

<sup>6</sup> Not printed; in it Douglas reported a conversation with Kirkpatrick regarding the employment of slow-down tactics in dismantling the Borsig plant in the French sector. Kirkpatrick said that Schuman was not receptive to this suggestion and instead offered to slow down dismantling on other plants in the French zone. Kirkpatrick indicated to Douglas that the British Foreign Office planned to discuss this problem again with the French and would welcome United States support in its efforts. (740.00119 EW/10-2049)

slowing down or stopping dismantling plants whose retention in Germany UK regards as reasonable and likely be agreed in course of review. He will remind UK steel plants have been chief source controversy on part Gers. In pointing this out he will state retention such plants wld not involve any change in PRI restrictions on steel industry. He will emphasize that US will not, in governmental review, propose seek change in production limitation or in licensing requirements in respect of type of capacity or construction of new capacity. If question is pursued, he can explain PRI agreement did not place any specific limit on steel capacity (as distinguished from production) and that amount steel capacity to remain in Germany was covered in agreement relating to removals which was based on Humphrey Committee survey. We do not propose undertake similar discussions with Fr with respect to their Zone at this time inasmuch as time table for review set forth USUN 3,<sup>7</sup> is still under consideration by French Govt and dismantling in Fr Zone is not a source of acute difficulties with Germans. Amb Douglas wld, however, indicate to Brit we wld appreciate being kept advised of such action in respect to slowing down of dismantling in Brit Zone they may consider desirable, and presume they wld keep French also advised.

8. In view necessity removing PRI plants and war plants, further delay in allocations these plants to IARA does not protect our position and raises unnecessary alarms on part Brit and Fr, as evidenced by representations already made to Dept by Brit Emb and Fr Emb. We do not underestimate problem of IARA relations but plants we may seek to retain in Germany are only among those already allocated to IARA, viz. Borsig plant and steel plants.

Delay in allocating PRI plants will not give us any bargaining leverage with IARA since plants in this group cannot be retained in Germany. On other hand, refusal on part US proceed with allocation will create presumption US intends at time review to reopen PRI agreement and to recede from agreed security provisions. As result, possibility obtaining reasonable solution from Fr and Brit will be seriously reduced. Dept therefore requests you proceed without further delay with allocation PRI plants to IARA.

As regards set-aside plants, Dept has already agreed with UK and Fr allocate these plants to IARA. We shld proceed to do so with respect to war plants in group for reasons outlined above. We can see some advantage in your proposing to withhold allocation balance these plants for time being. Although unlikely any such plants, particularly those already dismantled, will be considered desirable to retain in Germany, it may be desirable not to foreclose decision at this time before governmental review. These plants may also offer some bargaining leverage with IARA and facilitate negots which may be required to retain in Germany other plants already allocated to IARA.

<sup>7</sup> *Ante*, p. 610.

We recognize deferring allocation these plants is contrary to understanding reached by Dept with UK and France last month. This may create difficulties.

9. In view complexities situation, we are convinced our best hope for progress lies in avoiding implication US bringing pressure on Fr and Brit for retention plants in Germany. Approach outlined must therefore be handled without publicity any form either here or in Germany and nothing must be done which cld give rise to inference US is seeking impose solution on Fr or Brit. Issue has been kept in public attention in part through exaggerated and misleading statements which private sources in Ger or in this country have made and which gain wide currency. It wld be helpful if your staff wld keep Dept advised of significant distortions of fact which come to their attention and of correct factual situation so that issue can be played down for time being.

10. We will take advantage any opportunity that presents itself for advancing date of governmental review. You may find it possible when study in Nov initiated by High Comm to persuade your colleagues to complete report to Govts much sooner than Jan 1.

11. For London and Paris. Comments of Douglas and Bruce wld be appreciated.

ECA concurs.

ACHESON

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740.00119 Control (Germany)/10-2949

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*<sup>1</sup>

TOP SECRET

[LONDON,] October 28, 1949.

[1.] I have been giving careful consideration to the present situation in Germany. I have come to the conclusion that this has now become so serious, primarily as a result of our dismantling policy, that I must send you and M. Schuman my views without further delay.

2. It is clear that for several reasons the moral authority of the High Commission and of the Allies in Germany is being rapidly destroyed. The principal cause of this is the present dismantling programme, which is arousing bitter resentment and opposition in Germany, particularly in the British Zone, where most of the dismantling

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<sup>1</sup> Attached to the source text was a note from Hoyer-Millar to the Secretary of State, not printed, in which he emphasized Bevin's anxiety about the situation in the British Zone of Germany and the possibility of losing control of events there unless the Western Powers grasped the initiative. (740.00119 Control (Germany)/10-2949) Both Hoyer-Millar's note and the source text were handed to Byroade by the British Adviser for German Affairs, J. H. Penson, October 29.

is taking place. I must tell you frankly that the continuation of dismantling is causing great disquiet among the Labour Party here and is becoming more and more unpopular in Parliament. The fall in prestige of the Allies is also due to the fact that our joint policy in Germany has not been properly coordinated and proclaimed. This already serious situation has been aggravated by increasing pressure on the contractors and dismantling labour force both by the German Authorities and public opinion. The consequence is that the German operators are becoming demoralised and it is only a matter of a few weeks before dismantling collapses for lack of labour. In my view we cannot afford to wait until our whole dismantling policy falls about our ears, and the Western Powers are publicly humiliated in front of the Germans. We have got to face and deal with this situation.

3. The present position is that Dr. Adenauer is intending shortly to present to the High Commission, in response to an invitation which he received from them, his proposals as to the future of dismantling. I think it is likely that some of his proposals will be unacceptable to us, but that on some of them there will be scope for further discussion and negotiation. As I see it, we should seize this last opportunity of grappling with the problem from a position of relative strength. Unless we do so we shall suddenly find that dismantling has in fact ceased, and that we no longer enjoy any freedom of choice.

4. I therefore suggest for your very urgent consideration that as soon as Dr. Adenauer's proposals are received the High Commission should be authorised to work out an acceptable solution. These discussions will necessarily take some time. Meanwhile, unless we take action to prevent it, the general tension will mount and a collapse of dismantling will occur. I do not suggest that all dismantling should be suspended on this account during the discussions but I do think that it will be necessary to authorise the High Commissioners to tell Dr. Adenauer that although the dismantling programme will proceed while the discussions are going on they are prepared, in order not to prejudice the final decision, to suspend dismantling on a named list of plants. These plants should be those the dismantling of which will in any case require a long time to complete.

5. The High Commissioners should also make it absolutely clear to Dr. Adenauer that there is no question of suspending or revising our plans for the dismantling of war plants, or for carrying out our programme of disarmament and demilitarisation in other fields. We are not prepared to make any change where our essential security requirements are involved.

6. An agreement on dismantling which would include the suspension of work at a number of long-term plants would represent a considera-



ble achievement for Dr. Adenauer's Government which we are all anxious should maintain and increase its prestige and authority throughout Germany. If, however, we are to avoid during the coming period a constant series of differences and disputes with the German Federal Government which can only retard the fulfillment of our policy of associating Germany closely with the Western world, I suggest that we should be wise in our own interests to try to reach an understanding with Dr. Adenauer on a programme for dealing with as many as possible of the more important problems which are likely to cause trouble in the course of the period before the time comes to consider a revision of the Occupation Statute.

7. On some of these problems we are anxious that the Federal Government should take or refrain from certain action, and on others the Federal Government is anxious to obtain some concessions from us. I feel sure that it would be of great advantage to our three Governments if we could reach agreement in principle soon on our joint attitude towards the Federal Government in respect of these questions. It would be an even greater advantage and would be a great step towards the achievement of stability in Western Europe and the close association of a proper basis of Germany with the West which we all desire to see fulfilled, if agreement on our policy as regards all these problems among our three Governments could be translated into a general understanding with the German Federal Government.

8. The sorts of problems which I have in mind are the participation of the Federal Government in the International Control of the Ruhr; the acceptance by the German Federal Government of the Military Security Board and other essential security measures; a clear understanding with the Federal Government on the scope and operation of the Occupation Statute until the time comes for its review; and the problems involved in the continuance of the present legal state of war with Germany.<sup>2</sup> I do not suggest that this list is exhaustive, and on some of the matters there may not be sufficient ground at present for an understanding to be reached. I put them forward, however, for your consideration.

9. I hope from what I have said that you will agree with me that it is greatly in the interests of our three Governments that we should review very urgently the present situation in Germany with special reference to the problems which I have just mentioned. I myself feel that the position is so serious, particularly in view of the dismantling programme, that I should like to have a full discussion very soon. I

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<sup>2</sup> For documentation relating to West German participation in various international organizations, the scope of the Occupation Statute, and the continuation of the state of war with Germany, see pp. 266-361 and 477-504.

therefore suggest that the opportunity should be taken of the forthcoming meetings in Paris for our three Governments to have a full review of the German situation and of our policy there and I would propose that we should devote a day to this, immediately after the meetings of the Committee of Ministers of the Council of Europe and the Consultative Council of the Brussels Treaty Powers<sup>3</sup> have been concluded. I feel sure that an informal and frank discussion on the lines of our successful meeting in Washington last spring<sup>4</sup> would have very valuable results, and I suggest that it would be wise to ask our three High Commissioners to attend in order to give the latest information and their views on the present situation.<sup>5</sup>

<sup>3</sup> Documentation relating to the meetings of the Council of Europe and the Consultative Council of the Brussels Treaty Powers is in volume iv.

<sup>4</sup> For documentation relating to the Foreign Ministers' discussion of the German question, April 6-8, in Washington, see pp. 156 ff.

<sup>5</sup> In telegram 4504, October 29, from Paris, not printed, Bruce reported that Schuman had raised the question of Bevin's message at a meeting that day. Schuman had already notified the British that he was prepared to call such a meeting, mentioning November 7 or 8 as the best dates, and agreed to the wisdom of having the three High Commissioners for Germany in attendance. The French Foreign Minister had further stated that he was in accord with the advisability of another study of dismantling since conditions in Germany had changed since the Washington discussions. (740.00119 EW/10-2949)

740.00119 EW/10-3049 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET      NIACT  
NO DISTRIBUTION

WASHINGTON, October 30, 1949—noon.

4130.<sup>1</sup> Personal for Bruce from the Secretary. I shld appreciate early delivery by you of the fol personal message from me to M. Schuman.

"My Dear Mr. Schuman: Today I have received the message which Mr. Bevin sent to you and me on German matters.<sup>2</sup> It has occupied all of my thoughts not only because it contains so much of what I unburdened myself to you and him in our meeting in October,<sup>3</sup> but because since then I have been full of the fateful sense that time was running out, that events were taking control, and that in the last analysis the problem was whether we could move shoulder to shoulder fast enough to lead and not be controlled by events which were taking on an all too familiar pattern.

<sup>1</sup> Repeated to Frankfurt as 2411 (personal for McCloy), London as 3896 (personal for Douglas), and Moscow as 804 (personal for Kirk).

<sup>2</sup> *Supra*.

<sup>3</sup> Regarding the discussion of dismantling by representatives of the United States, United Kingdom, and France in New York, October 6, see telegram 1235, October 6, p. 610.

You know my mind too well to make a long recitation necessary. But so much wrong and misleading talk has been printed that I wish to set down what has been in my mind. Before I do so, I want to this: The problems Mr. Bevin writes about are at the very forefront. I am convinced along with him that early action by us is imperative in the dismantling issue. I shall be glad to set aside my own preoccupations and join you and him to talk this out. But if I do so, I should hope to make a contribution to constructive and positive action, and not merely to add to your problems which you know so much better than I do. I am sending you separately a personal message that I had in preparation before receipt of Bevin's telegram. After you have considered it, I should be grateful for your frank views as to whether I, or some representative, if you think that wiser, could advance the situation by responding to an invitation from you to join you and Bevin this coming weekend or shortly thereafter. In the event a meeting is held, we should have to consider carefully the public aspects of the arrangements for it."

The accompanying message referred to above, which should likewise be transmitted to Mr. Schuman, is being transmitted in the immediately following cable.<sup>4</sup>

ACHESON

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\* Telegram 4131, *infra*.

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740.00119 EW/10-3049 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET      NIACT  
NO DISTRIBUTION

WASHINGTON, October 30, 1949—2 p. m.

4131.<sup>1</sup> Personal for Bruce from the Secretary. Pls deliver the fol personal message from me to M. Schuman along with a similar message in the immediately preceding telegram: <sup>2</sup>

"My Dear Mr. Schuman: The London Accord of 1948.<sup>3</sup> and the Agreements which you and Mr. Bevin and I concluded last April <sup>4</sup> have now borne fruit in the establishment of the Government of the Federal Republic of Germany. We have had some weeks of experience with this Government and some opportunity to observe the interplay of forces between it and the High Commission. Meanwhile the pace of other international developments has not slackened. The establishment of the 'German Democratic Republic' with its capital at Berlin has introduced new political elements into the German problem which although anticipated did not exist and could not be clearly delineated at the time of our earlier decisions. We must consider not only the ways

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<sup>1</sup> Repeated to Frankfurt as 2412, London as 3897, and Moscow as 805.

<sup>2</sup> Telegram 4130, *supra*.

<sup>3</sup> For the text of the London Report on Germany, June 1, 1948, and related documentation, see *Foreign Relations*, 1948, vol. II, p. 309.

<sup>4</sup> For documentation relating to the Tripartite discussions in Washington, April 6-8, 1949, on Germany, see pp. 156 ff.

in which the Germans should be expected to improve their attitude as time goes on, but also what contribution we can make to the development of a Western European community in which the Germans can assume an appropriate position as a reasonable democratic and peaceful nation.

Whether Germany will in the future be a benefit or a curse to the free world will be determined, not only by the Germans, but by the occupying powers. No country has a greater stake than France in the answer. Our own stake and responsibility is also great. Now is the time for French initiative and leadership of the type required to integrate the German Federal Republic promptly and decisively into Western Europe. Delay will seriously weaken the possibilities of success.

In our discussions last April we have firmly established in our agreements on the Military Security Board, Prohibited and Limited Industries, and the International Authority for the Ruhr, safeguards against German military or economic aggression or preparation for aggression or efforts to dominate Europe by Germany or German industry. We have also reserved to ourselves in the occupation statute very considerable powers with respect to the action of the German Federal Republic.

But can we safely be content with the juridical framework which we have constructed. I do not think so. We must and shall exercise constant and effective vigilance. But a strong and effective safeguard is the growth in Germany of a wholehearted desire to participate in the political and economic development of Western Europe and the development in Germany of a truly democratic and peaceful society. The character of the present Government in Germany, and of an opposition party attached to democratic policies, provide us with an opportunity. I believe that we shall probably never have any more democratic or more receptive atmosphere in Germany in which to work than we have at the present moment. Unless we move rapidly the political atmosphere will deteriorate and we shall be faced with much more difficult and dangerous personalities in the German Government. The 1920's teach us that we must give genuine and rapid support to those elements now in control of Germany if they are to be expected to retain control. Extremist views and weakening of the allegiance to democratic principles will come if these parties and their supporters are not strengthened. The USSR is actively abetting the development of anti-democratic and aggressive tendencies in Germany and is prepared to exploit them to the full.

There is another aspect of the situation which provides us with a rare opportunity to enlist the cooperation of the Germans with Western Europe. The split between East and West in world politics today is dangerous in the extreme. We do not doubt that. But the pressure of the Soviets on the Germans drives the Germans into the arms of Western Europe. Because of their dislike and fear of Communism and of the Soviet Union the Germans are psychologically and politically ripe to take measures for genuine integration with Western Europe. Unless advantage is taken of this political opportunity, we may again face a Germany aligned with the Soviet Union or feeling itself able to ask for bids.

I think there are two major areas in which we can and should take action. In both of these French leadership is essential and will ensure success.

France, as the strongest democratic power on the Continent, can take the lead in endeavoring to obtain rapidly the participation of the new German Government in all the international, political, economic and social agencies in which German association is possible. Such participation was contemplated in our recent discussion in Washington, ranging from such technical associations as the Food and Agriculture Organization to such political associations as the Council of Europe. It will do a great deal to persuade the German people and their Government of our sincere desire that they shall share fully in the rights and responsibilities of the Western European community. All of this involves no diminution of the authority of the High Commission. The weakness of German loyalty to international obligations and to democratic procedures, isolated from the main sources of the development of the ideas and institutions upon which our society is founded, and grossly intensified in the period of Nazi domination and the occupation, must be ended by a very much increased intercourse with the Western World.

Secondly, I believe we must consider carefully the attitude which our representatives in Germany should take toward the German Government in the fields of German domestic affairs.

These difficult problems involve direct and indirect interests of our own, as well as German interests, and in most of them we have grown accustomed in the past four years to making decisions for the Germans or making our views felt in Germany. Unless we consciously endeavor to restrain use of our powers in these fields, both political and economic, and to give to the German Government both the substance of responsibility in these fields and the ability to make clear to the German people that their Government is acting on its own initiative in the interests of the people of Germany and of Europe, we will risk our entire program. The most damaging attitude will quickly develop in Germany if it becomes accepted in German opinion, however unjustified it may be in fact, that the High Commission is constantly imposing on the German Government policies or practices in these fields.

We could, of course, take the attitude that, having given to the Germans the Occupation Statute, we should wait for clear and definite evidence on the part of the Germans of behavior in accordance with our expectations. Can we afford to do so, in view of the shortness of time still at our disposal? Might it not be wiser to take the first step to advance to the Germans a political credit which they have not yet fully earned? In this way we could make more certain that the developments which we much desire will take place in Germany, since by our action we could strengthen those forces in Germany upon whom we must rely and make less likely the emergence of groups whose actions could not be expected in any circumstances to facilitate our policy. I believe we would be wise to give an 'advance' of good will to the Germans in view of the strength of the safeguards which we have erected and our ability to call upon the powers we have reserved. Although we have these powers we cannot reasonably hope to recreate

a German will to cooperate if we once permit it to die for lack of nourishment.

I believe that our policy in Germany, and the development of a German Government which can take its place in Western Europe, depends on the assumption by your country of leadership in Europe on these problems. We in the United States have pledged ourselves to a very considerable range of assurances with respect to the future of Germany and there is, on our part, every desire to carry out in full the agreements which record our progress and to maintain vigorously the institutions established to carry them out. I repeat that our own stake in this matter is very great.

We here in America, with all the will in the world to help and support, cannot give the lead. That, if we are to succeed in this joint endeavor, must come from France."<sup>5</sup>

ACHESON

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<sup>5</sup> Telegram 4133, October 30, to Paris, not printed, instructed Bruce to deliver Acheson's messages to Schuman as soon as possible despite the French Foreign Minister's agreement in principle to a meeting, since they set forth the United States view and preoccupation with Germany and might elicit further French opinions on Germany. (740.00119 EW/10-2949)

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740.00119 Control (Germany)/10-3049 : Telegram

*The Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

TOP SECRET      NIACT  
NO DISTRIBUTION

WASHINGTON, October 30, 1949—2 p. m.

2413.<sup>1</sup> Eyes Only for McCloy from Byroade. For your background info, we received the fol personal message yesterday from Bevin for the Secretary:

[The text of Bevin's message to Acheson, October 28, is printed on page 618.]

The substance of 2411 and 2412<sup>2</sup> indicate action taken here in response to Bevin's message. The desire to avoid appearance that Secretary and Bevin were joining in effort to descend on Schuman in Paris with concerted position prompted the Secretary's frank approach to Schuman for his views. We plan, however, to furnish substance of preceding two messages to British Embassy here without delay.

The Secretary and I both felt that you would favor a ministerial meeting at this time and, in view of time limitation, did not consider we shld delay in order to request your views on desirability of such a meeting.

While suggested conference seems most desirable in effort to convince Fr of necessity for their taking lead in German problems, we are

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<sup>1</sup> Repeated to London as 3898, Paris as 4132, and Moscow as 806.

<sup>2</sup> Same as telegrams 4130 and 4131, *supra*.

conscious of certain possible disadvantages. Meeting would cause considerable speculation which might create letdown if no quick and concrete results could be shown. This would be particularly true in Germany if leaks occurred labeling dismantling as item for discussion. With German issues scheduled for debate in French Parliament in mid-November it may well be that Schuman will not be in position to agree to any definitive decisions. This is another reason for requesting Schuman's views directly.

Pending response from Schuman and finalization of time schedule for such a meeting, which, if held, would probably be next weekend, we are preparing position for Secretary. We feel general approach shld be along lines of 2412 which could be followed by discussion on more specific problems. It now appears that Bevin would take initiative in dismantling issue and we note his thinking seems to be along lines of our views in Deptel 2314.<sup>3</sup> It might also be hoped that progress could be made on Germany's participation in international conferences, particularly the Council of Europe. Question of whether conference should be broadened to include general discussion on subject of European integration under consideration here.

Wld appreciate your views, both of subjects for discussion and general strategy of meeting. It is assumed, of course, that you and the other High Commissioners would be present if meeting is held. Wld also like your views of desirability of Secretary, if this later appears possible, making short visit to Germany after Paris meeting.

Extreme delicacy present situation emphasizes importance of taking extraordinary precautions guard against leakage of any info re possible meeting Fon Mins. However, in view Reinstein<sup>4</sup> familiarity with past negots wld appreciate your making available to him series of messages on this subject. Furthermore, if meeting occurs, presentation of reasons for and scope of meeting may vitally affect outcome. We are now thinking about this and will coordinate with you.

ACHESON

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<sup>3</sup> *Ante*, p. 614.

<sup>4</sup> Jacques J. Reinstein, Acting Chief, Division of German Economic Affairs.

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762.60/10-3049 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PARIS, October 30, 1949—5 p. m.

4509. In reply Deptel 4074, October 25,<sup>1</sup> as you are aware this Embassy has never, during the long period that the subject of dismantle-

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<sup>1</sup> Same as telegram 2314, to Frankfurt, p. 614.

ment in Germany has been under official discussion, participated in negotiations regarding this question (which have been handled in Frankfurt, London and Washington).

Therefore I do not feel competent to comment in any detail on the considerations raised by the Department's telegram except insofar as they relate to the probable general reaction in France to possible changes in the German dismantlement program.

1. The succession to Prime Minister Queuille of Bidault with Schuman remaining as Foreign Secretary may well mean that Schuman's views of French Government policy on German matters will not meet as ready an acceptance from the present Cabinet as they did from the preceding Cabinet where he could always count on the loyal and effective support of Queuille. Bidault's own attitude toward Germany is generally considered here to be less flexible and more exacting than that sponsored to date by Schuman. Moreover, many of the policies heretofore approved by the French in regard to Germany were sanctioned during the period when Bidault was himself Foreign Minister, and although it is at present only a speculative fear, one must not dismiss the possibility that Schuman may possess less influence and freedom of action in formulating French policy toward Germany than he had in the last twelve months, and that Bidault may be recalcitrant about assenting to drastic changes in policies previously initiated or approved by himself.

2. The recent government crisis was attributed in public utterances and especially in newspaper accounts almost entirely to differences of party opinion on economic problems. Unexpressed publicly but sharply affecting the atmosphere of tensivity which even now continues to prevail is a decided difference of opinion between those who follow Schuman's line that close association between France and Germany is essential not only to the economic rehabilitation of Europe but also to the vital security interests of France and those more strictly nationalistic groups and individuals who feel that Germany should be treated at the very least until a peace treaty is signed as a conquered nation and that too much tenderness is being displayed by the allies to German susceptibilities and pretensions. The strength of the adherents to the latter line of thought has lately been measurably increased by

(a) The context of those speeches by German politicians especially during the campaign last summer<sup>2</sup> which reflected in French opinion a strong though latent nationalism and arrogance amongst large segments of the Western German population which are increasingly going to demand concessions from the Allies dangerous to the security

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<sup>2</sup> For documentation relating to the first West German Bundestag election, August 14, 1949, see editorial note, p. 267.



of Western Europe through threatening by implication that if these concessions are not granted the democratic leaders in Germany may not be able to offer enough immediate rewards and future hopes to their constituents to keep them from succumbing to the blandishments of the Russians and

(b) The fear that since the recent American-Anglo-Canadian conference in Washington,<sup>3</sup> Great Britain can be even less counted upon than before to support the French in the protection of the latter's security and commercial interests against a renascent Germany.

Schuman's prestige in French political circles and in the country generally is very great but it must be borne in mind that his comparatively liberal attitude toward close Franco-German collaboration is regarded with considerable doubts and fears by large numbers of his compatriots and that he must move cautiously and call upon all his powers of persuasion if he is to obtain further concessions toward Germany. His task is made more difficult by fact that as a Lorrainer he was born and raised German and was in German Army in First War. Moreover, the doubts and fears of which I have spoken have powerful political support in the National Assembly and Schuman's own Ministry is not free of caustic critics of his attitude.

3. Much depends here on the matter and manner of the German presentation regarding dismantlement. If some of their requests are plainly unreasonable and can be rejected, this will obviously help to sugar the pills that the government will then ask the French public to swallow.

(a) So far as those plants are concerned where strong security considerations are evident and unquestionable, there is no chance of having them exempted.

(b) As regards the set aside plants, I can express no opinion except that since this matter is apparently of less concern than the others and the present understanding concerning them was arrived at after recent difficult negotiations, it would be preferable if our attitude in the [*this?*] regard should not seem to have undergone a sudden change.

(c) We attack the most entrenched position held by the French when we address ourselves to the subject of dismantlement of German steel plants. Two major considerations are involved there: First, that of security and second, that of potential commercial competition which will become extremely acute if, as the French believe, in a few years there should be overproduction of steel in Europe.

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<sup>3</sup> For documentation relating to the American-British-Canadian tripartite economic discussions in Washington, September 7-12, 1949, see volume iv.

4. (a) The mere continued existence of a steel making capacity in Western Germany more than 50 percent greater than the present Allied limitation in production seems to the French to constitute a threat to their security interests. Whether this attitude be logical or illogical it exists and is profoundly imbedded in French thought.

(b) The chances of realizing a real economic integration in Western Europe that will include Western Germany will substantially depend upon the reaction not only in France but in other Western European countries to the mere existence of a large though temporarily idle over-capacity beyond the present 11,100,000-ton limitation to produce steel in Germany.

After having stated these generalities, I should like to add my belief that Mr. Schuman is more ready today than ever before to give favorable consideration to modifications beneficial to Germany of existing dismantlement policy. I cannot say with equal conviction that I feel sure he can carry his government, the parliament and the people much further along this road at this stage. Much will depend upon how the case is presented and argued and what sort of an overall package emerges. We may be able to exercise considerable influence on the French once the case if reasonably stated is actually before them for review.

Sent Department 4509; repeated London 768, HICOG Frankfurt 112.

BRUCE

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740.00119 Control (Germany)/10-3149: Telegram

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

TOP SECRET

LONDON, October 31, 1949—6 p. m.

4348. Personal for the Secretary and Byroade from McCloy. Most pleased to learn Bevin's attitude although he of course exaggerates likelihood of pending collapse HICOM in Germany. Fact is unpopularity of British over dismantling and shipping has caused great diminution of undercover influence and it is this rather than HICOM position which troubles them. Feel most helpful if Secretary would come to Paris and naturally it would be most fortunate if he could also come Germany. As Schuman and Bevin have both been in Germany think it high time he came as we lack visits of high level officials and receive too many nonofficial visitors.

Will cable my views on specific dismantling proposals after talk here with Douglas who has been through these negotiations before.

Also desire reach some of my experts in Frankfort before making such proposals. In general my view is to place great stress on fact of German proposals indicating that it is the likelihood of constructive approach on the part of the Germans rather than fear of dismantling collapse which prompts necessity of considering our whole attitude toward question.

We should then proceed to clear up with Germans by this means as many outstanding problems as possible such as adherence to Ruhr Authority,<sup>1</sup> cooperation with Military Security Board, possible adherence to far-reaching decartelization program and perhaps civil service reform legislation.

Moreover re dismantling the matter of shipping must not be overlooked. To continue to deny Germans the reasonable specifications implicit in Washington agreement is just as sore a point in the north as dismantling is in the Ruhr. The unemployment situation in Bremen and Hamburg is serious and all feel that delay in decisions is due wholly to competitive considerations rather than security.

The unused steel capacity remaining in Germany will be the chief point of difficulty with the French. I would not despair obtaining reasonable solution from Adenauer if we sat down with him and therefore am inclined not to put forward any definite proposals of our own until we are certain that he has gone as far as he is prepared to go on his part.

If the governments could decide on a field of concessions and then give HICOM a range of maneuver, I believe we could work out a really constructive program and perhaps obtain more from the Germans than now seems likely. This in my opinion would be more likely if Acheson came to Germany. Agreed HICOM's should come Paris.<sup>2</sup>

Sent Washington 4348, repeated Paris 824 for Bruce, Frankfort 149 for Hays, Moscow 163 for Kirk. Department pass Moscow.

DOUGLAS

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<sup>1</sup> For documentation relating to the adherence of the West German Government to the International Authority for the Ruhr, see pp. 477 ff.

<sup>2</sup> In telegram 4541, November 1, from Paris, not printed, Bruce reported that Schuman felt that Secretary Acheson's personal presence in Europe would be extremely useful. The French Foreign Minister also expressed a desire to discuss questions other than dismantling with respect to Germany and the situation in the Far East. While he could not guarantee the outcome of any ministerial conference, past experience had shown that when the three Foreign Ministers met, constructive accomplishments had invariably resulted. (740.00119 Council/11-149)

740.00119 EW/11-449 : Telegram

*The United States High Commissioner for Germany (McCloy) to  
the Secretary of State*

SECRET

FRANKFURT, November 4, 1949—5 p. m.

3737. Following text of letter from Federal Chancellor received 3 November 1949 concerning reparations program and security problem:

"During the negotiations regarding the problem of dismantling it was emphasized that while this is also a question of reparations, it is above all a security problem. In this connection, the question regarding the German war potential has arisen repeatedly.

The German Federal Government herewith declares that it is aware of the need for security with respect to the German Federal Republic as being a real factor and that it is willing to take it into account as far as possible.

[In] principle, the Federal Government is, therefore, willing to participate in any agency whose purpose it is to exercise supervision over the possible war potential of Germany. The Federal Government is cognizant of the fact that the security problem also embraces the capacity for steel production.

The Federal Government proposes that the committee—in which German representatives should participate—be established immediately which would examine the security question, also those international economic questions connected therewith.

It requests that dismantling operations be discontinued or at any rate be slowed down accordingly, until such time as this committee has submitted its report.

The Federal Government anticipates that European cooperation will be considerably furthered by the work of this committee.

Accept, sir, the expression of my highest esteem."

2. HICOM will reply through Robertson, as chairman, acknowledging receipt of letter and informing him that contents of his letter will be notified to the respective governments of the occupying powers.

3. I am somewhat disappointed that Adenauer's letter is not more specific and does not present a concrete program. However, I do not feel it is wise in view of impending events to express openly any feeling that the letter is inadequate. However, through informal channels, I have indicated my feeling on this to Adenauer for his confidential information.

Sent Department 3737, Paris 276, London 240.

McCLOY

*Editorial Note*

For documentation on the meeting at Paris of the Foreign Ministers of France, the United Kingdom, and the United States, November 9–11, primarily on German matters, see pp. 305 ff. Documents of this meeting referring more specifically to reparations and dismantling are printed *infra*.

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740.00119 Council/11–1049 : Telegram

*The Secretary of State to the President and the Acting  
Secretary of State*

SECRET

PARIS, November 10, 1949— 2 a. m.

4693. For President and Webb from Secretary. Three Ministers met Wednesday morning and afternoon <sup>1</sup> with their staffs to discuss general questions concerning Germany and in further session in late afternoon with just three High Commissioners to review dismantling. Discussions will be continued Thursday. We agreed in our discussions to cover following points:

[In the first part of this message Secretary Acheson reported generally on the attitude of the three Allies toward the new West German Government and its participation in various international agencies.]

Bevin broached subject of dismantling with somewhat rambling statement, reviewing points in his note of October 30 [28?],<sup>2</sup> and ending in inconclusive manner, leaving problem on table and requesting views as to what ought to be done.

Schuman in lengthy statement indicated willingness to reduce scope of dismantling, saying he thought interest in subject from reparations viewpoint had been considerably reduced. The main issue is now one of security. From this viewpoint, he questioned allowing Germans to keep more basic steel capacity.

At outset, I refrained from entering discussion, saying that my views on subject had been made clear at recent Washington meeting.<sup>3</sup> However, Bevin failed to pick up discussion and proposed referring whole question to High Commissioner[s]. I felt that Ministers should settle question at this meeting, and urged necessity for speed and for

<sup>1</sup> A copy of the agenda for the meetings and minutes of the morning and afternoon sessions of the Foreign Ministers is in CFM Files: Lot M-88: Box 144:3 Min Talks.

<sup>2</sup> The reference is to Bevin's note printed on p. 618.

<sup>3</sup> For documentation relating to the Foreign Ministers meetings in Washington, September 15, see pp. 599 ff.

reviewing question from security viewpoint in broadest sense. This meant bringing Germany fully into western community. I pointed out that there was no question among us as to removal of war plants. Plants which had been reserved for Soviet Union also presented no problem since they had been largely dismantled. Issue came down to 15 to 20 plants, consisting for most part of synthetic oil and rubber plants and steel plants. Synthetic plants, in my view, did not present security hazard. As for steel, issue turned on examination of actual plants.

In response to question by Schuman for facts on question as to steel capacity involved, Robertson said it was matter of two plants, August Thyssen at Hamborn and Reichswerke at Salzgitter. At beginning of war, former had capacity of 2.3 million tons of steel annually and latter capacity of 1 million tons annually. Because of war damage and removals, Hamborn plant could only produce from capacity now left (refitting of which would take 9 to 12 months) 600,000 tons of pig iron and only 117,000 tons of steel. Reichswerke, on same basis, could produce 500,000 tons in about 6 months. Finishing capacity of Hamborn plant practically gone.

Schuman said that if dismantling of these plants were now stopped, we would be forced allow Germans restore them and suggested this might occur with benefit of ECA aid. I assured him categorically that neither direct American aid nor counterpart funds could be used to replace any equipment removed from dismantled plants. During course of discussion, I suggested that among principles on which our settlement should be based is that no change in limit on steel production would be involved.

In view of Bevin's reluctance to discuss specific plants in large meeting, I proposed that meeting be restricted to three Foreign Ministers and High Commissioners.

Before going into closed session, we agreed on settlement of one outstanding point regarding limitation on German shipping which has remained unresolved for some months. Committee of experts now sitting in London will complete agreement on this subject on basis of Ministers' decision.<sup>4</sup>

Sent Department 4693; repeated Frankfort 127, London 808.

[ACHESON]

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<sup>4</sup> Under reference here is the agreement by the Ministers to allow exceptional ships, such as refrigerator vessels, to have a maximum trial speed of 16½ knots. Another technical point on the construction of vessels was referred to the London Committee of Experts for resolution. (USDel/P(49)2Mfg, CFM Files: Lot M-88: Box 144:3 Min Talks) The shipping experts subsequently signed an agreement with regard to German shipping, November 18, and the text was transmitted in telegram 4607, November 18, from London, not printed. (862.642/11-1849)

740.00119 Council/11-1049 : Telegram

*The Secretary of State to the President and the Acting  
Secretary of State*

TOP SECRET

PARIS, November 10, 1949—2 a. m.

4694. For President and Webb only from Secretary. At my suggestion, closed session three Foreign Ministers and three High Commissioners convened following session, reported in Paris telegram 4693<sup>1</sup> for purpose discussing dismantling. After lengthy discussion we agreed discontinue dismantling all plants in Berlin. Further agreed discontinue dismantling 9 synthetic oil, 2 rubber and 1 chemical plants. Lengthy discussion followed on relation steel capacity and production to security and economy Germany and Western Europe. Joined by British, urged discontinuance dismantling seven steel plants stressing necessity to French discontinuance dismantling following four: Hamborn, Goering, Hattingen, Charlottenhuette. Schuman, after listening carefully our arguments, appeared to come around to US position. He indicated lack of authority to make commitment steel dismantling but agreed to take up in French Cabinet Thursday morning on basis study being prepared by Robertson, British High Commissioner. Decision expected prior meeting three Foreign Ministers 11 a. m. Thursday.

Under proposed procedure question dismantling to be referred to High Commissioners for discussion with West German Government. This should provide leverage for discussions with Germans on questions such as recognition security interest three powers, participation Ruhr authority<sup>2</sup> and a number of other points which High Commissioners have in mind.

Robertson stated he was clearly faced with likely collapse of dismantling of the general purpose plants due to lack of German labor, possible violence, all of which would seriously prejudice our long range objectives in entire European stake. Germans have blown up dismantling issue to a rather artificial level of which we feel we can now take advantage by limited concessions which have relatively small intrinsic value but which due to artificial exaggeration by Germans give us opportunity to obtain solid commitments from them that ought to lead to the establishment of a new level of our relations with Federal Government and thus a heavy offset to the blandishments of the east German state. Schuman much impressed by a recital of the number and size of plants we have already dismantled and the very sizeable portion of dismantling which we will continue to effect in the

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<sup>1</sup> *Supra.*

<sup>2</sup> For documentation on West German accession to the International Authority for the Ruhr, see pp. 477 ff.

field of true war plants as against the relatively small amount of increased capacity (production which we do not intend to increase in any event) which is represented by the plants on which we are prepared to stop dismantling.

Extremely important that prior to negotiation with Adenauer on part of High Commissioners no indication be given of the extent we are prepared to go in order to be able to obtain from Adenauer the maximum of German commitments of a truly constructive nature. We have therefore determined that any communiqué we issue should not carry any concrete decisions, the disclosure of which would weaken negotiation in the pending discussions with the German officials.

[ACHESON]

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740.00119 Council/11-1149: Telegram

*The Secretary of State to the President and the Acting  
Secretary of State*

TOP SECRET

PARIS, November 11, 1949—3 p. m.

4723. For President and Webb only from the Secretary. I have reported by previous cables<sup>1</sup> the general results of the meeting here with Mr. Bevin and Mr. Schuman. Although the results obtained on the specific subject of dismantling were slightly less than I had hoped, I was greatly impressed by the very great efforts made by Schuman with his government to meet the views of the British and ourselves. The agreement obtained is in general satisfactory and should I believe serve to advance not only our policy for Germany but our desire to continue and advance conditions for the integration of Germany into the framework of Western Europe. We have agreed, in order to protect the position of our High Commissioners in their coming discussion with German leaders, to hold the following agreement in closest confidence.

*"Draft Directive to the High Commissioners on Dismantling*

1. The High Commissioners are authorized to reply to the letter received from Dr. Adenauer<sup>2</sup> by informing him that they are prepared to discuss the problem raised in his letter with a view to seeking a solution which will provide a final settlement of the dismantling problem, and at the same time will satisfy the Allied requirements regarding security.

2. As a first step in the discussion with the Federal Chancellor, the High Commissioners should tell Dr. Adenauer that in order to afford the necessary assurance of security and evidence of good intentions

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<sup>1</sup> Telegrams 4693 and 4694, November 10, *supra*, and telegrams 4716 and 4724, November 11, pp. 305 and 306.

<sup>2</sup> Transmitted in telegram 3737, November 4, from Frankfurt, p. 631.



the German Government should agree to join the International Ruhr Authority and declare its intention of co-operating closely with the Military Security Board.<sup>3</sup>

3. The High Commissioners should draw the attention of the Chancellor to the importance from the point of view of security which their governments attach to the decartelization of German industry, and should seek an assurance from him that the Federal Government will co-operate in the execution of measures designed to this end, particularly military government law 75.<sup>4</sup>

4. As part of a general settlement the High Commissioners will, at their discretion, take up with the Federal Chancellor any other points which they consider can usefully be included in this settlement. They should at the same time emphasize that their governments intend to observe continually the methodical development of their programme in Germany as set out in their directive; the present settlement is intended to promote this methodical development and not as an indication that the pace of development might be accelerated by the presentation of fresh requests.

5. Provided that the High Commissioners obtain a satisfactory response from the Federal Chancellor on the matters mentioned in paragraphs 2-4 above, they are authorized to reach a settlement of the dismantling issue with the limit of the conditions set out below:

(a) They will not make any concessions regarding category I war plants or the demilitarization measures which are not part of the reparations programme.

(b) To the extent necessary to obtain a final and satisfactory settlement, they may agree to:

(i) The removal from the reparations list of the synthetic oil plants;

(ii) The removal from the reparations list of the synthetic rubber plants, less certain special laboratory equipment;

*Note:* The synthetic plants referred to in (i) and (ii) above must be so controlled that they do not produce any prohibited products or exceed the limitation, if any, placed upon production of any other products.

(iii) The limitation or [of] dismantling of the I. G. Farben plant at Ludwigshaven to that portion which has already been dismantled to an extent of 40 percent;

(iv) The cessation of all dismantling in Berlin;

(v) The cessation of dismantling at the following steel plants: August Thyssen, Hamborn; Huttenwerke Siegerland, Charlottenhütte; Ruhrstahl, Hattingen; Bochumer Verein, Gusstahlwerke, Bochum; August Thyssen Hütte, Nieder-

<sup>3</sup> For documentation relating to West German participation in the International Authority for the Ruhr and co-operation with the Military Security Board, see pp. 477 ff.

<sup>4</sup> For the text of Military Government Law #75: Reorganization of German Coal and Iron and Steel Industries, see Ruhn von Oppen, *Documents on Germany*, pp. 335-343, or *Germany 1947-1949*, pp. 348-353.

rheinische Hütte; Klöckner Werke, Düsseldorf; Deutsche Edelstahlwerke, Krefeld;

*Note:* Except that electric furnaces should be destroyed or dismantled save in those cases when the High Commissioners determine that without such electric furnaces the plant cannot reasonably function.

6. The High Commissioners should emphasize to the Federal Chancellor that the established reparations programme, save insofar as it may be modified in accordance with paragraph 5 above, will be carried out.

7. With reference to paragraph 6 above, the High Commissioners should seek an assurance from the Federal Chancellor that the Federal Government will use its influence and authority to ensure that the execution of the remaining dismantling programme is not obstructed.

8. The High Commissioners will make it clear to the Federal Chancellor that the prohibitions and limitations on production contained in the Washington agreement on prohibited and limited industries<sup>5</sup> are to remain in force. The Federal Chancellor in his letter has proposed the establishment of a committee to study the question of steel production and requirements. The High Commissioners will inform him that their governments do not consider that such a committee could do useful work at this time.

9. In enforcement of paragraph 8 above, all re-equipment or modification which increases the capacity of steel producing plants will continue to require license from the Military Security Board. Such licenses will not be given, save in exceptional circumstances, while the capacity of the industry remains higher than that necessary to produce the annual permitted amount. The High Commissioners should point this out to the Federal Chancellor in order that he may understand that the re-equipment of steel plants which have been wholly or partially dismantled or destroyed will not be permitted. The High Commissioners will take any other action which they may deem necessary to ensure that this principle is observed.

10. The High Commission shall be given a special responsibility with regard to the control of production and the allocation of the products of the seven steel plants to be taken off the dismantling list, retaining full powers in this respect, and will take immediate action at these plants if they find that the permitted level of steel production is being exceeded.

11. All equipment which has been dismantled by the date on which agreement is reached between the High Commissioners and the Federal Chancellor will be made available to IARA as reparations. The High Commissioners shall have discretion to make exceptions only in those cases where a very small amount of equipment has already been dismantled and the retention of this equipment will not materially affect the production capacity of the plant in question.

<sup>5</sup> For the text of the Prohibited and Restricted Industries Agreement, agreed by the Foreign Ministers in Washington, April 8, 1949, and promulgated by the Military Governors, April 13, see *Germany 1947-1949*, pp. 366-371, or *Ruhm von Oppen, Documents on Germany*, pp. 380-385. The latter source omits the two annexes to the agreement.

12. The High Commissioners should endeavour to reach a very quick settlement with the Federal Chancellor. If their discussions with him should appear likely to become protracted, the High Commissioners may at their discretion slow down, without prejudice to recommencement at full speed, dismantling at certain key plants from the list of those on which they are given liberty to negotiate in accordance with the above paragraphs."

[ACHESON]

862.00/11-1549 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

[Extracts<sup>1</sup>]

SECRET

FRANKFURT, November 15, 1949—7 p. m.

4021. Following is summary of discussion at meeting between the Council of Allied High Commission and Federal Chancellor Adenauer held at Bonn-Petersberg on Tuesday 15 November, 1949.

This meeting was called at Adenauer's request in order to prepare him for a Bundestag debate this date "on the question of dismantling and other problems of foreign policy which the Social Democrats had asked for." (See Bonn 38.<sup>2</sup>) Adenauer wished to be informed of results of Paris Conference<sup>3</sup> in order to inform Bundestag accordingly.

1. General Robertson, as chairman, in reviewing decisions of Paris Conference, made the following points:

(g) That agreement had been reached on certain technical regulations concerning control of German ship building. The new regulations represented great simplification. Specifically, German shipyards would be able to work on ships which are larger and faster than those permitted under previous directives. Ministers would permit Federal Republic to construct a certain number of special ocean-going vessels as Federal Republic has now completed her coastal fleet and that the speed of such vessels would permit them to be fully competitive;

4. With respect to reparations and dismantling, Robertson stated Council could not agree:

(a) To modification of the program for disposition of category number one war plants;

(b) To modification of "measures of demilitarization";

<sup>1</sup> For the remaining portions of this telegram, see p. 314.

<sup>2</sup> Not printed.

<sup>3</sup> Regarding the Tripartite meeting of the Foreign Ministers of France, the United Kingdom, and the United States in Paris, November 9-11, see telegrams 4693, 4694, 4723, and editorial note, pp. 632-638, and telegrams 4716 and 4724, pp. 305 and 306.

(c) To rescind or reverse dismantling action which had already taken place, i.e., a plant would not be re-equipped to its former state.

5. Robertson said that everything disclosed to Adenauer to this point could be employed in afternoon debate in Bundestag. He then pointed out that the proposals of the Allied Governments represented great change in their position. The French Government, and particularly Mr. Schuman, would experience difficulty in the debate on foreign affairs which is to take place in the French Parliament on 22 November, 1949. Disclosure of various Allied "concessions" before this debate would make Mr. Schuman's position considerably more difficult. Robertson continued that a full disclosure of the decisions of Paris Conference should be released in London, Paris and Bonn simultaneously at a date to be determined in the future but certainly only after debates had taken place in the three capitals. Robertson further stated that the Bundestag would be unreasonable to demand of Adenauer after a 2-hour meeting more information than that which Adenauer had been given authority to disclose.

7. With respect to the dismantling problem, Robertson indicated Adenauer could state in the Bundestag debate that dismantling in the following plants would be slowed down to a point where nothing of importance would take place during the course of the current discussions with respect to the entire dismantling question:

- (a) Gelsenberg Benzin Werke
- (b) Chemische Werke Huels (synthetic oil and rubber plant)
- (c) August Thyssen-Hamborn
- (d) Ruhrstahlp [*Ruhrstahl?*] A. G. Hattingen
- (e) Charlottenhütte
- (f) Borsig, Berlin

Robertson emphasized:

(a) That this action is merely a slowing down operation and does not constitute a decision, prejudice the final decision, nor indicate that these plants will be removed from the reparations list;

(b) That this list does not necessarily constitute the full list of plants which will be under consideration and review;

(c) That in plants where dismantling is almost complete, the pace will be speeded up. In the British zone, at least, such dismantling will probably be finished by Christmas;

(d) That there has been no decision permitting level of steel production to be raised although the High Commission would be prepared to discuss the question of increasing the capacity at a later date. With respect to the synthetic industries, that although no synthetic rubber or oil could be produced and certain laboratory equipment in these industries would be removed, the Council could go very far in removing synthetic oil and rubber plants from dismantling lists.

8. The Council pointed out to Adenauer that it had not agreed to establish a committee to discuss the "questions of dismantling, security, and international economic problems" at this time as proposed by Adenauer in his two communications.

9. Adenauer stated that he felt very hopeful about the debate in the Bundestag on the basis of the information which had been communicated to him and he took no pains to conceal his satisfaction with the entire meeting.

10. Finally, the Council agreed that there would be a series of meetings with Adenauer at which time further disclosures of the decisions of the Paris Conference could be made and discussions continued. The next meeting with Chancellor Adenauer will take place on Thursday, 17 November at 1600 hours after the Council meeting scheduled at 10:30.

Sent Department 4021, repeated London 256, Paris 301.

McCLOY

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*Editorial Note*

On November 17 the High Commissioners met with Adenauer again and discussed *inter alia* modifications of the reparations program. Robertson, as Chairman, informed the West German Chancellor concerning the plants that would be removed from the reparations list in the synthetic oil, rubber and steel industries, and in Berlin. A record of this meeting was transmitted in telegram 4083, November 18, from Frankfurt, not printed (860.00/11-1849).

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740.00119 EW/11-1549: Telegram

*The Secretary of State to the Office of the United States High Commissioner for Germany, at Frankfurt*

TOP SECRET

WASHINGTON, November 19, 1949—3 p. m.

2871.<sup>1</sup> 1. Dept agrees (urtel 4055 Nov 17 para 1<sup>2</sup>) contemplated revision dismantling program requires coordinated steps beyond those mentioned in London tels 4462 Nov 7 and 4567 Nov 15 and Deptel 4079 Nov 10.<sup>3</sup> Dept regarded ref tels as covering only one aspect of

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<sup>1</sup> Repeated to London as 4178, to Paris as 4479 and to Brussels as 1362.

<sup>2</sup> Not printed.

<sup>3</sup> None printed; in the London telegrams, Douglas transmitted the text of an instruction to the British representative at the IARA with respect to the allocation of set-aside plants and subsequent amendments. In telegram 4079, the Department of State offered its comments on the instruction. (740.00119 EW/11-749 and 1549)

problem: how IARA Dels shld reply to possible questions re set-aside plants.

2. Dept agrees King shld visit Frankfort and discuss coordination HICOM and IARA action (ur para 6). Dept believes it can best be decided there, in concert with Brit and Fr, what form communication or announcement to IARA shld take.

3. Dept agrees IARA shld be advised few hours before public announcement (ur para 2) and requests Embs London and Paris take this up with Brit and Fr respectively.

4. Dept believes approach to IARA shld indicate one package transaction, i.e., release of set aside equipment and of such PRI plant equipment as is to be made available and announcement of equipment withheld shld be part of same communication to IARA (ur para 5). Communication or explanatory statement shld explain briefly why action taken, indicate released equipment being made available in compensation for equipment withheld, and express hope and confidence IARA will be able allocate equitably to make up for any losses to prospective recipients of withheld equipment. Shld also indicate released equipment constitutes final reparation availability industrial plant equipment, probably referring to Rueff's ltr Sep 16.<sup>4</sup> Suggest ur staff work out statement with King to be submitted to Dept for comment if time permits and then (or simultaneously if time schedule requires) coordinated with Brit and Fr.

5. In further explanation one package transaction (para 3 above), Dept strongly believes there shld be no individual arrangements by HICOM with IARA countries to whom equipment to be withheld has been allocated by IARA (as suggested in HICOG position paper on dismantling<sup>5</sup>). Dept believes such transactions wld be difficult, wld inevitably involve considerable delay in cleaning up problem, and might not be worked out satisfactorily. Only trade or substitution involved will be overall substitution of newly released equipment as whole for withdrawn equipment as whole and there can hardly be negotiation over this.

6. With respect to your para 4. Feel we must avoid discussion or commitment in IARA that claims should be a matter for the peace settlement. We should take the line that compensation is to be obtained out of set-aside equipment as outlined in our para 4 above. Taking this position does not seem to us to be inconsistent with what you may have told Adenauer as result at [of] Paris discussions on this point, as

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<sup>4</sup> Not printed.

<sup>5</sup> Not printed. Under reference here is the briefing paper prepared by the Office of the United States High Commissioner for the Foreign Ministers' meeting in Paris, November 9-11. A copy of this paper on dismantling is in CFM Files: Lot M-88: Box 144: HICOG Briefs.

countries may not accept our position and may present claims at time of peace settlement. We should avoid any action which would invite claims or which would commit us to support such claims at time of peace settlement.

7. Dept believes desirable advise Norway, Greece, and Denmark (ur para 3) as well as Benelux countries and Dominions few days before contemplated announcement to IARA and suggests this be done with Embassies here in Washington (except Dominions which we presume Brit will advise). Advice wld be confidential; wld indicate some equipment to be withdrawn, other to be allocated, but not convey specific lists of plants; wld include explanation of reasons for action and expression of hope that countries concerned wld understand our position. Above subj agreement Brit and Fr which Dept requests be sought in London and Paris if Embs there agree.

8. Dept requests Embs convey substance of above to Brit and Fr respectively indicating these are tentative US proposals re procedure and suggests HICOG do likewise with colleagues in Germany.

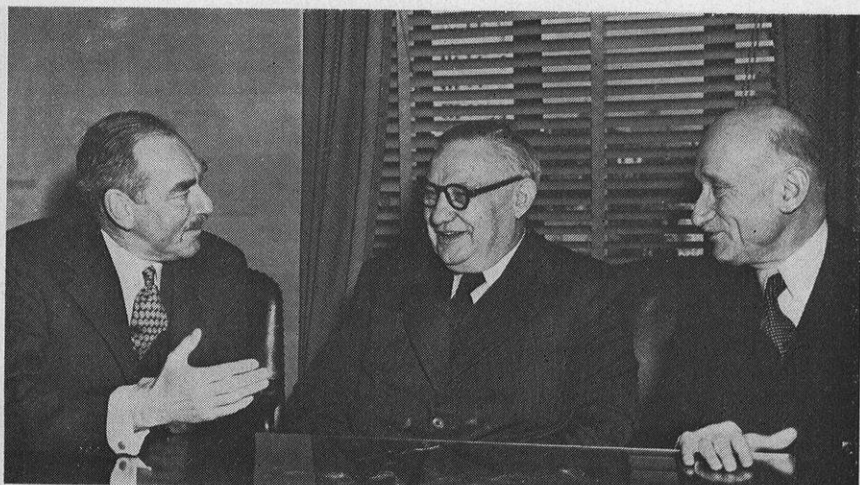
Request comments soonest in order that coordinated program can be finalized.

ACHESON

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*Editorial Note*

For documentation on the protocol of agreements reached on the Petersberg between the Allied High Commissioners and Chancellor Adenauer, November 22, including references to dismantling, see pp. 343 ff.



Wide World Photos

# PLATE 1

Secretary of State Acheson, Foreign Secretary Bevin, and Foreign Minister Schuman following the signing of the agreements on Germany at Washington, April 8.

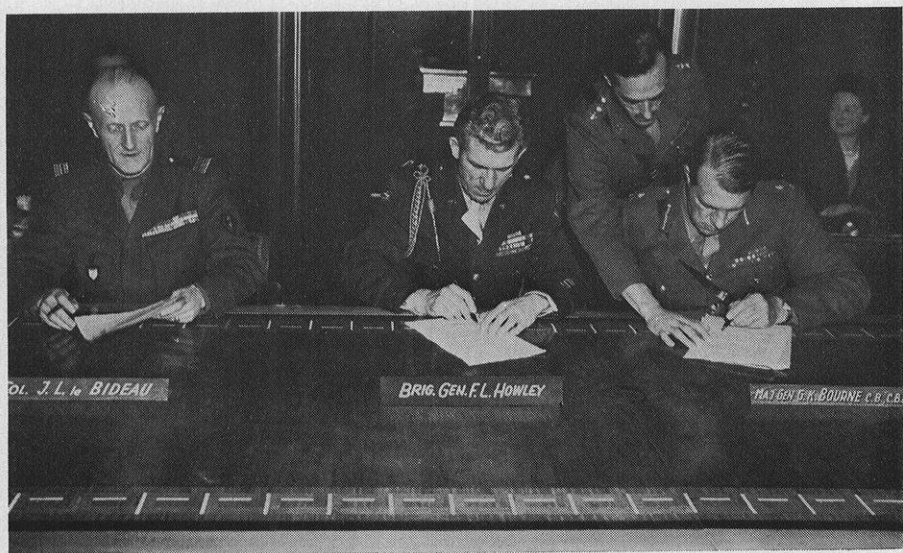


Wide World Photo

# PLATE 2

Representatives of the United Kingdom, the Soviet Union, the United States, and France in New York on May 4 on the occasion of the agreement on the ending of the Berlin Blockade. *From left to right:* Sir Alexander Cadogan, Yakov Aleksandrovich Malik, Philip C. Jessup, and Jean Chauvel.

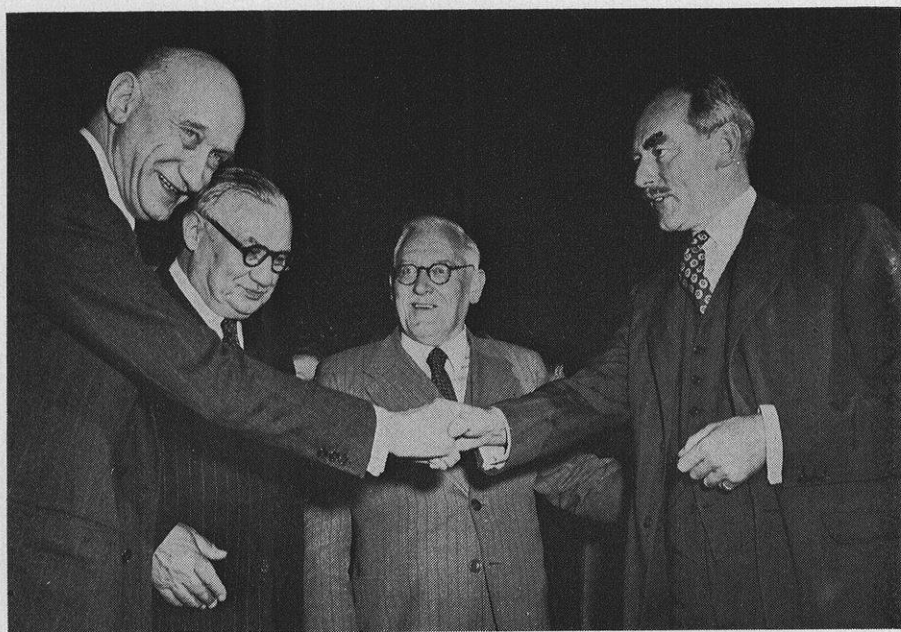




U.S. Army photograph

### PLATE 3

Members of the Allied Kommandatura signing the "Little Occupation Statute" at Berlin, May 14. *From left to right:* Lieutenant Colonel J. L. le Bideau (France), Brigadier General Frank L. Howley (United States), and Major General G. K. Bourne (United Kingdom), signing the "Statement of Principles Governing the Relationship between the Allied Kommandatura and Greater Berlin".



Wide World Photos

### PLATE 4

Foreign Minister Schuman, Foreign Secretary Bevin, Foreign Minister Vyshinsky, and Secretary of State Acheson at the conclusion of the Sixth Session of the Council of Foreign Ministers at the Palais Rose, Paris, June 20.



U.S. Army photograph

#### PLATE 5

The Allied High Commissioners for Germany signing the Occupation Statute for Germany at Petersberg near Bonn, September 21. *From left to right:* General Sir Brian H. Robertson (United Kingdom), André François-Poncet (France), and John J. McCloy (United States).



Wide World Photos

#### PLATE 6

Secretary of State Acheson being greeted by Chancellor Adenauer at the railway station in Bonn, November 13.

#### PLATE 7

Secretary of State Acheson conversing with General Vasilii Ivanovich Chuikov, Chairman of the Soviet Control Commission for Germany, during a reception in West Berlin, November 14.

Wide World Photos





U.S. Army photograph

# PLATE 8

106th Meeting of the Allied Council for Austria, Vienna, September 16, 1949. In the foreground the United Kingdom representation: *From left to right*—Deputy High Commissioner Winterton, High Commissioner Galloway, and two unidentified staff members. The United States representation at the left of the table: *From left to right*—Minister Erhardt, High Commissioner Keyes, Deputy High Commissioner Balmer, and an unidentified staff member. The Soviet representation at the far side of the table: *From left to right*—an unidentified staff member, Deputy Political Advisor Koptelov, High Commissioner Sviridov, and Major General Tsinyev. The French representation is obscured at the right of the table.

## V. THE DIPLOMACY OF THE BERLIN CRISIS<sup>1</sup>

### A. PARTICIPATION BY THE UNITED STATES IN DISCUSSIONS AT GENEVA, JANUARY-MARCH 1949, OF THE REPORT OF THE TECHNICAL COMMITTEE ON BERLIN CURRENCY AND TRADE (THE "NEUTRAL COMMITTEE")

#### *Editorial Note*

On December 22, 1948, the Technical Committee on Berlin Currency and Trade presented to the experts of the Four Occupying Powers in Berlin certain preliminary draft recommendations, which were also submitted on the following day to the President of the United Nations Security Council. The text of the Committee's preliminary report was transmitted to the Department in telegram 6424, December 22, from Paris, not printed (501.BC/12-2248). The texts of this document and various related papers are printed in Department of State, *Documents and State Papers*, May 1949, pages 749 ff.

The Department of State on December 29 informed its Embassies in the United Kingdom and France that it considered the fundamental premise for the report to be lacking since the Soviet Union had set up a separate administration in Berlin. In the Department's view the report, though ingenious, was unrealistic, and the Western Powers, after replying to the Committee, should proceed immediately to introduce the B mark. (Telegrams 4792 to London, 4955 to Paris, not printed, 740.00119 Control (Germany)/12-2948)

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<sup>1</sup> For previous documentation, see *Foreign Relations*, 1948, vol. II, pp. 867 ff.

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Department of Defense Files

*The Department of the Army to the United States Military Governor for Germany (Clay), at Berlin*

TOP SECRET      PRIORITY

WASHINGTON, January 4, 1949.

WAR 82237. Personal to Clay from SAOUS. State [and] Army propose that initial position of US representatives concerning reply to neutral committee be substantially that in Paragraph 5 of State 4792 repeated to Berlin as 2026.<sup>1</sup>

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<sup>1</sup> Not printed; paragraph 5 stated that the Technical Committee's Report was not workable since its fundamental premise, a unified Berlin, no longer existed. (740.00119 Control (Germany)/12-2948)



In view British French comments thus far, US minimum position is now proposed:

A. Immediate tripartite agreement on currency changeover in west sectors by 30 January.

B. Contingent on British French agreement to A above, US would reluctantly agree to a reply to neutral committee set forth in following paragraphs providing neutrals are informed simultaneously of early prospect of currency changeover in view continuing deterioration of financial situation in Berlin.

"Objective of Western Powers is to restore unified municipal administration and full quadripartite control in whole Berlin. This was fundamental promise [*premise?*] August 30 Directive.<sup>2</sup> However, Soviets after having already resorted to illegal instrument of blockade, have since made further attempts to establish their domination over Berlin by splitting municipal administration, boycotting duly-held municipal elections of December 5, and creating illegal city government in Soviet Sector purporting to claim jurisdiction over whole city.

Until reunification city administration and restoration full quadripartite control is attained, no reliance can be placed upon administration Berlin currency and trade matters through German bodies exercising jurisdiction in whole of city or through specialized quadripartite agencies. Most serious difficulties arise in any case in attempting to contrive voting provisions in such bodies, as illustrated by neutral committee tentative recommendations.<sup>3</sup> In bodies operating by majority vote, dominance inevitably conferred on 1 side or other, and provisions for periodic alternation of deciding voice can scarcely be regarded as acceptable solution by either side. On other hand, in bodies operating by unanimous vote, action can be frustrated by unilateral veto, and it is fundamental point that in most currency and trade matters action is necessary to sustain economic life Western Berlin while inaction would stifle Berlin economy. This, for example, neutral committee's proposals for voting power in board directors Berlin Branch Bank of Emission clearly give 5-3 preponderance to Soviet-dominated directors, while positive intervention by quadripartite financial commission or sub-commission could be frustrated at will by Soviet veto. Proposed periodic alternation in balance of voting power in Berlin board of trade could only lead to jockeying for advantage by side having temporary dominance, and again matters reserved to financial commission or sub-commission could become subject appropriate action if Soviet refrained from exercising veto.

It is therefore imperative Western Powers obtain advance agreement with Soviets upon operating standards for currency and trade which will be to maximum extent self-operative and sufficiently concrete so that their breach will be clear and demonstrable. Where such standards are dependent upon ascertainment facts, Western Powers

<sup>2</sup> The text of the August 30 Directive to the Military Governors in Berlin is printed in *Foreign Relations*, 1948, vol. II, p. 1086.

<sup>3</sup> Regarding the technical committee's preliminary draft recommendations, see editorial note, p. 643.

believe fact-finding function should be entrusted to neutral commission to be named by members of SC not parties to Berlin dispute.

Neutral committee report provides entirely inadequate safeguards to economy Western Berlin in form concrete operating standards to be embodied in advance agreement. Certain major inadequacies follow:

1. No provision in terms of initial currency changeover for remedying inequities which would arise from fact that terms of last summer's Soviet currency reform were more favorable to mark holders than Western reform. A notable instance is proposal to convert B-mark savings deposits at 1:1 although these were derived from a 10:1 conversion under Western reform whereas comparable deposits were converted at much more favorable ratios under Soviet reform.

2. Obscure and inadequate provisions for reassignment of banking assets and liabilities among new sectoral institutions, and absence of any provisions for restoring solvency of financial institutions (which was undermined by provisions of currency reforms) through supplying them with cash or rediscountable securities. Even existing B-mark cash holdings of banks are denied exchange into eastmarks.

3. Relating future currency supply of Berlin to fluctuations in currency circulation in Soviet Zone. No reason believe initial base is equitable (especially in view of 1 and 2 above), permissible expansion bears no direct relation to Berlin's legitimate needs, and necessary reliance upon Soviet statistics concerning currency developments in zone would be most hazardous.

4. Further limitation of currency supply through insistence upon 'eligible paper'. Soviet veto in banking sub-commission could frustrate initial establishment of eligible paper categories and unless these could be established in unchallengeable concrete form administration by loaded board of directors of Berlin Branch could deprive Western banks access to rediscounts.

5. Enforced adoption in Berlin of price, wage, tax, and currency circulation regulations prevailing in Soviet Zone. Most of these regulations are obnoxious in principle and in detail to Western administrative concepts.

6. Enforced reliance of Western (as well as Eastern) Magistrat upon banking facilities of Berlin Branch of German Bank of Emission, and required use of same institution as clearing agency for external payments of Western sectors. These prescriptions seem unnecessary, and these functions for the Western sectors could better be performed by Western Stadtkontor.

7. Necessity for quadripartite approval for external trade agreements, in absence of which trade would be allowed to proceed only under hampering restrictions (and possibly not at all during alternating periods of Soviet dominance in Berlin board of trade).

8. In particular, necessity for quadripartite agreement upon volume of food, fuel, and power imports, and upon extent to which such imports should take form of aid (i.e. remain uncompensated by exports). Western Powers have consistently

asserted right to import without restriction goods in these categories, and should have right to seek payment in form of exports from their sectors when this is feasible, without necessity of Soviet concurrence.

9. Limitations upon disposition by Western Powers of local currency proceeds from uncompensated imports. Again Western Powers have previously insisted on free disposition of such proceeds. The severity of neutral experts proposed limitations depends largely upon how broadly category of "occupation expenses" is interpreted, but in any case appears no justification for proposed blocking of unexpended proceeds at end each year.

10. Stipulation that eastmark-westmark exchange rate must remain 1:1 for trade purposes. Whatever justification might be alleged for this rate under present circumstances, it is obviously unreasonable to freeze it at that level in face of likely future fluctuations in purchasing power of 2 currencies. Given trade pricing formulae proposed by neutral experts (which are themselves deficient), it is clear that if eastmark should suffer a relatively great depreciation, maintenance of artificial 1:1 exchange rate would impose heavy and entirely unjustifiable sacrifices upon Western zones in their trade with Berlin.

11. Absence of provision regarding amount of occupation costs to be included in municipal budget, this being left for subsequent quadripartite agreement.

Foregoing comments touch upon only few of more basic defects in committee's proposals. There are large number of additional technical objections on matters of detail, some of which are nonetheless of crucial importance (e.g. absence of provision for automatic replacement worn-out notes, or for provision currency supply in needed denominations). Exhaustive listing of technical objections to particular proposals formulated by committee would serve no useful purpose since, in view Western Powers, these proposals do not provide basis for equitable and workable settlement under present conditions of split city administration in Berlin.

In absence of reunification city administration and restoration full quadripartite control, Western Powers believe only possible basis for settlement is clear recognition that *de facto* Western sectors are and should remain under sole administrative control of Western Powers, and that Soviets should seek appropriate protection their legitimate economic interests not through participation in administration currency and trade in Western sectors but rather through establishment appropriate operating standards in initial agreement and appropriate controls in the Soviet sector and zone over economic intercourse between those areas and Western Berlin. Committee has expressed its interest in making arrangements which would not 'prejudice question of future arrangements concerning unified city administration which might be agreed upon by 4 powers.' However, inescapably arrangements for currency and trade based upon reunification must be approached *de novo* according to circumstances at the time, and committees attempt to straddle present political dilemma must be judged unsuccessful.

Equitable and workable settlement regarding currency and trade giving appropriate recognition to *de facto* circumstance of split city might take following lines:<sup>4</sup>

1. With respect to initial currency changeover, allocation of an agreed block amount of eastmark currency to Western Berlin to be distributed there at discretion of Western Powers. This allotment should be sufficient not only to exchange all B marks in circulation Western Berlin (including those held by banks) on 1 to 1 basis, but also to provide banks with adequate cash reserves against their depositions (including new deposits to be created to compensate for relatively rigorous deposit writedowns undertaken last June in Western currency reform). In view present and prospective conditions in Berlin, very high cash reserves against deposits would no doubt be required, but amount required for this purpose would still not be very large relative to initial currency issue.

2. With respect to further supply of eastmark currency for Western Berlin, Western Stadtkontor should be established as central bank for that area and appropriate agreement be obtained as to supplies of fresh currency (in addition to facilities for exchange of worn out currency) to be provided that bank by German bank of emission. Agreement should provide free access to fresh supplies currency in appropriate denominations, against notes of Western Stadtkontor guaranteed by the Western Magistrat of Berlin, subject only to provision that bank of emission could refuse further deliveries (but not of course exchange of worn out notes) whenever a duly designated neutral commission had rendered judgment that effective price-wage level in Western Berlin was exceeding by agreed margin the comparable level in Soviet sector and zone. Price-wage level agreed as more reasonable criterion for currency needs than ratios of currency circulation to initial base, and also in view known Soviet reticence concerning currency developments in their zone, considered as much more ascertainable factor. It would be necessary, however, to agree upon directive to neutral commission giving guidance as to nature its calculations (for example providing that it should give appropriate weight to free market as well as official prices and wages), and conferring upon it authority to make on-spot investigations in both Western sectors and in Soviet sector and zone.

It is submitted that only legitimate Soviet interest in how Western Berlin's currency and credit system is operated is to assure no disproportionate inflation which would cause supplies to be drained off from Soviet sector and zone (and simultaneously increase amount free spending power of persons in the Soviet controlled areas). However, Soviets could probably secure full protection against this potential threat by enforcing controls in Soviet sectors and zone over movement of goods between those areas and Berlin. Would not be necessary, of course, for Soviets

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<sup>4</sup>In WARX 82308, January 5, to London, not printed, the following phrase was added at this point: "always contingent on lifting of blockade upon acceptance of any neutrals proposal on this subject." (Department of Defense files)



to forbid such traffic, but only to assure that it resulted in 2-way net balance. Still, if Western Berlin followed completely different monetary policy from that in the Soviet sector and zone so that level of prices and wages in Western Berlin greatly surpassed that in Soviet area, suggested Soviet controls might conceivably be subjected to irresistible pressure. This possibility considered remote, especially since if blockade lifted and satisfactory basis for trade established (see below) supply situation in Western Berlin should be as in Soviet dominated areas. Nonetheless Western Powers prepared make concession mentioned above to assuage possible Soviet fears.

With these protections, there appears no valid Soviet interest in character or administration of detailed provisions regarding currency, credit, prices, wages, and taxes in Western Berlin.

3. With respect to importation of relief supplies and external trade of Western Berlin (including its trade with Soviet sector and zone), Western Powers should be accorded unrestricted right to regulate such matters in their sectors as well as external payments in connection therewith and disposition of local currency counterpart of uncompensated imports. All goods should have free transit rights in both directions between Western Berlin and the Western zones along agreed communication paths. Right of Soviets to exercise in their sector and zone controls over economic intercourse between those areas and Western Berlin provide them adequate protection against persons in Soviet sector and zone making unwarranted use of free transit facilities available Western Berlin.

4. With respect to budgetary problems of Western Magistrat, including payment occupation costs, these matters too should be recognized as under exclusive jurisdiction of Western Powers. There appears no legitimate Soviet interest in these matters which would not be protected by limitation on total currency supply to Western Berlin and Soviet control over economic intercourse between Western Berlin and Soviet sector and zone as provided above."

Your comments are requested to be in Washington on 5th to permit dispatch of final guidance on 5th to London.<sup>5</sup>

Knapp arriving London Thursday morning. Request Warner join him there Thursday morning if possible. He should be prepared with exposition of financial deterioration due to failure to changeover currency. Please repeat comments to London for info Knapp.

We consider here that vital step now is to get British French agreement to introduction in Western sectors of B mark having full legal tender status in Western zones and that this agreement should be definite and for a specific date. In addition to general and detailed com-

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<sup>5</sup> In CC 7310, January 5, from Berlin, not printed, Clay replied that he had no comments to make on the maximum and minimum positions outlined in this telegram. (Department of Defense files)

ments please advise whether in your opinion the suggested plan would provide an acceptable *modus vivendi*.

[DRAPER]

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740.00119 Control (Germany)/1-349: Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      US URGENT      WASHINGTON, January 5, 1949—6 p. m.  
NIACT

41.<sup>1</sup> For Holmes. It will undoubtedly be necessary for you to take leading part with Knapp in discussions with Brit and Fr on general approach to be adopted in Western reply to UN Technical Committee and you are requested to lend Knapp full support as needed.

Following are firm views and instructions agreed by State and Army to which you should closely adhere and which if necessary should be brought to attention of Bevin and Schuman:

1. (a) After carefully considering Brit and Fr comments on experts' recommendations we still believe approach outlined in Niac 4792<sup>2</sup> is preferable one, namely, that Western experts' reply should indicate that basis for applicability of draft recommendations is lacking. Plan formulated by Tech Com is not designed to fit current situation in Berlin caused by Sov illegal actions. As a result of Sov steps in splitting city administration we do not consider that conditions recognized by Tech Com as necessary preliminaries exist. In particular with reference to para 6 of covering letter<sup>3</sup> there is little possibility of a resumption of more direct responsibility by four occupying powers or that under present political developments of Sov creation functions can be transferred to bodies composed of German residents in several sectors of Berlin.

(b) You are requested to urge these considerations on Brit and Fr once again as representing only realistic attitude toward experts' report. Reply of this kind need not constitute outright rejection since it could be stated that once conditions are restored by Sovs making possible unified city administration and sincere quadripartite control, we would be willing to discuss a currency proposal related to these assumptions.

2. We cannot accept basis assumed in Tech Com report or agree to offer comments implying recognition of this basis, since to do so might commit us to dangerous concessions which could later be used to disadvantage our economic position in Berlin. It must be remem-

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<sup>1</sup> Repeated to Paris as 28 and Berlin as 21.

<sup>2</sup> Not printed.

<sup>3</sup> Not printed; paragraph 6 stated that the implementation of the Technical Committee's report would necessitate the resumption of responsibility by the four occupying powers in Berlin. The full text of the covering letter is printed in Department of State, *Documents and State Papers*, vol. 1, May 1949, pp. 771-772.

bered that as far as we know Sovs are totally uncommitted re Tech Com functions and its draft proposal.

3. (a) If approach in para 1 fails with Brit and Fr we are prepared to agree to submission of comments and recommendations substantially along lines outlined signal referring this cable sent you through military attaché<sup>4</sup> which envisages possible acceptance Sov zone mark on basis of its autonomous use in three Western sectors.

(b) We can only agree to reply and counter-proposal of this character on one important condition. This is that Brit and Fr give formal agreement to establishment of a western B mark with full legal tender status in Western zones by Jan 30 as legal tender Western sectors if by that date there has been no Soviet agreement on basis of our counter-proposal. We are convinced this step is long over-due and is urgently necessary for protection Western sector economy. Brit and Fr suggestions re increasing present ratio B mark to Sov zone mark would be a mere palliative which would accentuate already dangerous currency drain.

(c) Further condition is that reply to Tech Com state that proposal mentioned in para 3 (a) above constitutes only basis for possible use Sov zone mark and that if agreement is not obtained soonest Western Govts because of deteriorating financial situation in Berlin will be compelled at a very early date to resort to complete Western B mark changeover, making full use of our reservation to protect our position in Berlin.

4. We would prefer that Western experts confine themselves to written reply but have no objection to brief oral presentation being made to Tech Com on clear understanding that Com will not attempt negotiation (re your Niact 14 Jan 3<sup>5</sup>).

LOVETT

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<sup>4</sup> Transmitted in WAR 82237, *supra*.

<sup>5</sup> Not printed.

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740.00119 Control (Germany)/1-1048: Telegram

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

TOP SECRET

US URGENT

LONDON, January 10, 1949—11 p. m.

NIACT

120. Met with Bevin for nearly an hour this evening at his request during which he gave his personal reaction our proposals re Berlin settlement. French not represented.<sup>1</sup>

Bevin said his expert advice in London and from Berlin was that neutral committee proposals<sup>2</sup> workable with appropriate amendment.

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<sup>1</sup> In telegram 79, January 7, from London, not printed, Holmes had reported on two previous meetings with the British and French representatives. Their initial reaction to the United States counter-proposal had "not been too unfavorable", but the idea of currency changeover in Berlin was "coolly" received. (740.00119 Control (Germany)/1-749)

<sup>2</sup> Regarding the neutral committee's report, see editorial note, p. 643.

He said our counter proposals<sup>3</sup> were appealing because of simplicity, but seemed to British obviously unacceptable to Soviets. He asked what our intention was, and whether we really wanted a settlement. He dwelt on tactical advantage of taking neutral committee proposals as basis our response and felt counter proposal might enable Soviets place upon Western powers onus of breakdown Security Council efforts. Also, he feared neutral members Security Council might have adverse reactions if we rejected proposals prepared by their experts.

Foregoing expressed in moderate terms. Bevin seemed genuinely puzzled how proceed in view divergent expert opinions from tripartite experts. He expressed hope Massigli, Seal and I could contrive some solution. We promised furnish tomorrow our draft reply<sup>4</sup> to neutral committee and experts meeting on this paper scheduled tomorrow afternoon. In regard introduction B mark on January 30, Bevin said British in Berlin had reported that no compelling need existed for currency change-over and that adoption 50-50 plan would greatly ameliorate such difficulties as existed. Bevin complained at being confronted with proposal that he agree definite date as condition our willingness to proceed on counter proposal believing latter subject should be discussed separately and on its merits. He felt that proposed action would also damage position Western powers in Security Council. While these views expressed moderately, believe Bevin firm in opposition to January 30 date.

I reiterated our position including pointing out that our initial desire had been to reject neutral proposals as inapplicable because of present political circumstances and that counter proposal was designed to meet British and French position. Bevin added that response to neutral committee and introduction B mark were but different aspects of same problem. In this connection, I pointed out that our information from Berlin indicated deteriorating situation and need for definitive solution by January 30. With respect my argument that counter proposal was designed to meet split city situation, Bevin countered by saying neutral proposals were equally adaptable this situation.

Dean reported Robertson seemed much embarrassed by delay especially in view Soviet experts attendance same time and we agreed push discussions forward as rapidly as possible in order to meet Friday deadline.

On Bevin's request, I agreed to report his views to you but emphasized firmness of my instructions and had but no hope that they would

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<sup>3</sup> Transmitted in telegram WAR 82237, January 4, p. 643.

<sup>4</sup> The text of this draft reply was transmitted in telegram 99, January 9, from London, not printed. (740.00119 Control (Germany)/1-949)

be changed. Would appreciate your urgent reply for communication to Bevin. Meanwhile, we will continue energetically to press our views.

Sent Department 120, repeated Paris (for Caffery) 24, Berlin (for Clay and Murphy) 22.

HOLMES

862.515/1-1249 : Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET

US URGENT

WASHINGTON, January 12, 1949—7 p. m.

NIAC

141.<sup>1</sup> For Holmes. Ref Bohlen's telephone call <sup>2</sup> ActSecy handed to Brit Amb text memo given below. It was pointed out that while Bevin seemed to be concerned introduction Western mark might slam the door on a settlement we felt on the other hand that it would be viewed as proof of Western Govt's determination to remain in Berlin, which might in turn make Sovs more willing to reassess the value of the blockade. Same memo addressed to Fr Govt was likewise furnished Fr Amb this afternoon.<sup>3</sup> (For Paris: Please urge upon Schuman the considerations dealt with therein.)

"The US Govt has noted that progress is being made toward a joint reply to the Neutral Comite's proposals to deal with the Berlin currency and trade problems but there are two issues outstanding to which the US attaches major importance.

(1) The US Govt considers that its counter proposal designed to provide possible use of Sov currency in a split city, offers the only practical means under present circumstances of dealing with a situation of fact created by the illegal actions of the Sov Mil Authorities in Berlin. It is noted that an objection has been raised on the ground that it would not be acceptable to the Sovs. This Govt believes that whatever proposal is put forward or whatever amendment is made to the Neutral Comite's report, each must be judged, irrespective of the degree of likely acceptance by the Sovs, from the standpoint of providing a workable solution which would not mean an abandonment by the Western nations of their rights and duties in Berlin.

(2) As the Brit Govt is aware the three Western Govts have, since the Berlin case was placed before the SC on Sep 29, exercised great restraint and patience and refrained from taking measures which, in the opinion of this Govt are essential to protect not only the Western Allies' position in Berlin but also to prevent an un-

<sup>1</sup> Repeated to Paris as 104 and Berlin as 49.

<sup>2</sup> The reference here has not been identified further. Apparently Bohlen had called Holmes to inform him of his meetings with the British and French Ambassadors.

<sup>3</sup> Memoranda of Bohlen's conversations with Franks and Bonnet are in file 740.00119 Control (Germany)/1-1249.

justified drain on the resources of the Western zones of Germany caused by the anomalous currency situation in Berlin. The Sov authorities in Berlin have on the other hand proceeded to take a series of measures which have resulted in a completely split admin of Berlin and have constantly sought to undermine the economy of the Western sectors regardless of the fact that the matter is still pending before the SC. As the Brit Govt will recall, the US has for some time believed that the situation in Berlin required the introduction of the Western B mark as the most practical means of defense. Anticipating some such necessity, it was clearly understood between the Western Powers that in accepting the proposal for a study by the neutral experts they must reserve the right to take such measures as are necessary to protect their position in Berlin. As will be seen from the fol explanation, the deteriorating economic situation in Berlin now requires prompt action which in the considered opinion of this Govt is essential and which will not further prejudice a damaging situation which is constantly being aggravated by arbitrary Sov measures.

Continuation for a period of more than six months of an improvised dual currency system in Western Berlin has brought about a steady and costly financial and economic deterioration. This calls imperatively for immediate introduction of the Western B mark as sole legal tender. This deterioration has been the result of certain basic weaknesses in the existing currency arrangements which can be remedied only through withdrawal of the *de facto* legal tender status of the East mark.

The absence of an effectively functioning banking and credit system is the most fundamental among the weaknesses of the present currency arrangements in Western Berlin. The Western Powers have no control over the supply of East marks. Therefore they are unable to assure to the banking institutions of Western Berlin a supply of currency in exchange for the rediscount of credit instruments. Hence the banks in Western Berlin have been forced to keep on hand currency to cover their entire East mark deposits. For this reason, they have been unable to extend East mark loans either to business firms or to the municipal authorities. Moreover, the Western Powers under this system have been unable to fill this gap by establishing a fully functioning banking and credit system based on the Western B mark. There have been occasional injections of Western B marks to meet emergency situations, but it has been the deliberate policy of the Western Powers to confine these injections only to cases of extreme urgency. These occasional injections have served to obscure the absence of an effective banking and currency system in Western Berlin. They have not provided a means whereby the banks can provide facilities essential to the life of the city. In fact, the banks in Western Berlin now operate as no more than safety deposit institutions.

The limited circulation of Western B marks, together with the explicit policy of making the East mark *de facto* legal tender, have made the East mark the prevailing currency for a great many transactions in Western Berlin. As a consequence, the Western Powers cannot control the supply of the currency which is greatly relied upon to serve the commercial and governmental operations of Western Berlin.

Lacking such control, the Western Powers have been confronted with a drainage of essential supplies from the Western sectors given in exchange merely for East marks from the Sov Sector and Zone. This drainage of supplies has been costly not only to the Western zones of Germany, but particularly to the US Govt which is incurring a large part of the cost of feeding and clothing the residents of Western Berlin as well as of transporting these supplies by the air lift. The only means of coping with this difficulty is to deprive the East mark of its *de facto* legal tender status, and thus greatly lessen its acceptability in exchange for commodities available in Western Berlin.

Since the Western Powers have no control over the supply or future status of the East mark the people of the Western sectors have been reluctant to accept or hold this currency. Because of this reluctance, the East mark has fallen to a considerable discount in relation to the Western B mark, despite the partial legal tender status of the East mark. As a result of this fact, there has been widespread disorganization in the functioning of the economic life of Western Berlin, and in the effectiveness of the price control and rationing regulations for those sectors. Since the real value of earnings in Western Berlin depends on the division of these earnings as between East marks and Western B marks, labor unions have striven to secure a maximum proportion of wage payments in Western B marks. They have had varied success in accomplishing this purpose, with the result that there have been widespread inequalities in pay for comparable work. This has produced serious unrest and dissatisfaction among the working population. It has also placed at a considerable disadvantage business firms which are unable to secure West marks in exchange for their products, particularly those firms which manufacture or distribute goods which are required to be sold for East marks.

Furthermore, the price control and rationing regulations have themselves been thrown into jeopardy under the present dual currency arrangements. It has been necessary to frame price regulations in terms of marks without distinguishing East marks from Western B marks. As a result, it has been possible for business firms to advance their effective prices as much as 300% without formal violation of price control regulations, merely by altering the proportion of West marks required in payment. This impairment of the price control regulations has also had a weakening effect on the rationing controls applied to the same commodities. There is a resultant dissipation of scarce supplies brought in at great cost. The freedom to choose the currency required in payment for goods and services has enabled business firms to conceal profit through accounting devices and thus to avoid taxation. The Magistrat is thereby deprived of important sources of revenue.

The Brit Govt has suggested that the difficulties now being experienced can be met through the expedient of altering the proportion of West marks required in payment of wages and taxes and in the purchase of rationed commodities. A measure of this nature would not itself increase the supply of Western B marks, nor remedy the existing deficiencies in the banking and credit system of Western Berlin. This suggestion is a recognition that the solution to the present difficulties in Western Berlin lies in expanding the use of Western B marks and concurrently diminishing the use of the East mark. The recognition

implicit in this halfway measure merely emphasizes the need for eliminating completely the legal tender status of the East mark in Western Berlin.

In view of the foregoing the US Govt strongly urges that the Brit Govt give its consent to the introduction of the Western B mark as the sole legal tender for the Western sectors of Berlin by Jan 30 if by that date the Sovs have not accepted currency solution in Berlin which meets the minimum requirements of the Western Allies. In the event that agreement is not reached between the three Govts concerning the Western B mark the US Govt will be obliged to consider what measures it may be required to take to protect itself against the further drain on the resources of Western Ger to which it is at present contributing so heavily."

LOVETT

740.00119 Control (Germany)/1-1249 : Telegram

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

TOP SECRET  
NIACT

US URGENT

LONDON, January 12, 1949—9 p. m.

149. Met this afternoon with Seal, Dean, Gifford of Foreign Office (French not present) for further discussion re reply to neutral committee and question currency changeover Berlin. No basic change evident British position. However they offered agree to warning experts committee that introduction West mark may be necessary in near future although they are still unwilling to agree now to January 30.

With respect to reply to neutral committee British propose that reply criticize committee report,<sup>1</sup> expressly reserve governmental positions as to acceptability of report even if these criticisms met, and submit counter-proposal as desirable solution. British feel this would provide more time for reconciliation views three governments as to acceptability of neutral committee report.

British obviously concerned at possibility break in common front and were searching compromise formula. They promised produce tomorrow, amendments<sup>2</sup> to our draft reply<sup>3</sup> to neutral committee in order to clarify extent to which they could subscribe this reply. In view convening neutral committee in Geneva Friday and presence a

<sup>1</sup> Regarding the neutral committee's report, see editorial note, p. 643.

<sup>2</sup> The text of the British amendments which included many U.S. suggestions was transmitted in a telecon between Washington and London January 13. The transcript of the telecon, not printed, is in file 740.00119 Control (Germany)/1-1349.

<sup>3</sup> Transmitted in telegram 99, January 9, from London, not printed (740.00119 Control (Germany)/1-949.



Soviet expert we all felt it most important reach agreement tomorrow in order permit western experts take Friday morning plane Geneva.

Our present instructions require that British French accept our position as whole, including agreement introduction Western mark January 30.

Following situations may confront us tomorrow :

1. British-French might conceivably accept full substance of our proposed reply to neutral committee, including warning re West mark but refuse commitment on date currency changeover. In such circumstances we strongly recommend our joining in reply and in oral elaboration, leaving issue on date of currency changeover to be pressed separately.

2. Same as (1) but British-French unwilling include in reply statement that basic pattern of neutral committee's proposal unworkable and present counter-proposal only as alternative solution. Our choice in this case is between (a) maintaining common front and deferring until later date (after report submitted to President Security Council) our rejection of neutral committee's plan or (b) seeking to extend content of tripartitely agreed reply to maximum extent possible and having US expert submit unilaterally supplementary comment and conclusions.

We must have your guidance on these points immediately unless we are willing to prolong discussions here and incur inevitable adverse reaction from further postponement neutral committee meeting.<sup>4</sup>

Sent Department 149, repeated Paris 33, Berlin 29.

HOLMES

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<sup>4</sup> In telegram 150, January 13, to London, not printed, the Department indicated that Knapp in his discussions with the Neutral Committee in Geneva was to follow course b of paragraph 2 indicating that events in Berlin might render currency counter measures inevitable. In the same telegram Holmes was instructed to indicate the Department's profound disappointment to the British and French and repeat the warning that the United States might be required to take steps in Berlin to protect itself against further currency drain. (740.00119 Control (Germany)/1-1249)

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740.00119 Control (Germany)/1-1349 : Telegram

*The United States Political Adviser for Germany (Murphy) to the  
Chargé in the United Kingdom (Holmes)*

TOP SECRET

URGENT

BERLIN, January 13, 1949—4 p. m.

31.<sup>1</sup> Personal for Holmes. We are especially interested in the references made in your 22 of January 10<sup>2</sup> and 28 of January 12<sup>3</sup> to the

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Same as telegram 120, January 10, p. 650.

<sup>3</sup> Not printed.

effect that Mr. Bevin and others believe that no compelling need exists for currency changeover on January 30 and that adoption of fifty-fifty plan would greatly ameliorate such difficulties as exist. We find this attitude discouraging and unsatisfactory. We suspect that as long as US continues to bear the major share of expense of airlift, to which, of course, the French contribute nothing, there will be no sense of urgency on their part. I have had a number of discussions on this subject with our financial and economics advisers here as well as with General Clay. Our Berlin representatives find the British and French attitude toward the technical situation incomprehensible except on the theory that they are fearful of eventual Soviet reaction and desire to take no risk whatever, content to see US pay the bill indefinitely. CC 7310 repeated to you on 5 January <sup>4</sup> summed up OMGUS understanding of points at issue and described deterioration of Berlin financial and economic situation. Financial adviser who has again informally discussed matter with British financial adviser points out that thus far the Bank Deutscher Laender has advanced to Berlin 500 million marks on order of US/UK Military Governments without any legal backing. Furthermore, advances at minimum rate of 100 million monthly will be necessary. Western sector municipal finances, of course, are in a state of unbalance and there is inability to advance adequate unemployment relief and necessary aid. Politically the morale of Berlin population is important factor to US and confidence of population in West suffers as result of long period of waiting and hesitation. Financial adviser tells me that adoption suggested by British of fifty-fifty plan would only result in greater expense to West, further weaken the DM, increase inflationary spiral and provide no solution of difficulty. Psychological effect on Berlin population, of course, would be one of confusion and loss of confidence.

One of reasons back of British and French position may be French determination that Berlin is not to be tied in politically with West. Some time ago, I thought British position harmonized with ours and that British were firmly determined to affiliate Berlin with western German political structure. Indirectly more recently comments attributed to General Robertson indicate that British have swung around to French point of view. If this is true and the British and French view is to prevail, then position in Berlin becomes futile and expense

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<sup>4</sup> Not printed; in it Clay advised that continued delay in currency reform had made banks and insurance companies insolvent, delayed settlement of private debts, created pay scale inequalities, and produced chaos in the prices for goods and services in Berlin (Department of Defense files).

of air lift, it would seem to me, is hardly justified. Obviously under those circumstances the question of Berlin currency would become relatively unimportant. This might explain UK/French tendency to procrastinate and their opposition to a firm and immediate resolution of currency issue.

Sent London as 31, repeated Department as 72, Paris 32.

MURPHY

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*Editorial Note*

On January 14, 1949, the Technical Committee reconvened at Geneva. During this stage of its proceedings the Committee held forty-two meetings, twenty-five of which were with the experts of one or several of the Occupying Powers. At the first meeting the Soviet expert presented his suggested amendments to the Committee's draft recommendations. On the 15th and 16th of January the Western experts submitted their replies to the Committee's report. The United States reply was embodied in three papers. The first contained a general criticism of the Committee's work, concluding that it did not provide the basis for settlement of the Berlin currency and trade question; the second paper was a detailed technical analysis of the Committee's report; while the third paper gave the United States counterproposal, in which it was suggested that the Committee give consideration to a *modus vivendi* as described under these headings: the supply of East Mark currency to Western Berlin, external trade and payments for Western Berlin, and municipal budget. The United Kingdom and France presented two statements each: general observations on the Committee's report in which they also expressed sympathy for the United States counterproposal, and detailed amendments to the report. The full text of all these papers was published in United Nations Press Release SC/908, March 15, 1948; a copy of this release is in file 740.00119 Control (Germany)/3-1549. The three United States papers are also printed in Department of State, *Documents and State Papers*, May 1949, pages 772-779, and in *Germany 1947-1949*, pages 257-268. A copy of the Russian expert's statement on January 14 is also printed in *Sovetskii Soiuz i berlinskii vopros (dokumenty)*, *vyпуск vtoroi*, Moscow, 1949, pages 70-80.

Department of Defense Files

*The United States Military Governor for Germany (Clay) to the  
Department of the Army*

TOP SECRET      PRIORITY

FRANKFURT, 15 January 1949.

FMPC 186. For SAOUS. Reurad W 82831.<sup>1</sup> I favor strongly the unilateral statement proposed to be made by our representative in Geneva,<sup>2</sup> to which I note Holmes objects.

I do not believe that a unilateral issue of the West mark as sole legal tender in US Sector is really possible and such introduction would create an insuperable burden for the West Berlin Govt. The movement of people between the 3 West Sectors is not limited nor is their ability to shop in all Sectors so that our introduction of the West mark alone would result in its immediate flow to the French and British Sectors, with probable consequent increase in the purchase of East marks to use in those Sectors which would eventually represent a further flow of the West mark into Soviet hands.

If we did proceed unilaterally, I believe that both the British and French would have to accept if we tied the move into our financial support, not only of Berlin but of Western Germany. In point of fact, we could require that all food imported into Berlin be paid for by West marks, as we are either directly or indirectly financing all such food imports. This would necessitate the British and French placing so much West mark currency into circulation as to accomplish practically the making of the West mark legal tender in Berlin. Of course it would be regarded as a high-handed action and would undoubtedly arouse adverse public reaction in France and the UK. I believe that the French would really like to pull out of Berlin and such public reaction might give them the opportunity. The British have grown lukewarm, in my opinion, to remaining in Berlin.

Therefore, I believe that the unilateral introduction by US of the West mark would be of doubtful success. It would not seem to me the appropriate tool if we feel so strongly about the matter as I feel

<sup>1</sup> Not printed; in it Draper asked Clay whether it was feasible for the United States to introduce the B mark unilaterally and whether such a step would force the British and French to take similar action. (Department of Defense files)

<sup>2</sup> Clay was referring here to a proposed statement that the United States felt its counterproposal was the only possible basis for the use of the Soviet mark. If agreement could not be reached on it, events in Berlin would force the introduction of the B mark. (Telegram 150, January 13, to London, repeated to Berlin as 53, not printed 740.00119 Control (Germany)/1-1249).

that we should. We had better demand acquiescence in our policy not through threat of unilateral action in Berlin but as a condition to our continued financing of the German deficit.

I am sorry to recommend against unilateral action in Berlin as I feel that we are losing ground daily through our failure to make the West mark legal tender and I am for any measure which promises success. I believe we have other resources to use to force the issue if we choose to use them.

[CLAY]

740.00119 Control (Germany)/1-2149: Telegram

*The United States Expert at the Technical Committee on Berlin Currency and Trade (Knapp) to the Secretary of State*

[Extract]

TOP SECRET      US URGENT      GENEVA, January 21, 1949—11 a. m.  
NIAC

53. From Knapp.

[In the omitted parts of this telegram Knapp reported his testimony before the Committee and its delivery of the U.S. counterproposal to the Soviet expert.]

Met last night with Gifford, Robertson, Kaldor to review situation. With stout support Gifford and obvious sympathy Robertson, insisted first priority was obtain definitive Soviet reaction counterproposal<sup>1</sup> and that full exchange replies now would prejudice this reaction. Robertson will ask Malietin this morning when to expect definitive reaction but fears Malietin may make this conditional upon receipt full Western replies.<sup>2</sup> With some support Gifford I further expressed extreme doubt whether full exchange replies appropriate in any case, reiterating committee function not negotiation and that for purposes development its thinking should be adequate to test Western criticism neutral plan<sup>3</sup> on Malietin orally without identifying source. Robertson again sympathetic but apparently may be outnumbered in committee which reportedly inclined yesterday suspend even discussion with Western [and] Soviet experts their respective comments on neutral plan until full exchange replies accomplished. Gifford and I vigorously protested such loss time, and urged that committee

<sup>1</sup> Regarding the United States counterproposal, see editorial note, p. 658.

<sup>2</sup> Not printed.

<sup>3</sup> Regarding the neutral committee's preliminary draft recommendations, see editorial note, p. 643.

press these discussions forward while awaiting Soviet reaction counterproposal.

IV. Following is my assessment course committee activities following receipt Soviet reaction counterproposal.

If reaction is acceptance counterproposal as basis discussion, believe neutral plan will be dropped and remains only for Western experts offer rebuttal to detailed Soviet criticisms conveyed them orally by committee. Report to President SC would then propose some variant of counterproposal.

If Soviet reaction wholly or in substance adverse (as must be anticipated) committee could:

1. Report promptly to President SC that discussions with Western [and] Soviet experts reveal no prospect agreement.
2. After extensive further discussions with Western [and] Soviet experts, formulate final report incorporating some variation of initial proposals.
3. Make further progress report explaining difficulties in general terms but undertaking pursue studies for indefinite period, perhaps through establishment continuing subcommittee.
4. Report promptly to President SC technical judgment that interests of parties irreconcilable and that problems of use common currency in two separate jurisdictions inherently insoluble.

In cases 1 and 3 feel sure report would refrain from attempting fix onus of failure, but in cases 1 and 2 and probably 4 we may be pressed authorize committee transmit text our replies (see question 2 in section III mytel 32 to Department January 17; repeated Berlin 2, London 3, Paris 2<sup>4</sup>).

Heavy pressure likely from secretariat representatives for course 2, or at least 3, while British French may well give support course 3, but I presently believe committee likely follow course 1 if no relaxation evident in our position. I propose, however, make maximum effort direction course 4 without any real expectation success.

Re recent rash press reports, plan strong representation to committee regarding security precautions here but finger clearly points to French both in Paris and London.

V. Would appreciate your guidance soonest on issues raised under III and IV above. Despite most pressing personal and office consideration (please consult Thorp) believe must spend further week or ten days here impressing our ideas on committee and convincing them our good faith. Cannot believe any longer time justified even if committee adopts course 2 or 3.

Sent, Department; repeated London 7, Paris 6, Berlin 7.

[KNAPP]

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<sup>4</sup> Not printed.

740.00119 Control (Germany)/1-2149: Telegram

*The Secretary of State to the United States Expert at the Technical Committee on Berlin Currency and Trade (Knapp), at Geneva*

TOP SECRET      US URGENT      WASHINGTON, January 22, 1949—5 p. m.  
 NIACT

60. For Knapp.

I. Dept commends your analysis Geneva discussions and effective presentation before Committee. Air Pouch material not yet received. How was this addressed?

II. Re questions raised by ur Niac 53.<sup>1</sup>

(a) Do not share firm Brit and Fr objections to exchange of four experts replies. Probable that apart from US counter proposal Sovs informed through Committee of nature Western Experts replies and differences. In view reported more extensive Sov objections to Committee's preliminary plan some advantage might be gained in obtaining more precise info by mutual exchange. We would be willing if Brit and Fr agree to authorize Committee to effect exchange by oral communication of substance respective replies.

(b) Re ur suggestion to include clause in Committee's proposal establishing financial committee to supervise execution of agreement, request you reserve such action until more is known re Sov comments, and further instructions sent from here.

(c) Re Committee's future alternative courses of action we likewise favor course four or combination of four and one on basis info presently available. Request your comments on how these might be affected by plan set forth below.

III. We are informally considering following approach:

We would again stress premise we have always maintained that Committee's preliminary recommendations are unworkable because of split city admin and Sov political actions.

(1) We would urge reconsideration our counter proposal as offering basis of standstill interim solution under circumstances of split city. Acceptance would afford provisional protection of legitimate interests Four Powers in Berlin and would permit lifting of blockade.

(2) In line with Gen Clay's previous suggestion we would indicate willingness to negotiate with Sovs re unification of city admin through discussion of new city constitution which was pending consideration before breakup of Kommandatura.

(3) If this step successful we would then either separately or concurrently with scheduled CFM be prepared to reconsider neutral experts plan with appropriate amendments or a new plan for use single currency adapted to circumstances of uniform city admin to be established.

<sup>1</sup> Extract printed *supra*.

Above under Sec III is purely for your info and comment to us. We have following questions. If Brit and Fr agreement obtained should we put this proposal forward in present Geneva discussions or to neutral SC members following Committee's final report to SC President.

Dept not yet received Brit and Fr amendments Committee's preliminary plan. Pls cable these since we would like to examine them before reaching definite decision on above.

For London, Paris and Berlin:

Above proposal is solely for your info and not to be discussed with Brit and Fr.<sup>2</sup>

ACHESON

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<sup>2</sup> Repeated to London as 244, Paris as 187, and Berlin as 89.

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740.00119 Control (Germany)/1-2649 : Telegram

*The United States Expert at the Technical Committee on Berlin  
Currency and Trade (Knapp) to the Secretary of State*

TOP SECRET

US URGENT

GENEVA, January 26, 1949—5 p. m.

NIACI

71. From Knapp.

1. Chairman opened committee meeting with Western experts this morning by making formal request full exchange replies<sup>1</sup> and stating that in view Malietin's representations<sup>2</sup> committee not prepared pursue discussions with Western experts until reply received from Western powers re full exchange replies and re acceptability committee's draft proposals as basis further discussion. Chairman argued committee procedure must be acceptable experts all four occupying powers, and that in order preserve appropriate balance committee unable pursue discussions with Western experts so long as Soviet expert withholding participation.

2. With complete support Gifford, protested vigorously against committee's decision adjourn discussions and after long consultation both with Western experts and in closed session, committee has agreed pursue discussions with Western experts this afternoon, meanwhile

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<sup>1</sup> Regarding the replies of the four occupying powers in Germany to the preliminary draft recommendations of the technical committee, see editorial note, p. 658.

<sup>2</sup> In telegram 69, January 25, from Geneva, not printed, Knapp reported that Malietin had rejected the United States counterproposal and informed the technical committee that he could not participate in the discussions unless the committee abided by its terms of reference and adopted its own draft plan as the basis for its work. Malietin also insisted on a full exchange of replies among the four experts. (740.00119 Control (Germany)/1-2549). For the text of Malietin's statement on January 25, see *Sovetskii Soiuz i berlinskii vopros (dokumenty)*, *vypusk vtoroi*, Moscow, 1949, pp. 81-82.



informing Malietin this action. You should appreciate that, especially in absence Robertson and Myrdal, Kaldor comes close to dominating committee which is group very weak sisters. As author committee draft proposals and as person with at least ambiguous political orientation, Kaldor has been consistently hostile our position.

3. Though defeated this morning understand Kaldor about make new proposition, namely, that committee seek clarification its terms reference only after having determined that its own draft proposals do not constitute "basis for equitable and workable settlement." I see serious danger this course (e.g. many of our comments on committee proposals assume August 30 directive<sup>3</sup> not binding) and have come to view that we (including if possible British-French) should now insist upon committee seeking immediate clarification from President SC of its terms reference (see paragraph 5 mytel 69 January 25, repeated to Berlin 12, Paris 10, and London 11<sup>4</sup>). Ensuing delay would give more time preparation initiative in SC on political problem, though believe during same interval committee might well pursue discussions with West experts concerning their comments committee proposals.

4. Took occasion this morning point out to committee significance that Soviet insistence adherence basic principles August 30 directive based upon interpretation committee's terms reference with which I could not agree. However, did not pursue matter pending receipt your instructions.<sup>5</sup>

Sent Department 71, repeated London 12, Paris 11, Berlin 13.

[KNAPP]

<sup>3</sup> *Foreign Relations*, 1948, vol. II, pp. 1086-1087.

<sup>4</sup> Not printed.

<sup>5</sup> In telegram 76, January 27, to Geneva, not printed, the Department of State authorized the exchange of the four experts' replies through the Committee and reiterated that the Western Powers were no longer bound by the August 30 directive. (740.00119 Control (Germany)/1-2549)

740.00119 Control (Germany)/1-2749 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      US URGENT      WASHINGTON, January 27, 1949—4 p. m.  
NIACT

299.<sup>1</sup> For Holmes. After further consideration in light Knapp's comments (Geneva Tel 8<sup>2</sup>) we request you obtain Brit comments, and Fr

<sup>1</sup> Repeated to Geneva as 77, Berlin as 105, and Paris as 239.

<sup>2</sup> Not printed; in it Knapp reported the lack of progress at a session of the Technical Committee on January 21 and expressed his belief that the suggestions in section III of telegram 60, January 22 (p. 662) might offer an escape from the impasse in Geneva if Malietin rejected the United States counterproposal as a basis for negotiation. The United States suggestion would throw the onus for failure back to the Russians and give the committee an excuse to retire gracefully from its consideration of the problem. (740.00119 Control (Germany)/1-2449)

comments if Brit favorable, to outline given below of modified plan re Berlin currency originally transmitted Deptel 244.<sup>3</sup> We envisage that if Brit and Fr agree, Western experts in Geneva might communicate outline plan either to neutral comm itself or to comm chairman with view influencing drafting of comm's report to SC Pres in favorable terms. In subsequent SC discussions US, UK and Fr could formally present and develop plan.

Advantage new approach as we see it is that in event Sov non-acceptance our counterproposal<sup>4</sup> on present basis such approach makes use counterproposal to offer reasonable interim solution which Western Govts could put forward in hope of leading to ultimate agreement. It would place Western Govts in position proposing positive workable arrangement which comm would be called to take into acct in its final report and it would furnish us with concrete program for future discussions in SC.

1. At appropriate time and in any event before termination Geneva meetings, US, UK and Fr experts would again stress their objections to comm's preliminary recommendations<sup>5</sup> and US would re-emphasize its view that these recommendations are unworkable because of split city administrations and Sov pol actions in Berlin.

2. US, UK and Fr experts would urge reconsideration US counterproposal in light its offering possibility of providing a stand-still interim solution under circumstances of a split city. Acceptance would afford provisional protection of legitimate interest of four powers in Berlin and would, of course, be accompanied by a lifting of blockade and an early CFM meeting to which three Western powers are committed.

3. US, UK and Fr experts would indicate willingness of their Govts after lifting of blockade to negotiate through Mil Govs without prejudice to date of a CFM meeting, a re-unification of city admin through discussion of new city constitution which was pending consideration before break-up of Allied Kommandatura in Berlin.

4. If this step successful in re-unifying city, West Govts would then be prepared reconsider experts comm's preliminary plan with appropriate amendments or a new plan for use of a single currency adapted to circumstances of a uniform city admin to be estab.<sup>6</sup>

ACHESON

<sup>3</sup> Same as telegram 60, January 22, p. 662.

<sup>4</sup> Regarding the United States counterproposal, see editorial note, p. 658.

<sup>5</sup> Not printed; the text of the Technical Committee's draft recommendations is printed in the Department of State, *Documents and State Papers*, May 1949, pp. 763-771.

<sup>6</sup> The basis for this four-point proposal was a memorandum by Beam, January 25, not printed (862.515/1-2549). In telegram 353, January 29, from London, not printed, Holmes reported British and French approval of it. Robertson also regarded the proposal as an improved position. (740.00119 Control (Germany)/1-2949)

*Editorial Notes*

Following the receipt of telegram 299, *supra*, Knapp in coordination with Gifford and Lefort drew up the text of a draft tripartite counterproposal based on the four-point United States outline. This draft was submitted to the three Western Governments, amended, and returned to their experts in Geneva for presentation to the Technical Committee. The text of the draft counterproposal and related documentation are in file 740.00119 Control (Germany)/1-2749 through 2-549. For the text of the tripartite statement submitted to the Technical Committee on February 4, see telegram 130, page 669.

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On January 27 Kingsbury Smith, European General Manager of the International News Service, submitted four questions to Premier Stalin concerning the problem of world peace. The third question dealt with Berlin and read:

"If the Governments of the United States of America, the United Kingdom and France agreed to postpone establishment of a separate Western German state pending a meeting of the Council of Foreign Ministers to consider the German problem as a whole, would the Government of the U.S.S.R. be prepared to remove the restrictions which Soviet authorities have imposed on communications between Berlin and the Western zones of Germany?"

Stalin replied on January 30, and with respect to question three stated:

"Provided the United States of America, Great Britain and France observe the conditions set forth in the third question, the Soviet Government sees no obstacles to lifting the transport restrictions on the understanding, however, that transport and trade restrictions introduced by the three powers should be lifted simultaneously."

On the following day Secretary Acheson discussed Stalin's answers with President Truman at a meeting at the White House at 12:30. The President approved the idea that the White House would say it had received no message from Stalin and refer questions to the Department of State, that Secretary Acheson would deal with the matter at his press conference on February 2 along the lines of a draft which he read to the President, and that at his press conference on February 3, President Truman would state, in answer to any question, that the Secretary of State had dealt with the matter and he had no further comment.

In his discussion of the third question on February 2, Secretary Acheson traced the history of the blockade and the progress toward the establishment of a West German Government and concluded:

"There are many ways in which a serious proposal by the Soviet Government to restore normal interzonal communications and communications with and within Berlin could be made. All channels are open for any suggestions to that end. The United States, together with the other Western occupying powers, would, of course, consider carefully any proposal made to solve the Berlin problem consistent with their rights, their duties, their obligations as occupying powers."

For the complete text of Acheson's remarks including Kingsbury Smith's questions and Stalin's replies, see Department of State *Bulletin*, February 13, 1949, pages 192-194. For two other accounts of the Stalin-Kingsbury Smith incident and its aftermath, see Acheson, *Present at the Creation*, pages 267-270 and Harry S. Truman, *Memoirs*, Volume II, *Years of Trial and Hope* (Garden City, New York: Doubleday & Company, 1956), pages 130-131. A memorandum of the conversation at the White House and a copy of the draft statement which Acheson read to the President are in file 740.00119 Control (Germany)/1-3149.

For further documentation on this exchange, see volumes IV and V.

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711.61/2-249: Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET

Moscow, February 2, 1949—2 p. m.

261. British Embassy has shown us copy their Washington Embassy's 615, January 31 to Foreign Office London, from which appears Department puzzled by fact Stalin's answer Kingsbury Smith question regarding solution Berlin blockade does not mention currency problem but only postponement establishment Western German Government.<sup>1</sup>

We see nothing puzzling in this. As pointed out mytel 233, January 30,<sup>2</sup> Stalin's reply simply goes back to Kremlin's initial objectives last summer. As then noted in our comments on progress of Moscow conversations, Soviets evidently originally hoped obtain both postponement Western German program, and currency solution Berlin which would in effect give them economic control of city. It was only after prolonged exchanges of view that Kremlin realized Western

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<sup>1</sup> Regarding Stalin's answers to Kingsbury Smith's questions, see editorial note *supra*.

<sup>2</sup> Not printed.

powers would not give in on former and decided develop latter into major (and finally breaking) issue in order spin out negotiations indefinitely, maintaining blockade meanwhile.

There is no reason to believe Kremlin's objectives have changed on this score, though possible that when airlift completes its difficult winter assignment and Western German Government in fact begins to take shape, Soviets may be more willing seek Berlin solution with view to endeavoring postpone latter development. Current British thinking, for example, regarding no need for haste in winding up SC experts' work, evidently based such analysis.

We would interpret Stalin's reply to Kingsbury Smith's question as further indication of importance Kremlin attaches preventing Western German program. But this is nothing new. Currency problem and blockade could always have been solved overnight if we agreed to make concessions on West Germany satisfactory to Stalin.

Sent Department 261; repeated Berlin 33; London 29; Paris 41.

KOHLER

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740.00119 Control (Germany)/2-449: Telegram

*The Deputy Director of the Office of European Affairs (Reber) to the Secretary of State*

[Extract]

SECRET

PARIS, February 4, 1949—1 p. m.

494. From Reber.<sup>1</sup>

[In the first part of this telegram, which is printed on pages 89-90, Reber reported the French position on tripartite conversations concerning Germany.]

When we turned to discussion of Berlin currency problem I asked when French would be ready to accept Western mark in Berlin, pointing out that it was clear neutral experts were going to, if they had not already, report failure. Couve admitted that no Security Council solution of Berlin currency seemed feasible and in fact he said recent exchange of telegrams between Kingsbury Smith and Stalin<sup>2</sup> left no doubt, even if any had ever existed, that Soviets had never been prepared to accept one. Important thing was that we should deal with UN commission in such a way as not to assume responsibility for its failure and he thought that this was now in hand. While evidencing no enthusiasm whatsoever for Western mark in Berlin, he nevertheless put forward as suggestion idea of third currency for Berlin which might be restricted in first instance to Western sectors, but which, if

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<sup>1</sup> Reber was in Paris to discuss the forthcoming negotiations on the Austrian Treaty. For documentation relating to these negotiations, see pp. 1066 ff.

<sup>2</sup> Regarding the Stalin-Kingsbury Smith exchange, see editorial note, p. 666.

Soviet showed any subsequent desire to reach agreement, might provide eventual solution for whole of Berlin. I asked whether his experts would be prepared to discuss this subject immediately, to which he answered in affirmative, and I pointed out that it was essential that this matter be settled without further delay, not only because of economic deterioration in Berlin, but that a solution on our own initiative would strengthen our hand in subsequent dealings with Soviets. I offered no opinion whether third currency for Western sectors of Berlin would be feasible solution, but admitted however that our experts had had in mind for some time that something of sort might be eventual solution for all of Berlin. Important thing in my mind was action, and prompt action, since there was no longer any excuse for delay in view of situation in Geneva. Couve thought it might be useful, even if we did decide to go ahead with a Western currency solution, to allow technical discussions for an overall Berlin currency to continue in Geneva, thereby keeping alive Security Council phase.

[In the last section of this telegram, which is printed on page 27, Reber reported the French attitude toward the London discussions on the occupation statute for Germany and related topics.]

[REBER]

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740.00119 Control (Germany)/2-549: Telegram

*The United States Expert at the Technical Committee on Berlin Currency and Trade (Knapp) to the Secretary of State*

TOP SECRET      PRIORITY

GENEVA, February 5, 1949—1 a. m.

NIACT

130. From Knapp.

I. 1. Section II below gives text statement (unnecessary words omitted) presented committee by three western experts late yesterday following your telephone clearance. Committee promptly transmitted Malietin and received his reaction at previously scheduled evening session.

2. Before meeting with Malietin committee met briefly closed session and decided postpone until Monday final decision further procedure. Understand general attitude that time was favor[able?] winding up promptly with report President Security Council.

3. Apparently, however, Malietin staged virtuoso performance as "willing and aggrieved party" (see comments paragraph 5 mytel 111 repeated London 23, Paris 24, Berlin 28<sup>1</sup>), accused Western powers seeking thwart full free discussion, and insisted he should be given further hearing. He minimized area disagreement between himself

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<sup>1</sup> Not printed.

and committee, praised committee's handiwork, and left impression he could be persuaded accept committee proposals virtually intact. Apparently he ignored "new look" of counter-proposal and simply reiterated it lay entirely outside committee's terms reference. In Robertson's phrase he left "not dry eye in house".

4. Despite personal desires all involved windup promptly, Robertson believes committee members and secretariat (for somewhat different reasons) may now be reluctant do so lest incur Soviet criticism. Gifford and I have told Robertson we see no advantage giving Soviet further ground for complaint, but have recommended strongly that if committee decides continue Malietin hearings, it should set definite time limit of few days. In such case Gifford anxious Western experts have one more session for discussion trade proposals, which scarcely touched upon this week's meetings. Robertson very dubious value such session, especially in view tripartite statement and I have simply expressed willingness conform committee's desires.

5. Robertson now quite worried about tactical position Western powers. He still appears believe committee report will refrain any attribution onus failure, but feels excellent propaganda record being built up by Malietin. Both he and Gifford now express doubts wisdom our having taken such positive line. My feeling of course is we were put in hole from outset by character committee's proposals and that Malietin's present receptive attitude only confirms wisdom our rejection proposals outright rather than having to break on series individual small issues. Can only repeat you must expect no endorsement counter-proposal in committee report.

6. In view foregoing feel must remain here until committee reaches final decision on procedure and on whether hold one more session Western experts. Means deferring departure Paris until Monday or possibly Tuesday but do not propose alter plane reservation.

II. "1. From review committee's preliminary draft proposals and after reexamination comments submitted thereon by Soviet expert and ourselves is clear us that very considerable area disagreement remains which seems scarcely possible reconcile basis committee's draft. We also note much of difficulty arises because absence present time unified city administration Berlin.

2. In our previous statements committee we have emphasized Western occupying powers anxious restore unified municipal administration add full effective quadripartite control Berlin at earliest opportunity. Our governments would therefore like regard any arrangements now made for administration currency trade split city as constituting only temporary *modus vivendi* which would lift blockade Berlin and open way broader negotiations directly among four powers with respect reunification Berlin and problems Germany as whole.

3. We therefore urge committee give earnest consideration, in preparing report President Security Council to alternative suggestions

put forward by US expert and previously commended attention committee by British French experts. We invite committee consider possibility offered by these suggestions of interim solution adapted present circumstances split city and affording provisional protection legitimate interests all four occupying powers. If reunification municipal administration Berlin can be achieved, our governments would then be prepared give renewed consideration committee's preliminary draft proposals, with appropriate amendments, or to any alternative plans which may be developed for use single currency Berlin adapted to circumstances reunified city administration."

Sent Department 130, repeated London 30, Paris 30, Berlin 33.

[KNAPP]

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740.00119 Control (Germany)/2-949: Telegram

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

TOP SECRET

LONDON, February 9, 1949—10 p. m.

509. At Foreign Office request Holmes saw Kirkpatrick this afternoon to receive following communications:

Inner Cabinet had been giving active consideration to entire German problem and has decided to press for consolidation Western position in Germany as rapidly as possible. British are now convinced there is no hope that Neutrals Committee will produce acceptable solution of currency problem Berlin and there is little hope that blockade will be lifted in foreseeable future. They feel that we should not delay introduction of West mark as sole currency Western sectors and propose March 10 be fixed as date such introduction. They realize this may mean indefinite continuance of air lift and have decided on several administrative measures to improve British share of lift by establishing more permanent administration regularizing and prolonging contracts with civil chartered carriers, substitution of "heavier machines" for C-47's, et cetera.

Foregoing has been communicated to French and their agreement to introduction West mark March 10 sought. Robertson has been instructed to confer with Clay and Koenig concerning above.

Sent Department; repeated Berlin 98, Paris 92.

DOUGLAS

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*Editorial Note*

On February 11 the Technical Committee on Berlin Currency and Trade addressed to the President of the United Nations Security Council a report which reviewed its activities at Paris, November 30–December 22, 1948, and at Geneva, January 14–February 11, 1949,



and which stated that "the Committee has reached the conclusion that the present positions of the experts of the Four Occupying Powers are so far apart in this matter that further work by the Committee, at this stage, does not appear useful." The Committee put forward no recommendations, but it submitted its report, with associated working papers, in the hope that they might be found useful in any further discussions. The report and its enclosures were subsequently issued as United Nations press release SC/908, March 15, 1949, and most of the text is printed in Department of State *Documents and State Papers*, May 1949, pages 749 ff., and *Germany 1947-1949*, pages 230 ff.

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740.00119 Control (Germany)/2-1449 : Telegram

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

TOP SECRET

US URGENT

LONDON, February 14, 1949—8 p. m.

NIACT

563. Holmes met with Kirkpatrick this morning to discuss proposed procedure re Western mark introduction (Deptel 512, February 13<sup>1</sup>). After consulting Bevin, Kirkpatrick states following British views:

British cannot agree that Koenig should be told at meeting MG's February 16 that US and UK will proceed with introduction Western mark March 10 irrespective of French views. British oppose this course because: (1) it is too precipitate; (2) evidence it would provide of split among Western powers; (3) practical difficulties of currency change-over in only two sectors; and (4) adverse effect it would have on Anglo-French relations.

However, British rejecting French proposal special currency for Berlin and are instructing Robertson to take strong stand at MG's meeting February 16 for introduction Western mark March 10.

British also making representations to French Embassy here today and sending instructions to British Ambassador Paris along following lines: They feel that there is no prospect of satisfactory solution currency problem from Committee of neutrals; that the situation in Berlin requires immediate remedy; and that only practicable solution is introduction Western mark. British feel French fear that Western mark would constitute political tie West sectors to Western zones not well grounded. In any case, the French must make up mind about future status Berlin and if Western sectors not tied to Western zones in some manner they will be pushed to the East. British feel that

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<sup>1</sup> Not printed; it reported that Clay expected opposition from the French when the introduction of the Western mark was discussed at the Military Governors meeting February 16. He suggested, and the Department concurred, that the U.S. and U.K. Military Governors tell the French Military Governor that they would proceed with the introduction of the Western mark regardless of French participation unless the Russians had agreed to a satisfactory solution of the Berlin question prior to March 10. (740.00119 Control (Germany)/2-949)

currency adjustments should be based on facts of situation and not on tenuous political objective. Harvey<sup>2</sup> being instructed coordinate approach to French Paris with Caffery.

Re Experts Committee report and action suggested in SC (Deptel 492, February 11<sup>3</sup>), Dean, who was also present at meeting this morning, stated that he understood report would be more or less neutral document which reviewed history committee and informed President SC of committee's inability resolve currency issue. However, to discerning eye it would be apparent that committee placed some of onus for failure on Western powers. In view of this fact, and of possibility of currency change-over on March 10, Dean of opinion that it would be better for us not to stimulate discussion SC re currency but to let sleeping dogs lie for the present. Dean hopeful that committee report will not be published and informed us that Canadians oppose publication and that latter believes Soviets may also oppose publication because it might commit Soviets to concessions made at Geneva.

Sent Department 563; repeated Paris 101; Berlin 105.

DOUGLAS

<sup>2</sup> Sir Oliver Charles Harvey, British Ambassador to France.

<sup>3</sup> Not printed: it reported that the United States contemplated developing its new offer (see telegram 299, p. 664) to the full in the Security Council as a fair solution to the Berlin problem. In pursuit of this aim exploratory talks in coordination with the British and French should be begun with the neutral members of the Security Council immediately after the submission of the Technical Committee's report. (740.00119 Control (Germany)/2-949)

501.BC/2-1549 : Telegram

*The Secretary of State to the United States Mission at the United Nations*

TOP SECRET

WASHINGTON, February 15, 1949—8 p. m.

85.<sup>1</sup> It had originally been our intention to reserve for subsequent UN proceedings in NY, following submission of the neutral experts' report to the SC Pres, full development of our comprehensive program based on the US counter-proposal<sup>2</sup> for the use of the Soviet mark on an autonomous basis in the western sectors. This program was outlined in Deptel 299 to London<sup>3</sup> and will be recapitulated hereinafter. In order to make such development possible and to obviate Sov rejection at technical comite level of the pol elements involved, we instructed Knapp in Geneva to present a brief outline of our program, as reported in Deptel 100 to Geneva.<sup>4</sup> We were justified in be-

<sup>1</sup> Repeated to London as 536, Berlin as 186, and Paris as 477.

<sup>2</sup> Regarding the U.S. counter-proposal, see editorial note, p. 658.

<sup>3</sup> *Ante*, p. 664.

<sup>4</sup> Not printed.

lieving that the implications of our plan should not be dealt with at the experts level but were matters for consideration between the governments at a later time. Knapp's presentation of the outline met with a favorable reception from the UK and Fr experts as well as the comite chairman, who felt we had done much to improve our previously adverse position in the comite.

Since the above assumptions were made two developments have taken place which change the picture. Knapp states that on two occasions in Geneva the Sov expert summarily rejected our counter-proposal within the setting it was presented. The Brit in meantime have made up their minds that agreement on a currency solution in SC is most unlikely and have agreed to introduce western mark in western sectors on Mar 10, as we have been pressing them to do. Fr have been told that if there is no prospect of an early solution in NY, we must proceed with introduction of B mark on Mar 10.

We understand that the experts report will present a brief factual survey of the Geneva discussions with no attempt to make recommendations or to place responsibility for failure. Brit are of opinion, which we are coming to share, that it would be useless and time-consuming to revive currency discussions in UN on the basis of experts report. Brit FonOff as well as Canadian Chairman oppose publication of report and believe Sovs may also be interested in preventing publication because of the commitments they made at Geneva. Knapp reports that neutral experts after their labors in Geneva have lost interest in currency problem and it is therefore likely that no initiative for further discussion will come from them or from their Govts.

Over and against the uncertainties of further UN action, introduction of Western mark seems to us and Brit to be of capital importance in order to permit a stabilization of our economic position in Berlin so that other events can be dealt with as they occur. We hope to obtain Fr agreement. We appreciate that with circulation of the comite's report by SC Pres to other members, initiative may be taken in one quarter or another to place the question on SC agenda. Furthermore, leaks concerning the report may occur which will be highly unfavorable to US position, although we believe we could handle these by explanatory publication in the nature of a white book on the Geneva discussions, which we are preparing. Everything considered however we would like to see the experts report filed without SC action, except perhaps an announcement by SC Pres that the efforts of the neutral comite resulted in no agreement and that therefore there was nothing further for the SC to do at this time. This would enable the Western powers to proceed with the introduction of the Western mark.

We would be completely justified in adopting this procedure by the certainty that if the report came up for discussion Sovs would seek to

confuse and delay the issue for an indefinite period. Once Western mark had been introduced we would consider returning to SC with a new offer, namely, the introduction of a third and independent currency for Berlin under four-power control, together with a proposal of the terms for the re-unification of the city admin. We have always felt this to be the logical solution of the currency problem, which, besides protecting the economic position of all four powers in Berlin, would permit a resumption of quadripartite control. If blockade were lifted on this basis, we would then proceed with a CFM meeting on the general subject of Ger, as we have said we would do.

For your info, if we are unable to keep the currency problem quiescent in NY between now and Mar 10 we feel one possible course of action might be to go to the SC Pres and the other neutral members and develop more fully our proposal submitted in outline in Geneva. We would explain that our currency counter-proposal would offer means of providing an interim solution which would adequately protect the interests of all four powers. After it had been agreed to in conjunction with lifting of blockade, we had intended to negotiate with Sovs a reunification of the city admin on the basis of the new constitution proposed by Gers which was under consideration by Kommandatura at time the latter broke up.

We could request the neutrals' understanding of this proposal as a fair standstill arrangement which would harm the interest of no one power in Berlin and would offer the prospect of lifting blockade and opening up discussions on a broader basis with Sovs. We could explain that unfortunately the preliminary recommendations which Sovs appeared to be willing to accept in principle were unworkable in light of the present pol situation in Berlin and would irreparably damage our position there. We would hope that our counter-proposal would meet with sympathetic response on the part of neutrals, and if this were the case we would authorize them to place it once more before Sovs in its full setting with a view to obtaining an immediate answer concerning its acceptability. We could warn neutrals that we would have to take protective economic measures if Sovs refused and in this event we would proceed immediately with introduction of Western mark as sole legal tender.

1. Accordingly request you endeavor concert positions with Brit and Fr so that neutral report will be treated in NY as outlined above and so that we may proceed with Western mark. This could include agreement with Brit and Fr, which may be necessary to gain Fr acceptance, that after Western mark introduced we would submit definitive proposal before SC re third currency, Berlin pol re-unification, lifting of blockade and broader negotiations with Sovs.

2. We reserve our attitude re publication of the report but in meantime ask you to request SC Pres and neutrals to defer publication until we have had opportunity to examine contents. If leaks occur in meantime we will deal with public relations problem in statement emphasizing intent our proposal at Geneva and explaining it was not pursued because Sov experts negative reaction.

3. If course 1 above fails completely and neutrals or Sovs insist on SC action, we might then seek neutrals mediation for presentation our proposal to Sovs with aim obtaining immediate reply. If this procedure fails, we would then fully develop our proposal before SC.

ACHESON

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740.00119 Control (Germany)/2-1749: Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

TOP SECRET

BERLIN, February 17, 1949—3 p. m.

249. ReDeptel 176, February 13.<sup>1</sup> At meeting three military governors Frankfurt yesterday, Koenig stated he could not agree to Robertson's proposal introduction West mark in Berlin. He contended that as French Government has agreed to support US counter-proposal in SC and as this counter-proposal takes into account the political situation in Berlin, French Government cannot therefore agree to unilateral decision when SC is considering question.<sup>2</sup> Furthermore, such action would link Berlin with Western zones which was contrary to his government's policy. Koenig requested that this matter be postponed until decision by SC or if such decision unduly prolonged that problem be reexamined in three or four weeks by military governors.

Clay stated US position was that West mark should be introduced into Berlin at early date. Over 60 percent of food for Berlin provided by US and UK is paid off in East marks which as compensation is only so much waste paper. If West marks were acquired they could usefully be employed.

Robertson stated that he was very disappointed to hear French answer. UK has also had hesitations because of SC consideration but now believes we are threatened with financial disaster and time has come to introduce West mark. SC negotiations have already been protracted and time for action has come.

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<sup>1</sup> Not printed.

<sup>2</sup> In telegram 657, February 15, from Paris, not printed, Caffery had transmitted the translation of a letter from Chauvel in which the French Government agreed to support the United States counterproposal in the negotiations with the members of the Security Council on the understanding that the counterproposal was an interim arrangement which might serve as a basis for discussion if Berlin should be reunified. (740.00119 Control (Germany)/2-1549)

Koenig made no reply to these arguments other than to state that views expressed would be conveyed to his government.

Sent Department; repeated Paris 98, London 116.

MURPHY

740.00119 Control (Germany)/2-1749: Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET US URGENT WASHINGTON, February 17, 1949—7 p. m.  
NIACT

512.<sup>1</sup> Personal for the Amb. Request you give strong and urgent support to Brit Amb with view to persuading Schuman that SC consideration neutral experts report be treated as outlined Deptel 477<sup>2</sup> to Paris so as to permit introduction Western mark Mar 10 (London's 109 to Paris<sup>3</sup>). As regards need introduction B mark Mar 10, we completely agree with Clay's and Robertson's position reported Berlin's 98 to Paris.<sup>4</sup> Koenig's request for delay based on assumption that US counter-proposal would be pressed in SC discussion, but for reasons given both by Brit and by Dept we feel such discussion would be inadvisable and we are confirmed in this view by preliminary examination experts report.

Re Brit views in London's 109, we do not know whether it will be possible to prevent publication experts report indefinitely but we have assurances that report will not be published until we have full opportunity to consider it. Suggest matter of publication be handled in NY by Western Dels UN.

Re our proposal in second sentence numbered para 1 Deptel 477, we reserve our position on this point but agree with Brit it need not be mentioned to Fr at this time. We do not understand London's reference to page 2 Deptel 536 (477 to Paris), but if this relates to development our counter-proposal in event it is impossible to forestall SC consideration of report, we agree this step should only be considered at present as possible defensive measure.

ACHESON

<sup>1</sup> Repeated to New York as 89, London as 573, and Berlin as 202.

<sup>2</sup> Same as telegram 85, February 15, p. 673.

<sup>3</sup> Not printed; in it Douglas reported that the British wanted to prevent the publication of the Technical Committee's report and to press the French to agree to the introduction of the Western mark in Berlin. (740.00119 Control (Germany)/2-1749)

<sup>4</sup> Same as telegram 249, *supra*.

740.00119 Control (Germany)/2-1949: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET URGENT

PARIS, February 19, 1949—2 p. m.

723. Schuman tells me that he has given instructions to his representatives to do everything on their part to prepare for the introduction of the West mark in Berlin on March 10. However, he does not want announcement made thereof until the Security Council has disposed in one way or another of the neutral committee's report which he assumes will be within the next ten days.

Sent Department 723; repeated London 151, Berlin 57.

CAFFERY

740.00119 Control (Germany)/2-1949: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

US URGENT

WASHINGTON, February 19, 1949—7 p. m.

NIACT

592.<sup>1</sup> Army is addressing following message to Clay:

"Essential question is introduction Western mark Mar 10, which is assuming increasing urgency in light reports Eastern zone currency dislocation and rapidly depreciating exchange value East mark in Western sectors. Paris Emb conversations Fr officials reported in Paris Tels 55 and 56 to Berlin <sup>2</sup> indicate possibility Fr might agree to introduction Western mark on basis so-called Plan X <sup>3</sup> which, while making West mark sole legal tender Western sectors Berlin, would leave Berlin Central Bank as correspondent of, and not voting member of Bank Deutscher Laender. We believe we should exploit this opportunity to obtain Fr agreement. This step would not prejudice development closer relationship Berlin with Western zones in financial as well as polit matters should this be decided upon. Would Plan X be acceptable as basis for immediate discussion three Mil Govs with view to establishing technical arrangements for full introduction Western mark Mar 10? Feeling is here that discussion of separate currency for three Western sectors as proposed in Paris tel 55 to Berlin not profitable or useful and we plan so to inform French if you agree. We do not accept Fr conception of three to four weeks delay for purpose SC discussion, mentioned their note in Paris tel 55, since we and Brit are of firm opinion that SC consideration experts report

<sup>1</sup> Repeated to Paris as 531, Berlin as 210, and New York as 95.

<sup>2</sup> Neither printed.

<sup>3</sup> The Plan under reference here called for the transformation of the Berlin Currency Commission into a Berlin equivalent of a Central Bank with the law establishing such a bank providing that it might become a bank of issue. The currency issued in Berlin would be applied against the books of the Bank Deutscher Laender and the relation between the Berlin Central Bank and the Bank Deutscher Laender would be correspondential. (Letter from Murphy to Saltzman, February 23, not printed (862.515/2-2349))

would serve no useful purpose. Please repeat your reply to Paris and London through Murphy."<sup>4</sup>

ACHESON

<sup>4</sup> In telegram GC 7817, February 22, from Berlin, Clay replied:

"I can see no justification technically or politically for Plan X. It springs entirely from French desire to separate Berlin from West Germany. If we propose to accept this principle it is difficult to conceive why we stay in Berlin with an expensive air lift burden. Presumably we are remaining in Berlin to maintain its ties with West Germany and the West. French were fully willing to have German Bank of Emission of Soviet Zone control Berlin currency and yet are unwilling for Bank Deutsche Laender to do so. An allied commission can do the job but certainly not as effectively as BDL. If British would go along with us in proceeding with the West mark under BDL, French would have to accept." (Department of Defense Files)

740.00119 Control (Germany)/2-2149: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      US URGENT      WASHINGTON, February 21, 1949—7 p. m.  
NIACT

603.<sup>1</sup> We are gratified Fr are demonstrating growing appreciation of necessity Western currency measure in Berlin Mar 10, which is all the more needed to protect Western sectors against increasing currency confusion (Paris tels 151 and 155 to London<sup>2</sup>). Our understanding is that Fr, while doubtful SC discussion can be avoided, will agree to Mar 10 changeover if SC takes no action on experts report and we trust they will cooperate with us and Brit in NY in our proposed procedure.

We learn that SC Pres will probably circulate report to other SC members middle this week and that Chinese Pres [*Rep?*] is looking to Western Dels for advice. Accordingly we propose instructing US Delegate in following sense: Together with Western colleagues he would approach present Pres as well as Cuban Rep, who will be next month's Pres and tell them that in view failure full discussion of problem at Geneva to make any advance toward agreement, SC consideration of experts report would seem to us to serve no useful purpose. Western delegates would suggest SC Pres making public statement along following lines at agreed time:

"The President is making public the report of the comite of neutral experts established by the President of the Council, Mr. Bramuglia, on Nov 30, 1948, which with its annexes gives a full account of the work of the comite for the study of the Berlin currency and trade problems. Despite long and detailed discussions lasting several weeks, as the report indicates, the comite was unable to arrive at a solution of the problem acceptable to both sides. Accordingly there would appear

<sup>1</sup> Repeated to Paris as 543, Berlin as 217, and New York as 98.

<sup>2</sup> Telegram 151 same as 723, p. 678; telegram 155, not printed.



to be no further contribution which the President's committee of experts can make at this time. The Council remains seized of the Berlin matter, however, and the President of the Council as well as other members not directly involved in the dispute hold themselves ready to render such assistance to the parties as would be most helpful."

As will be noted from above, we are coming to belief it will be impossible and also inadvisable to insist upon non-publication experts report. Consider that nothing would be lost and that in fact it would be advantageous to have report published simultaneously with announcement by SC Pres referred to above. Dept convinced leaks of parts of report unfavorable to West bound to occur which would be more damaging than publication complete report. Also due to pressure from press, non-publication will almost certainly insure bad reaction. Our main doubt on publication had been fear it would make SC meeting more probable. If Pres issues suggested statement believe this apprehension will be countered. It may be difficult enough to prevent SC meeting and Dept believes wiser course concentrate this objective. Dept sending you in separate cable draft statement it would propose to issue immediately following publication and announcement.<sup>3</sup> Suggest Brit and Fr prepare similar releases.

In order to influence favorable reaction other neutrals, Western delegates would take Canadian Rep into their confidence by informing him that we would be forced shortly to withdraw legal tender status East zone mark in Western sectors because of confusion and disorganization caused by irrational currency situation. Canadian Rep would be informed of our view that this necessary step once taken would not preclude further SC consideration but was needed, failing likelihood early agreement, to even up position in Berlin. After adoption this measure, which cannot be justifiably delayed much longer, Western powers would consider possibilities further SC action for resolution Berlin problem.

We realize SC Pres may find it necessary consult Sovs before issuing public statement and that Sovs may regard themselves in favorable position to request or promote SC discussion expert report. Should Sovs make such attempt SC Pres might appropriately ask Sov Rep whether he now recognizes SC jurisdiction which hitherto Sovs have refused to do.

Pls endeavor to obtain Brit and Fr FonOff agreement to parallel line of procedure. We urge that they send full instrs their UN delegates so that coordination can be effected as soon as possible in NY.

For Paris: Pls take action required.

ACHESON

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<sup>3</sup> Transmitted in telegram 617, February 23, to London, not printed (740.00119 Control (Germany)/2-2349).

740.00119 Control (Germany)/2-2249: Telegram

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

TOP SECRET      US URGENT      LONDON, February 22, 1949—9 p. m.

648. For the Secretary's Eyes Only from Douglas.

1. Completion of work of Expert's Committee on Berlin currency and trade problems and course of action proposed Deptel 603, February 21<sup>1</sup> will mark an important turning point re Berlin case. Department's instructions raise two issues, i.e. the immediate problem of whether experts' report should be published and the basic question of our next steps with respect to Berlin situation.

2. Regarding publication of report, I heartily agree with Department that it would be most unwise for us to attempt to suppress publication and I do not anticipate much difficulty in persuading British to agree to our point of view.

3. Regarding second question, Foreign Office has informed us that they hope SC will not discuss currency, that they have no plans for further steps which might obtain a lifting of blockade, and hope that, while Berlin case will remain on SC agenda, it will not be actively considered by SC for an indefinite period. Thus British thinking re at least immediate future in SC seems to conform program outlined reference telegram although Department states after currency change-over Berlin, "Western powers would consider possibilities further SC action for resolution." In view of fact British position already close to our own, I would like to set forth following data for Department's consideration before approaching British along lines reference instructions.

4. As I see it, the question to be answered is how can we remain in the Western sectors of Berlin with least cost to us in money, prestige, and bargaining position for the future? Can this best be accomplished by introducing West mark and continuing air lift, or by agreeing to the introduction of the East mark into all of Berlin, obtaining a satisfactory trade agreement, and thus obtaining a lifting of the blockade?

5. If I correctly interpret Department's reference telegram, we propose to abandon effort to obtain a lifting of blockade on basis of agreeing to introduction East mark into all of Berlin. In other words, avenue we have been following since August 2<sup>2</sup> for resolving Berlin issue will be closed. If we now discontinue efforts to reach a settle-

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<sup>1</sup> *Supra.*

<sup>2</sup> The reference here is to the negotiations in Moscow during August and September 1948, among the four occupying powers in a vain attempt to negotiate a settlement to the Berlin problem. Documentation relating to these discussions is in *Foreign Relations*, 1948, vol. II, pp. 995 ff.

ment on this basis, it seems to me that our possible courses for further action, and our room for maneuvering on the diplomatic level, may become extremely limited. The limitations on our future action are underlined by fact that we are committed not to negotiate with Soviets about Berlin or Germany under the duress of the blockade. The stalemate we have reached re Berlin, and consequently Germany as a whole, will continue, and perhaps all SC will then be able to do is to attempt to maintain a precarious status quo in Berlin through the airlift and to hope that some presently unforeseen circumstances in the indefinite future will provide a new basis for a settlement.

6. The Department may have chartered [*charted?*] a clear course to follow after closing the present avenue. If so these observations in this telegram obviously may not apply.

7. The airlift, which has now successfully weathered the winter, does at least insure that we can temporarily remain in Berlin or if associated with evacuation of portion of population remain for a protracted period. But in absence of drastic measures of this order it is manifest that we cannot look forward with any confidence to the situation in Berlin, say a year from now, when the initial psychological effect of this magnificent demonstration of air power has been dissipated by the humdrum but compelling problems of meeting the minimum economic necessities of the Western sectors of Berlin, if indeed they can be met satisfactorily. This problem has been accentuated by the virtual cessation of economic intercourse between the Western sectors and the surrounding area. While the introduction of the Western mark may on one hand provide some relief it may on the other induce additional counter measures by Soviet such as for example termination inter-exchange of power which will further aggravate our precarious position.

8. Moreover exploitation of this situation by Germans to their own advantage but perhaps not to ours, already seen in embryo in the Western Berliners' demands for an increase in the air lift, for the incorporation of the Western sectors into the Western zones, etc. may present some serious questions which with the passage of time will undoubtedly become more and more difficult for us to resolve. If they also set German against German, they may become more dangerous in their consequences.

9. Thus to my mind, the airlift does not provide an answer to the problem of Berlin, nor can it be an escape for us from this problem. It has given us time to search for a solution. It has also, up to the present, had an incalculable and positive psychological effect on our position in Germany and Western Europe. However, can we have any

assurance that this affect will continue as the contrast becomes more apparent between the tremendous effort involved and the abnormal and unnatural airlift which simple road blockades by the Soviets force us to employ and the normal and natural rail, road and water routes which we cannot use.

10. Thus, I believe it is at least an open question whether our bargaining power re Berlin, insofar as the airlift is concerned, is not greater now, immediately after the winter, than it will be at some time in the future. I also wish to raise the question whether our bargaining position with the Soviets may not be greater under the "threat" of the formation of a West German government than it may be after the full exposure of all the complex problems connected with establishing that government. Our experience here on the occupation statute, and the initial reaction of the military governors to the basic law bring into sharp focus some of the difficulties ahead.<sup>3</sup>

11. These problems regarding the economic condition and status of Berlin, the future psychological effect of the airlift, our program in West Germany, etc. are, of course, problems which we must and are energetically facing and which, I have no doubt, we will resolve.

They are, however, relevant to any assessment of the timing of our next move re Berlin. Since we cannot with certainty predict the net effect of these developments on our own position, it seems to me, from this vantage point at least, that we have nothing to lose by pressing ahead now in the SC in a further search for a solution of the Berlin problem.

12. Furthermore, as the French point out, it was the Western powers who took the initiative in bringing the matter before the SC. We have correctly labelled the blockade a "threat to the peace." Having in mind our responsibilities and obligations to the UN, I do not see how we could encourage the Council to do nothing about a problem which we have so forcefully declared might at any time impair the peace.

13. I should also think it to our advantage to have the Council actively continue its efforts to resolve the dispute since we may still hope that the Council's deliberations will be successful. It was with this objective clearly in mind, and explicitly stated, that we referred the matter to the SC. While in no way abandoning our rights in the Council, it was also our intention to abide by the majority wishes of the Council even though those majority wishes might not meet our

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<sup>3</sup> For documentation relating to negotiation of the occupation statute and the basic law for Western Germany, see pp. 1 ff. and pp. 187 ff.

desires in every respect. This position seemed a highly desirable one to me because it served as a striking demonstration that we at least were willing to give UN our full support.

14. Regarding our next steps in SC, I would like to put forward the following suggestion which centers around retaining possibility of utilizing a trade on currency in return for Soviet agreement to lift the blockade. Since the Experts' Committee has now given exhaustive consideration to the problem, and since we have raised certain political issues with which it was not competent to deal, could we not propose to the neutral members of the SC that, after they had reviewed the work of their experts and the relevant political factors, we would welcome their own recommendations for a plan which would resolve the Berlin currency and trade issues. The Experts' Committee has reported its inability to obtain an "agreement". What is now proposed is that we say to the neutral members of the SC that we would welcome their recommendations for an equitable solution of the problem, without any further effort on their part to obtain a solution agreed upon in advance of its presentation to SC.

15. I suggest that we make this further effort to have the blockade lifted in return for a solution of the currency problem not only because it is the only avenue thus far suggested which might lead to a settlement, but also because prestige considerations would seem to make difficult embarking on an entirely new course at this time. The suggestion would also seem feasible from a procedural point of view since, after the elaborate exposition of the various technical points of view before the Experts' Committee, further technical discussion with representatives of the parties directly concerned would appear unnecessary. Finally, I cannot believe this scheme would subject us to substantial risks since it is hardly conceivable that the "neutral" members of the SC would produce a plan which would injure our interests in view of their general sympathy for an alignment with the Western powers. In this connection, however, we might wish to emphasize again to at least some of the neutral members the particular points which we would consider most important in any currency and trade plan. With respect to this, I feel that satisfactory trade arrangements would be the most essential features in any such plan to insure our position in Berlin.

16. It seems to me that the above step would prevent the Soviets from capitalizing in their propaganda on the Experts' Committee report. Perhaps more importantly it would place us in a strong position with the neutral members of the SC. I have been disturbed over the fact that the Canadian Ambassador could call at the Department to

inquire whether we in fact did want solution of the Berlin issue.<sup>4</sup> It is obviously important to remove any such doubts in the minds of the neutral members as to our intentions. If we follow plan of Deptel, the "burden of proof" re failure of Experts' Committee will lie with us, and this could have a seriously adverse effect on us in Western Europe. On the other hand, the suggestion advanced above, if it does not bring a settlement, should at least put the "burden of proof" on the Soviets.

17. I hope you will understand that I have raised the above questions, and put forward the above suggestion as to future action in the SC, in part because I am not clear where we go next on the Berlin issue. I am sure you will agree that we should, if possible, avoid a situation where we are forced, say, to withdraw from Berlin or use an armed convoy to remain there, or a situation in which we might be forced to consider negotiations about Berlin or Germany while the blockade is still being employed by the Soviets. It will obviously be extremely difficult for us to make decisions of this character if we are forced to because of Soviet action. On the other hand, it will be relatively easy for us to accept a recommendation of the neutral members of the SC for a resolution of the problem if their recommendations provide us with minimum protection.

18. I will await further word from you before taking up Deptel 603, February 21 with British.<sup>5</sup>

DOUGLAS

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<sup>4</sup> The reference here is to a conversation between the Canadian Ambassador, Hume Wrong, and Bohlen on January 13, 1949. During the conversation Wrong indicated that the Canadian representative on the Neutral Committee, Robertson, was not clear whether the United States desired the continuation of the status quo in Berlin, or whether the United States really desired a settlement of the Berlin question. Bohlen had told Wrong:

"... that the United States Government no less than the other Western Powers desired a settlement of the Berlin situation, but a settlement which would be workable and which would not involve the abandonment of our position in Berlin and the turning over of the control of the Western sectors to the Soviets."

A memorandum of this conversation, not printed, is in file 740.00119 Control (Germany)/1-1349.

<sup>5</sup> In telegram 662, February 23, from London, not printed, Douglas asked about the effect of the counterblockade on the Soviet zone. "If Department's analysis of this factor demonstrates that counterblockade is so seriously damaging economy Soviet zone that Soviets will be compelled to accept our terms in Berlin, then this would, of course, offset tone of considerations outlined in Embtel 648." (740.00119 Control (Germany) 2-2349)

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740.00119 Control (Germany)/2-2249: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      US URGENT      WASHINGTON, February 25, 1949—7 p. m.

642. Personal for the Amb. Your analysis and frank comments in Embtel 648<sup>1</sup> have been helpful to me in bringing up for review a num-

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<sup>1</sup> *Supra.*

ber of points which have given us concern. I regret it has been impossible in our brief and urgent telegraphic exchange to outline to you more fully the course of action we have in mind, particularly since the FonOff appears not to be considering any further plans for resolving the Berlin problem. (See however Deptel 536.<sup>2</sup>)

A number of basic facts have determined our line of thinking. It is clear from the discussions in Moscow, Berlin, and those held by UN experts comite, that Sovs until now have not been willing to accord us equitable control over currency and trade. In fact they have produced a situation in Berlin which leaves us but one choice, namely, that in order to prevent an economic strangulation of the Western sectors we could accept the use of the Sov mark only on the basis of our counter-proposal<sup>3</sup> presented at Geneva.

It could be seriously doubted that the neutral SC members themselves, as distinct from their experts at Geneva, could formulate any other acceptable solution for the use of Sov zone mark throughout Berlin. They certainly do not have the technical expertise themselves for attempting the job nor is it even clear that they would have competent technical advisers. We understand that at Geneva the chief initiative was taken by UN Secretariat members of the comite and that neutral experts in large measure had little to do with comite's work. The chief obstacle was and remains the Sov split of the city, which comite's preliminary recommendations failed to take into sufficient account. Given the same set of circumstances, it is doubtful whether SC neutrals could formulate any plan which would adequately protect our position other than our counter-proposal which Sovs rejected at Geneva. Hence either they would come up with something which we would again be forced to reject, or they would be placed in what they might regard as the needlessly embarrassing position of having to endorse our proposal in the face of known Sov opposition. Our record of cooperation with the neutrals has been good and it will be recalled that Western powers accepted their SC resolution, which Sovs vetoed. We fully expect to utilize neutral cooperation in the future.

We still agree with Brit that a detailed SC discussion of experts report would yield no positive results. We think we should try to avoid such discussion, although we appreciate we cannot openly frustrate further SC consideration if the neutral members should desire it. Should an early discussion be impossible to avoid, we could revive our Geneva counter-proposal as an interim currency arrangement which would permit a lifting of the blockade and discussions re re-

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<sup>2</sup> Same as telegram 85, February 15, to New York, p. 673.

<sup>3</sup> Regarding this counterproposal, see editorial note, p. 658.

unification of the city and broader German questions. We would try to obtain an early answer from Sovs, realizing that they will stall for time before reiterating their rejection and that we may be forced to postpone introduction of Western mark on Mar 10 while awaiting Sov reply. Our objective nevertheless continues to be the establishment of Western mark by Mar 10 if possible. This step, which Brit proposed and which Fr are apparently willing to consider, is designed to alleviate a most serious economic situation which is giving us increasing concern. The Western B mark is already circulating in Berlin and the contemplated changeover would simply place us in an equal position vis-à-vis the Sovs which must be brought about soon in the absence of any likelihood of early Sov acceptance of our essential terms for the use of the Sov mark.

Besides being critically necessary for the economy of Western sectors, establishment of Western mark will place us in a stronger bargaining position in subsequent discussions of a solution. Far from excluding further efforts, we have in mind exploiting UN action to the full once we have obtained a basis of parity in currency matters. We intend to return to SC and invoke its assistance in obtaining a lifting of blockade with such acceptable currency and trade arrangements as may be required for that purpose. Logically, these efforts would be pursued along the lines of a proposal for a third and independent currency under four power control, which we have come to believe is only rational arrangement consistent with rights and interests of all four powers in Berlin and the separate juridical status of the city. Sov polit actions in relation to use of Sov zone mark, as well as *de facto* presence of two distinct currencies in Berlin, would give cogency for suggested establishment of a separate Berlin currency regime. We could at the same time put forward suggestions for political reunification of the city. In urging that a solution be sought along these lines, we would make plain our willingness to engage in discussions of German problems as a whole in a CFM once the blockade had been lifted.

We are aware of efforts by the Berlin leaders irrevocably to tie Western sectors with Western zones but we have taken no such decision and do not believe this need follow from establishment of Western mark on the basis of a flexible relationship with Western zone banking system. We have also recognized risk of Sov counter-measures, but it is difficult to see what further steps Sovs could take in Berlin which would not redound to the equal disadvantage of the third of the city they control. (See Deptel 4814, Dec 29.<sup>4</sup>)

We are convinced that establishment of Western mark is becoming more necessary as a result of economic pressures which are daily in-

<sup>4</sup> Not printed.



creasing and we do not see much hope of obtaining a currency solution in SC before we have placed ourselves in a position of equality through steps completely justified by latest Sov policy. With ref your 662,<sup>5</sup> Sovs as result counter-blockade and unfavorable polit position, are probably under just as much, and in some respects perhaps more, pressure than ourselves and once we have firmly secured our currency position in Berlin we intend to seek a reasonable solution through the machinery of UN. Until the steps now urgently necessary have been taken, any other course or delay would risk a serious undermining and wastage of the efforts we have so far put forth to maintain Berlin.

To re-capitulate:

1. We favor publication experts report, accompanied if possible by statement by SC Pres along line Deptel 603,<sup>6</sup> after circulation and a few days consideration by individual SC members; publication also would be accompanied by parallel releases or statements by Western powers, texts of which already drafted.

2. We would try to arrange avoidance of SC discussion experts report through suggested announcement by SC Pres and by appropriate discussions with neutrals; if this fails we would revive and develop in SC US Geneva counter-proposal as offering fair interim solution.

3. We should aim at earliest disposition experts report in SC so that Western mark may be established Mar 10.

4. Following this step we would invoke neutral assistance with view to achieving removal of blockade, equitable and workable currency solution and polit reunification of Berlin.

5. We would reiterate our willingness to begin discussions with Sovs for resolution of questions affecting Germany as a whole once blockade is lifted.

In your discretion you may talk with FonOff along above lines and ascertain their opinion which if favorable should permit Brit to proceed with action suggested Deptel 603.

Urtel 694<sup>7</sup> just received and will be replied to in detail later. Entirely agree your emphasis need for satisfactory trade arrangements but idea settle currency issue on basis some quantitative formula has been explored at great length both here and in Geneva without any success. Basic interests and concepts of Western powers and Sovs in currency matters judged here to be too far apart to promise any settlement on basis East mark, at least within a split city, except along lines our counter-proposal. It is for this reason we incline turn toward third currency alternative in next round. Accordingly, suggestions you put forward do not seem to us essentially to change the considerations discussed above.

ACHESON

<sup>5</sup> Not printed; but see footnote 5 to telegram 648, p. 681.

<sup>6</sup> *Ante*, p. 679.

<sup>7</sup> Not printed; in it Douglas elaborated on the provisions he felt would insure a satisfactory trade and currency agreement for Berlin. (740.00119 Control (Germany)/2-2449)

Department of Defense Files

*The Under Secretary of the Army (Draper) to the United States  
Military Governor for Germany (Clay)*

TOP SECRET      PRIORITY

WASHINGTON, February 25, 1949.

WAR 84710. Personal for Clay from SAOUS. Secretary feels and State agrees that underlying question is introduction Western mark B in Western sectors, Berlin on 10 March. In view of evidence that French will agree to introduction of Western mark on basis so-called plan X, reference WAR 84458<sup>1</sup> and CC 7817,<sup>2</sup> it is desired that Military Governors in Berlin undertake immediate discussions to settle technical arrangements for full introduction Western mark. You may point out to French Military Governor, that US has not relinquished its position that best financial arrangements would be through membership relationship between Western sector banking system and Bank Deutscher Laender. US discounts French fears on political issue. However, in view of urgency caused by rapidly deteriorating economic situation in Berlin, US as a last resort is willing to proceed with currency arrangements for changeover on basis of correspondent relationship between Western Berlin and Western zone bank. US, however, should point out to French that plan X designed to maintain parity Western zone and "B" mark, in the event experience shows that correspondent arrangement results in any adverse effect upon either Berlin or Western currency other measures would have to be taken. It is the view of our experts here, that, if legal tender status of Berlin mark is maintained in Western zone, Berlin currency will not depreciate below Western currency.

In any event, after introduction on full legal tender status of B mark in Berlin, we will be in much stronger position to a correct relationship of banking systems at a later date as this becomes necessary, since French obviously will not be in position to withdraw currency. Our agreement to go ahead on the basis of plan X should, in no way, be interpreted as prejudicing in any way, decision on the political issue of the relationship of Western sectors, Berlin, to the West German Government.

[DRAPER]

<sup>1</sup> For the text of this cable, see telegram 592, February 19, to London, p. 678.

<sup>2</sup> For the text of this cable, see footnote 4 to telegram 592, to London, p. 678.

740.00119 Control (Germany)/3-249: Telegram

*The United States Political Adviser for Germany (Murphy) to the Secretary of State*

TOP SECRET

FRANKFURT, March 2, 1949.

180. Personal for Saltzman and Hickerson. Paris 840.<sup>1</sup> At end of yesterday's military governors meeting on West German constitution<sup>2</sup> Clay announced his authorization to accept Plan X on March 10 indicating that according to his instructions from Army, acceptance is conditional on effective date of March 10. Koenig said that while he also was authorized to accept Plan X French Government preferred period from March 20 to 27 as effective date and conditional acceptance based on March 10 was new to him. He would consult Paris. Robertson replied to similar effect indicating March 10 or 20 would be acceptable.

Clay has been fully informed of Department's several telegrams on this subject. He states Army has made March 10 date a conditional [*condition?*] precedent to acceptance.<sup>3</sup>

Sent Department, repeated London 22, Paris.

MURPHY

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<sup>1</sup> Not printed.

<sup>2</sup> For documentation on the drafting of the West German constitution (Basic Law), see p. 187.

<sup>3</sup> Telegram 681 (251 to Berlin), March 2, to Paris, not printed, reported that the Department of the Army was advising Clay of the United States acceptance of March 20 as the date for the currency changeover. This date was to be treated by the three Governments as a firm commitment and the military Governors were to press forward with the necessary preparations. (740.00119 Control (Germany)/3-349)

740.00119 Control (Germany)/3-1149: Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

TOP SECRET

US URGENT

NEW YORK, March 11, 1949—7:43 p. m.

315. Sir Terence Shone, Mr. De La Tournelle and I called on Ambassador Alvarez, SC President, this afternoon in regard to the Berlin case. Speaking for the group, I explained our position to the President, emphasizing that in view of the nature of the committee's report we did not believe that consideration of that report by the SC at this time would serve any useful purpose. We explained that we thought this phase of the proceedings which had been instituted by Dr. Bramuglia might be brought to a close by publication of the committee's report at an early date, together with a statement by the President indicating that no further action is contemplated. We explained the nature of the statement which we had in mind the

President might issue at the time of the publication of the report and, at his request, left with the President a copy of a proposed text.

The President, after some discussion, said he thought the procedure we suggested was quite satisfactory and said he would institute action along these lines immediately. He proposed to instruct the secretariat to have the report duplicated immediately and thought it might be made public this weekend. He asked whether we had consulted the Canadians. We indicated we had informed them in general of what we had in mind and that they had not objected. He indicated he would probably get in touch with them.

The President was quite clear that the matter would not be brought before the SC in any way and that it would not be made into an S/document. Question was raised whether the Russians would ask for a meeting. I suggested that if this occurred the President might ask the Russians whether they now accepted the jurisdiction of the SC. The President did not indicate that he planned to consult the Russians before taking the contemplated action with regards publication.

The following is the text we handed to the President:

"The President is making public the report of the committee of Neutral Experts established by the President of the Council, Dr. Bramuglia, on November 30, 1948, which with its annexes gives full account of the work of the committee for the study of the Berlin currency and trade problems. As the report indicates, the committee held long and detailed discussions lasting several weeks. Despite its laudable efforts, the committee was unable to arrive at a solution of the problem acceptable to both sides. Accordingly there would appear to be no further contribution which the President's Committee of Experts can make at this time. The Council remains seized of the Berlin matter, however, and the President of the Council as well as other members not directly involved in the dispute hold themselves ready to render such assistance to the parties as would be most helpful.

Protitch<sup>1</sup> telephoned and said that Alvarez had telephoned alerting Protitch to expect instructions Monday morning to prepare the report immediately for release Tuesday.

Ignatieff<sup>2</sup> informed us Cubans consulted them, and Canadians who meanwhile had received instructions from Ottawa to support us fully, informed Cubans they were thoroughly in favor of procedure envisaged. Canadians advised Cubans to consult other neutrals, and Canadians had impression Cubans would do so immediately by telephone.

AUSTIN

<sup>1</sup> Dragoslav Protitch, Principal Director, Administrative and General Division, United Nations Secretariat.

<sup>2</sup> George Ignatieff, Canadian Alternate Representative to the Security Council.

*Editorial Note*

The Report of the Technical Committee on Berlin Currency and Trade was released to the press on March 14 for publication on the 15th. The report was accompanied by a statement of the President of the Security Council, Alvarez, along the lines of that transmitted in telegram 315, *supra*. On March 17 the three Western powers then released the texts of their statements on the Technical Committee report in which they traced the course of the Committee's work, outlined the concessions offered by the Western powers, and placed the blame for the failure of a settlement of the Berlin currency and trade problem on the actions of the Soviet Union. The full text of the Committee's report was published as *United Nations Press Release* SC/908, a copy of which is in file 740.00119 Control (Germany)/2-1549. The President's statement was included with SC/908. For the text of the United States statement on the Committee's report, see Department of State *Bulletin*, March 27, 1949, pages 377-379.

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740.00119 Control (Germany)/3-1749 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

TOP SECRET      US URGENT  
NIACT

BERLIN, March 17, 1949—noon.

390. Military Governors at meeting Frankfurt yesterday agreed on joint press release re Berlin currency changeover. Copy will be sent Soviet Headquarters to arrive just before it is made public. It was subsequently agreed that release of statement would be made at 1800 hours 20 March, Berlin time. Text of release as follows:

"1. The US, the UK and French Military Governors, after consulting with the responsible German authorities in Frankfurt and in Berlin, and in response to the unanimous resolution of the city assembly on the 4th November, 1948, have today decided that as from March 20 the East mark shall cease to be legal tender in the Western sectors of Berlin.

2. The currency reform in the Western zones in June '48 did not disturb the position in Berlin. The reform in the Soviet zone was, however, made applicable to Berlin as well and the East mark was declared to be the sole legal currency in Berlin. It was in these circumstances that the Western powers were obliged to introduce the West mark into their sectors. However, in their desire to facilitate four-power agreement on the problem of Berlin the Western powers adopted arrangements under which both the West mark and the East mark were legal currency in their sectors.

3. These arrangements were designed as a temporary expedient in the hope that agreement for a single currency under four-power con-

trol in Berlin would quickly be achieved. Failure to reach this agreement coupled with the splitting of the city administration and continuance of the blockade have meant that these arrangements have become inconsistent with the smooth ordering of economic and financial life in Western sectors, and grave economic and social injustices have resulted. Neither the Western powers nor the Magistrat have any control over the supply of East marks and the currency situation in the Western sectors has to that extent been dependent on the Soviet authorities. At times there has been a great shortage of East marks, and the payment of wages and salaries has been delayed for considerable periods. In addition, the unequal distribution of the two currencies among the population has caused considerable hardship. Some firms, especially those dealing in essential commodities, have been obliged to deal in East marks only, whereas others have sold their products almost exclusively for West marks. With the West mark as the more valuable currency, exchanging for about 4 East marks, real wages have no longer depended on a workers ability or energy, but on the accident of whether his employer has been in a position to include a substantial proportion of West marks in his wage packet. These inequalities have thrown increasing strain upon the economic and social structure of the city which is in no position to bear them easily.

4. The passage of time has increased these inequalities. The Western powers would long ago have taken action to correct them, but for their desire not to prejudice the efforts of the SC, to work out a satisfactory solution to the Berlin currency and trade problems. They have, however, during the period since October '48, when this problem has been before the SC, consistently reserved their right to take such measures as might be necessary to maintain their position in Berlin. Now that the Committee of Neutral Experts, which was set up by Dr. Bramuglia to examine the problem of currency and trade, has reported the failure of its efforts,<sup>1</sup> the Western powers cannot delay putting into effect measures which the economic and financial situation in Berlin has rendered long overdue".

RIDDLEBERGER

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<sup>1</sup> In telegram 400, March 18, from Berlin, not printed, Riddleberger reported that the words "the failure of its efforts" had been omitted from the press release. In its place was substituted the phrase "that further work by it at this stage does not appear useful." (740.00119 Control (Germany)/3-1849)

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740.00119 Control (Germany)/3-1749: Telegram

*The Secretary of State to the United States Representative at the United Nations (Austin)*

TOP SECRET      US URGENT      WASHINGTON, March 17, 1949—1 p. m.

171. After notification to Canads of need pending currency change-over in Berlin Western sectors,<sup>1</sup> after concerting with Fr, UK, fol

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<sup>1</sup> Telegram 348, March 16, from New York, not printed, reported that the three Western Powers had informed the Canadian delegation of the impending introduction of the Western mark in Berlin as a move necessary to protect the Western position there. (740.00119 Control (Germany)/3-1649)

approach shld be made to SC Pres on behalf US, UK, Fr, UN Delegs if possible not earlier than Fri afternoon, Mar 18, and preferably Sat, Mar 19:

1. SC Pres will recall earlier statements Western powers must reserve to themselves measures necessary to protect their position in Berlin.

2. Change in Western sectors currency situation is urgently required because of increasingly serious economic deterioration caused by dual currency system. Western powers have exercised great patience in refraining from adoption needed steps while currency question was being studied by experts comite.

3. As matter of good faith, Western powers wish Pres to know that they plan on Mar 20 to take steps under which Western mark will become sole legal tender Western sectors. Process will be gradual and Sov mark although not legal tender will be tolerated in private trade.

Step will do no more than even up positions as between Sovs and Western powers in Berlin currency field. Western regime will be more liberal than that of Sovs, who prohibited use Western mark their sector.

4. Having thus attained basis of equality respecting Berlin currency, Western powers will consider what further measures can be usefully taken to seek a solution Berlin problem in UN.

5. Western powers request above info be treated by SC Pres as confidential. If he inquires whether he may inform his neutral colleagues, it shld be stated that we are most anxious this info be kept confidential and on this understanding will leave further action to his discretion.<sup>2</sup>

ACHESON

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<sup>2</sup> The British, French and United States delegates met with President Alvarez on March 18 and informed him of their plan to introduce the Western mark as the sole legal tender in the Western sectors of Berlin. (Telegram 368, March 18, from New York, not printed, 740.00119 Control (Germany)/3-1849)

## B. THE JESSUP-MALIK CONVERSATIONS, MARCH 15-MAY 4, 1949

740.00119 Control (Germany)/2-1549

*Memorandum of Conversation, by the Deputy Chief of the United States Mission to the United Nations (Jessup)*

TOP SECRET

NEW YORK, February 15, 1949.

Participants: Mr. Malik, USSR

Dr. Jessup, U.S. Delegation

Mr. Malik greeted me in the Delegate's Lounge at Lake Success this afternoon and said that he saw that I was going to be roving<sup>1</sup> and he suggested he knew a good place to which to rove. I asked him where

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<sup>1</sup> Dr. Jessup had recently been nominated as Ambassador-at-Large.

that was and he said Moscow. I said I was very glad to have his invitation. Following the indication which Mr. Rusk had given me,<sup>2</sup> I then said that I wondered whether there was anything new in Premier Stalin's reply to the newspaper questions regarding the Berlin issue.<sup>3</sup> Malik asked what I meant. I said that Premier Stalin in referring to the lifting of the blockade had said nothing about the currency question but had merely referred to the Western German Government and the reciprocal lifting of our blockade, and wondered whether that had any special significance. Malik said rather seriously that he had no information on that point. I told him that if he got any information I would be glad if he would let me know. He replied jocularly that he saw in the paper that Mr. Dulles said we didn't want to settle the Berlin question. I said I did not know anything about that and of course Mr. Dulles was a private citizen. Mr. Malik said he wasn't sure he was a private citizen. I said it was easy enough to settle the Berlin question since all they had to do was to lift the blockade and then we could discuss matters easily. He asked whether I meant we could settle it on the basis of the agreement reached in Moscow. I said I supposed he referred to the disagreement reached in Berlin.<sup>4</sup> He said that was a disagreement which we had created to which I replied that on the contrary it was they who had created disagreement by refusing to carry out the agreement reached in Moscow. I repeated that if there was anything new in what Premier Stalin had said I should be glad to have him let me know. Malik said that he would inquire and find out. The conversation was carried on in a casual and bantering way.

<sup>2</sup> The indication under reference has not been identified further.

<sup>3</sup> Regarding Stalin's interview with INS correspondent Kingsbury Smith, January 30, see editorial note, p. 666.

<sup>4</sup> Documentation relating to the four-power talks in Moscow and Berlin during August and September 1948 concerning the Berlin question is in *Foreign Relations*, 1948, vol. II, pp. 995 ff.

740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at Large (Jessup)*

TOP SECRET

NEW YORK, March 15, 1949.

Participants: Ambassador Yakov A. Malik, USSR Representative to the UN

Ambassador Philip C. Jessup

I called on Malik by appointment today at 680 Park Avenue, the New York office of the Russian Delegation. The background of the appointment was as follows. As reported to the Department in Tel. No.



USUN 184 on February 15,<sup>1</sup> I had spoken casually to Malik at Lake Success saying that I had noted that Stalin, in his reply to Kingsbury Smith's questions in discussing the Berlin matter, had made no reference to the currency issue as involved in the settlement.<sup>2</sup> I wondered whether there was any significance in this omission. At the time, Malik said he had no information. I said that if he got any information I would be glad to have it. Yesterday, someone from Malik's office telephoned USUN and said that Malik would like to see me when I was in New York. I sent back word that I would be there today and the appointment was made.

I was admitted by a young man who said that he was the English interpreter for Malik. He took me up to Malik's office on the second floor. Malik greeted me cordially.<sup>3</sup>

We then sat down on opposite sides of a low table with the interpreter between us. Malik had in his hand several pieces of paper with notes on them. He spoke in Russian and his remarks were translated as mine were to him, although of course his English is quite proficient. He began his formal statement, most of which apparently was written on the piece of paper. He said that he had communicated to Moscow my question and had not replied to me sooner because he had been very busy and because he had been sick for about ten days. He then read the message which he had gotten from Moscow, which was about as follows: "Moscow has received my report of Mr. Jessup's question about Premier Stalin's reply to the newspaper questions and particularly on the omission of any reference to the currency problem in the settlement of the Berlin question. Moscow says that the omission of this reference to the currency question was 'not accidental'. The currency question can be discussed at the meeting of the Foreign Ministers when the whole Berlin question and the German question in general are discussed." The interpreter had the translation of this formal message already typed out in English and read it off.

I inquired whether this meant that Moscow attributed more or less importance to the currency question. Malik replied that the statement from Moscow was not to be considered as having any bearing on either the importance or the unimportance of the question.

I inquired whether it was the view of his government that the measures known as the blockade were to continue while a meeting of the Foreign Ministers was held. Malik replied that since I had expressed an interest only in the one question, that was the only question he had

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<sup>1</sup> Not printed.

<sup>2</sup> Regarding Stalin's reply to Kingsbury Smith's four questions, January 30, see editorial note, p. 666. A memorandum of Jessup's conversation with Malik is printed *supra*.

<sup>3</sup> In another copy of this memorandum there followed several lines on the state of Malik's health. (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

asked Moscow and he had no directive on any other points. If I had other questions to ask, this discussion could continue. I asked whether he meant that it could continue now, to which he replied that he meant later on other occasions.

I said that I would be glad to discuss with him again any other information which he might get from his government. I said that I did not wish there to be any misunderstanding; that I was not suggesting a formal negotiation between our two governments but that I was very glad to talk with him about any information which he might receive. Malik inquired what other questions I was interested in. I said that I had noticed lately that Mr. Vishinsky now had a new position in connection with the foreign affairs of the Soviet Union and I recalled that it was Mr. Vishinsky who was particularly concerned with the Berlin question through his dealing with the matter in Paris. I therefore wondered whether Mr. Vishinsky had any new ideas on the subject. If he had, I would be glad to discuss them. Malik inquired whether I meant discuss them with Vishinsky and I said I referred merely to discussing them with Malik if he had any more information. Malik said that he had no information on this.<sup>4</sup>

Malik then asked what I thought about the other points which Premier Stalin had made in his reply to the newspaper questions. I asked whether he had specific reference to the so-called establishment of a Western German Government. He said, "Yes, that among other things." I replied that in regard to the so-called Western German Government, it was not necessary to urge the postponement of the establishment of this government as a condition precedent to a CFM since as a matter of fact that government did not now exist. Therefore, if a meeting of the CFM were held today, for example, it would be held before the establishment of a Western German Government. Malik said that he would report my view to Moscow.

Malik then asked if I had any other points in mind. He remarked that settlement must proceed on the basis of reciprocity. I said that I thought it was unnecessary for him and for me to talk in formal diplomatic language, that this was an informal conversation and that he and I were both familiar with the general background. I said that I would merely like to state to him personally that the statements which my government had made publicly to the effect that we were quite willing to bring about a settlement of the Berlin question were true statements. I said on the question of reciprocity there were blockade measures on both sides and that the simultaneous lifting of both the Western meas-

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<sup>4</sup>In the other copy two short paragraphs were included at this point dealing with the participants' experience at the Security Council and the probability of Vyshinsky's coming to the United Nations (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

ures and the Soviet measures would be a reciprocal act. He said the Soviet measures were adopted in response to the Western measures. I said I could make exactly the same speech pointing out that actually the Western measures were adopted in response to the Soviet measures. He laughed and left that point.<sup>5</sup>

I said that I came to New York from time to time and that, if he would let me know any time when he had any information which he wished to discuss with me, I would be glad to have him let me know. He said that he would do so.<sup>6</sup>

PHILIP C. JESSUP

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<sup>5</sup> In the other copy of this memorandum there followed at this point a paragraph in which Jessup asked if there were any questions on general relations between the United States and Russia which Malik wanted to discuss. Malik replied that he had not inquired of Moscow about any other subjects. (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

<sup>6</sup> In the copy referred to in footnote 5 there followed a final paragraph in which the participants discussed Malik's lumbago. (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

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740.00119 Control (Germany)/3-1749

*Record of a Meeting in the Department of State on the Jessup-Malik Conversation*<sup>1</sup>

TOP SECRET      NO DISTRIBUTION      [WASHINGTON,] March 17, 1949.

Present: Messrs. Webb, Jessup, Rusk, Bohlen, Murphy, Knapp

Mr. Webb opened the discussion by stressing the prospective budget deficit. He said there might be some question as to whether we had sufficient dollars to carry out the commitments we have already made. In this frame of reference he wanted to explore the possibility of settling the question of Berlin and the airlift.

Mr. Bohlen explained that the Malik approach to Dr. Jessup is customary Soviet indirection and the standard operating procedure with them. He said that the Malik statement meant that the Soviet Union has shifted from one foot to the other—currency to postponement of the creation of the Western German Government.<sup>2</sup> He said that if we want to get the blockade lifted because of the cost of the

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<sup>1</sup> The record of this meeting, which was held at noon, was prepared by the assistant director of the Executive Secretariat, Bromley K. Smith. At the Secretary's daily meeting during the morning, Rusk had reported on the informal exchange between Jessup and Malik in New York. Bohlen felt that such a contact might be useful, and it was decided that a special meeting should be held at noon in the Under Secretary's office to consider what step should be taken next. (Minutes of the Secretary's Daily Meetings: Lot 58 D 609: Box 22)

<sup>2</sup> For documentation relating to the establishment of the West German Government, see pp. 187 ff.

airlift (dollars and planes committed), Malik's approach should not be overlooked.

Mr. Bohlen and Mr. Murphy agreed that we have some maneuverability on the question of when the creation of the Western German Government is set in motion. Mr. Rusk pointed out that there was a time, before the airlift was proved successful, when the existence of the blockade was a disadvantage in any negotiations with the Soviets. However, now that the North Atlantic Pact had been agreed upon and the airlift had run through the winter and could continue indefinitely, the situation regarding future negotiations was changed.

Dr. Jessup pointed out that we could publicly state that since the Soviet blockade of our zone in Berlin had completely failed, we could now negotiate since the attempt at duress had failed.

Mr. Murphy indicated that since the Soviets are being hurt in Germany and although their ultimate objective of controlling all of Germany is not changed, they are now eager to talk with us about Germany.

Mr. Bohlen stated that it was a question of judgment as to whether to take the initiative while the Soviets want to talk, but he pointed out that once discussions were begun it would be difficult to break them off if the Russians were still unwilling to accept a reasonable solution. This results in reducing our control of the situation to the extent that we would be hindered in making major changes now planned during the time that any discussions were in progress or until they could be broken off without giving the Soviets propaganda material.

Mr. Bohlen said that we could tell the Soviets that we cannot alter our program for Western Germany but that we would hold off establishing a Western German Government for a certain period of time during which the CFM would meet to see if agreement could be reached on the entire German problem. No commitment would be made as to our future actions if the CFM meetings did not change the present situation. In explaining and obtaining the agreement of the British and the French to this proposal we would obtain an iron-clad agreement that if the CFM discussions did not change the situation the Western German Government would be established at once.

The consensus of the group was, at this stage, that

(1) Cadogan and Chauvel would be informally told, for their information, parts of Dr. Jessup's conversation with Mr. Malik;<sup>2</sup>

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<sup>2</sup> Following the meeting Jessup telephoned John C. Ross, the United States Alternate Representative at the United Nations, who informed Sir Terence Shone and Ambassador Chauvel of the casual nature of the approach to Malik and the desire of the United States "... to smoke out the Russians on this point." Memorandum of Conversation, March 17, not printed, CFM Files: Lot M-88: Box 140: Malik Conversations, 1949.

(2) Recommendations drawn up by Ambassador Jessup, Ambassador Murphy and Mr. Bohlen<sup>3</sup> would be sent to the Secretary for his approval concerning the proposals discussed above;

(3) If agreement were reached on the [them], the French and British would be informed of our plan;

(4) Dr. Jessup would then talk to Malik;

(5) If the Soviets reacted favorably, we would be prepared, after Kennan's return from Germany<sup>4</sup> and our German policy was reviewed, to take part in the CFM meeting as early as April;

(6) After lifting the blockade and counter-blockade, trade relations of the Western zones with the Soviet zone would be handled as they were prior to the Soviet blockade.

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<sup>3</sup> On March 18 Jessup drew up the recommendations under reference here in which he concluded that the United States should be prepared to lift its restrictions on trade in return for an end to the blockade, that the establishment of the West German Government should not be postponed pending or during a Council of Foreign Ministers, and that the British and French should be kept informed of the course of the conversations with Malik. (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

<sup>4</sup> Under reference here is George Kennan's trip to Germany in March 1949. For a description of this trip, see p. 113 and Kennan, *Memoirs*, pp. 429-441.

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CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations

*Memorandum of Conversation, by the United States Ambassador at Large (Jessup)*

TOP SECRET

NEW YORK, March 21, 1949.

Participants: Mr. Yakov A. Malik, U.S.S.R.  
(Separately) Sir Terence Shone, United Kingdom  
Ambassador Chauvel, France  
Dr. Philip C. Jessup, U.S. Ambassador at Large

Keeping appointments made for me by Mr. Ross last Friday, I called this morning on Sir Terence Shone, Acting Head of the United Kingdom Delegation to the United Nations during Sir Alexander Cadogan's absence, and Ambassador Chauvel, head of the French Delegation. I told them both that as Mr. Ross had indicated, I merely wished to inform them concerning the conversations which I had had with Malik. I pointed out that we did not know whether anything would come of these conversations but that we certainly wanted to keep them fully informed about them. I then gave them the gist of the matter confining myself to the discussion of the Berlin case. I told them that I was seeing Malik later today and that we would let them know the outcome of the conversation. The only comments made by Sir Terence and Chauvel, aside from general interest and appreciation of the information, were the following. Shone inquired whether my first casual question to Malik was by instruction of the Department or whether it had merely come up incidentally. I told him that there

had been no formal plan in the Department to open negotiations with the Russians but that some of us had talked it over. It had been felt that it might be useful to drop a casual inquiry merely to see what the result would be. Chauvel's comment was that sometime ago one of their staff in Berlin (whose name I think was Noblet?) had been approached by his Russian opposite number with a general feeler about informal discussions but that they had not felt that Berlin was a good place to begin such discussions and they had never followed it up or heard anything more from it.

I then kept my appointment, which had been made on Saturday through the Mission, with Malik at his office. A different member of his staff functioned as interpreter on this occasion and had great difficulty in finding English words to translate Malik's statements. On several occasions Malik abandoned the attempt to get a proper interpretation and spoke in English. This factor is important because in the course of the conversation some temporary misunderstandings arose due to faulty translation.

Malik was as usual very cordial. As on the previous occasion, he had in his hand a typewritten sheet containing the principal statements he wished to make, but on this occasion the interpreter apparently had merely a carbon also in Russian.

Malik began by saying that he had informed Vishinsky about our previous conversation.<sup>1</sup> Vishinsky had replied that if an affirmative agreement is reached upon a date for a meeting of the CFM, there can be a reciprocal lifting of the restrictions on transportation and trade in Berlin. I explored this point and asked whether Vishinsky had indicated whether the date for the lifting of the blockade would be the same date as the meeting or whether the two dates could be different. I asked whether, for example, if it were decided that a meeting could be held say on April 15, it was contemplated that the blockade measures could be lifted say on the 10th, 5th or 1st of April. Malik replied that the dates could be different. He said he could not make any specific commitment on the lapse of time, whether it would be one, five or ten days, but that the date of the lifting of the blockade could be prior to the date for the CFM. He asked when I thought a meeting of the CFM could be held. I said I had no instructions to agree to a meeting or to fix a date; that just as in his case as he reported information to his government so I would report to mine and let him know. I said that if there were agreement to hold a meeting, there were various arrangements which would have to be made and these would take some time. He fully agreed with this and when I pressed him for his ideas about the time of a meeting, he merely indicated that Vishinsky thought it

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<sup>1</sup> March 15; a memorandum of this conversation is printed on p. 695.

could be held in the near future. I said that as far as I could recall, it had originally been decided that meetings of the CFM should be held in various capitals in rotation and that the next capital in line was Paris. He said the last meeting of the CFM was so long ago that he had forgotten the details but he thought this was correct. I said I assumed that if a meeting were arranged, there would be many matters to be discussed and I wondered whether Vishinsky felt that these matters should be arranged through the ordinary channels or whether he contemplated that discussions should continue between ourselves. He said that his personal idea was that perhaps we should have a little further discussion and then turn the matter into regular official channels. In the course of this discussion, I introduced the point that of course if a CFM were to be held, there were two other governments which had to take part. Malik returned to his notes and mentioned that they still considered the currency issue important but that this could be discussed along with other questions at the CFM.

He then went on to say that Vishinsky attributed importance to my statement at our previous meeting that the Western German Government does not now exist. He proceeded to talk in Russian and the translator indicated that Vishinsky understood that I had said we would "call off" the Western German Government if there were a CFM. I interrupted at that point and reminded Malik that I had never made any promise in regard to "calling off" the Western German Government. I recalled the exact language I had used to the effect that the Western German Government does not now exist so that if there were a meeting of the CFM tomorrow, for example, it would take place in the absence of a Western German Government. I asked him specifically whether he had gotten any different impression from what I had said the last time. He confirmed my recollection of the previous conversation and corrected the interpretation. He then made it clear that what they had in mind was that the Western German Government would not be in existence at the moment the CFM met. He was very precise about this and did not suggest that we must promise that it would not be set up during the CFM meetings. Although I dwelt on this point at some length and although we seemed to be in agreement, this is a point which obviously must be made even more precise in any further discussion.

Malik then went on, referring to his notes, to say that Vishinsky sees no objection to other questions being discussed informally by Malik and me. I asked whether Vishinsky had mentioned any such other questions, and Malik said that he had not and asked me what I had in mind. I reminded him that on the previous occasion I had

told him I had no specific question in mind and I said I had no instructions to raise any particular question. However, just as an example, I would personally ask him what he thought of discussing the question of Greece. He replied by inquiring "Is that an acute question between our two governments?" He went on to indicate that it was not. He said that we were definitely involved in the Greek question through the presence of our military mission and in other ways but that the Soviet Government was not. I remarked that the Soviet Government has relations with the border states. Malik laughingly said that they had diplomatic relations with these states but they also had them with the United States. I remarked that in addition to diplomatic relations they had a certain influence with these states and he said with a laugh and with significant emphasis that they did have influence with *some* of them but not with *all* of them. He said he had no instructions on this but that speaking personally he did not think that it was an acute question.<sup>2</sup> I again pressed him to indicate whether he had any other question in mind that was acute in Soviet-American relations and he merely mentioned the Berlin question—it was perhaps significant that he spoke of the question of Berlin and not the question of Germany. I reminded him that we were now discussing questions other than that of Berlin but he had nothing further to offer. I said I would report Mr. Vishinsky's views to my government and let him know if there were any particular questions to discuss with him.

He then asked me if I would take part in the General Assembly. I said I was not yet sure how much I would have to do with this session and asked him about his plans. He said he was sorry to say that he would have to take part. I asked him whether he thought it would be a long session. He said he thought not, that there were not as many questions to discuss as there were in Paris. I remarked that if there were not as many questions to discuss, perhaps there would not need to be as many long speeches. He replied that personally he was in favor of short meetings but sometimes conditions created situations requiring long speeches. He said that we were in a more advantageous position than they were because we always had our "mechanical majority". I said I saw no reason why the same speeches needed to be repeated in subcommittee, committee and plenary. He remarked that it was better to have "hot" discussions on the "lower level". I suggested that after they had made long speeches to committees and came into plenary they might really redistribute copies of their previous speeches instead

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<sup>2</sup> Documentation relating to the conclusion of the Greek civil war is in volume VI.



of repeating them orally, to which he replied that sometimes they changed some words in them.

Malik then said that he had seen a speech of mine in which I had said that the Soviet Union does not cooperate in the United Nations. He said this was not true, that it was a matter of principle with them to strengthen the United Nations. He said that Secretary Marshall in one speech remarked that we felt we must stand by our principles. He felt that this was correct but that we ought to realize that other countries also have principles and that they also must maintain their principles. Somewhat petulantly he remarked that they could never get any favorable action on anything they suggested in the United Nations. I replied that they might get better action if they made better suggestions. Returning to the question of cooperation, I asked him why they did not cooperate with the Interim Committee. He said the Interim Committee was an illegitimate child but added that under Soviet law illegitimate children are recognized. I said if this was the case, there was no reason why they shouldn't play with an illegitimate child. I then asked about their cooperation with the specialized agencies. He said they did cooperate with some of them, to which I remarked that they cooperated with only two out of thirteen. I asked whether they had a principle applicable to non-cooperation with the rest of them. Rather defensively he replied that the trouble with many of them was that they were operated in the interests of particular groups and they wanted these specialized agencies to broaden out, take account of the general interest. He indicated rather indirectly that perhaps some of these special cases could be considered.

Returning to the question of expediting the work of the General Assembly, he referred to the Scandinavian proposal. He said that he had discussed this with some of them and never could find out just precisely what definite ideas they had in mind. He said they were in favor of the general idea of examining this question and thought it was worth discussing.<sup>3</sup>

I told him that I would communicate with my government and let him know when we could talk again.<sup>4</sup>

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<sup>3</sup> The reference here is to a proposal by Sweden, Denmark, and Norway for the appointment of a Special Committee to examine the possibility of improving the procedure of the General Assembly. Documentation relating to this proposal is in volume I.

<sup>4</sup> In telegram 979, March 22, to London (repeated to Paris as 892), not printed, the Department of State summarized the conversations with Malik and asked Douglas and Caffery to inform Bevin and Schuman accordingly. They were also to suggest that the conversations could be discussed in Washington at the beginning of April, when the Foreign Ministers were to attend the talks on the North Atlantic Treaty. (740.00119 Control (Germany)/3-2249)

Minutes of Secretary's Daily Meetings : Lot 58 D 609

*Summary of the Daily Meeting With the Secretary*<sup>1</sup>

SECRET EYES ONLY

WASHINGTON, March 22, 1949.

Participants: The Secretary  
The Under Secretary  
Mr. Rusk  
Mr. Bohlen  
Mr. Jessup  
Mr. Murphy  
Mr. Humelsine

*Item 1. Malik-Jessup Exchange* [Action: Mr. Humelsine]<sup>2</sup>

The 9:30 meeting centered principally on the question of the recent Malik-Jessup exchange. As an introduction to the conversation Mr. Webb read telegram no. 701 from Kohler in Moscow.<sup>3</sup> Following that the discussion centered on the March 21 conversation between Mr. Malik and Mr. Jessup in which Mr. Malik indicated that, if an affirmative agreement could be reached for a meeting of the CFM, there could be a reciprocal lifting of the restrictions on transportation and trade in Berlin. Mr. Malik indicated further that if a CFM meeting was decided on, the blockade measures could be lifted prior to the actual holding of the meeting.

Mr. Bohlen, in commenting on telegram 701 from Moscow, said that in his opinion it was "a bit souped up". It was his view that the Russians would continue to trade on a propaganda basis rather than on a real war scare. He said that there was little indication of a war scare except in the case of Finland, where the Russians have stepped things up somewhat.<sup>4</sup> Mr. Bohlen went on to say that the Russians are in somewhat the same position with us as they were with the Germans in 1941 and that he thought they were going to try seriously to feel us out. He said that in his judgment the peace offensive will be kept up but that it did not warrant the spectacular treatment of a speech by the Secretary, the President or by Mr. Bevin as indicated in telegram 701. In this connection he said that he thought the world, and the U.S., is wise to peace offers complete with hooks rather than olive leaves.

Mr. Murphy said that he agreed with Mr. Bohlen's opinion that the Russians were not going to build up a real war scare at this time. He said he based his judgment on the fact that there was not enough Rus-

<sup>1</sup> The summary was prepared by Carlisle H. Humelsine, Director of the Executive Secretariat.

<sup>2</sup> Brackets in the source text.

<sup>3</sup> Not printed; in it Kohler expressed the opinion that the Soviet Union was developing a mammoth "war scare/peace offensive," which the United States in cooperation with its allies should make every preparation to meet. (711.61/3-1949)

<sup>4</sup> Documentation relating to the United States interest in Soviet pressure on Finland is in volume v.

sian military strength in the Soviet Zone in Germany to warrant the view that they were going to take any offensive action. He indicated that the Russians had followed a fairly steady policy of maintaining a strength roughly equivalent to that of the other three nations in the Western Zones. He said this was approximately 260,000 troops.

Mr. Webb stressed the offensive position of the United States in world affairs at the present time, and he went on to say that what the Russians want is impossible for us to agree to. He said that in his judgment we have to try to maintain our position of advantage and at the same time get ready for a change-over from dollar diplomacy to one in which greater reliance is placed on security arrangements, etc.

Mr. Jessup said that we have to be careful that the Russians do not convince the American public that the Atlantic Pact is a war-like measure by the Soviets making a peace offer which we reject. He said that it was essential that we should keep our position of leading from strength.

At this point Mr. Acheson posed the question, "If the blockade is lifted and a successful meeting of the CFM not achieved, what is the chance of the Soviets reimposing the blockade?" Mr. Murphy and Mr. Bohlen agreed that the chances of such a step would be remote and that if by some far chance this was attempted, we would be in a much better position to take rapid action in the way of counter moves than we were in the past.

Mr. Jessup said that in his conversation he had been careful to dodge one question which Mr. Malik attempted to put to him. This was, "Would the lifting of the blockade lead to a full resumption of trade between the Zones?" The ensuing conversation brought out the fact that Mr. Jessup and Mr. Murphy agreed that we could agree to a return to the *status quo ante* existing at the time of the imposition of the blockade.

Mr. Bohlen then stressed the fact that we should have an absolutely iron-clad agreement with the British and the French that if at the end of a reasonable period of explorations in the CFM no results were achieved we would immediately proceed with the formation of a Western Government.<sup>5</sup> Mr. Bohlen said that he did not think that we should allow this question to delay beyond July 1 or August 1. Mr. Bohlen went on to say in his judgment we were going to find that the French would not be so keen about the lifting of the blockade as we might suppose. He made the point that the French would probably have grave doubts about a meeting of the CFM on Germany because they were afraid that the outcome would be a united Germany.

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<sup>5</sup> For documentation relating to the establishment of the Western German Government, see pp. 187 ff.

At this point the conversation reverted to Mr. Webb's statement to the effect that what the Russians want, it is impossible for the United States to agree to. It was agreed that this was generally true but Mr. Bohlen excepted the question of the evacuation of troops from Germany. He said that the differences in opinion in the Department between the operational offices and the planning staff on this question indicated what a very real problem it was.

Mr. Webb raised the question of why the Russians are willing to raise the blockade now. Mr. Murphy said that in his view the counter-blockade measures that the Western group had taken affecting Eastern Germany was causing the Russians more than considerable trouble. He stressed that the lack of exchange of products between the Eastern and Western Zones was making it impossible for the Russians to get the delivery of reparations out of current production that they had planned on. He talked briefly about the great number of plants that had been Sovietized and that these were now seriously restricted by the lack of economic interchange. Mr. Bohlen in commenting further on Mr. Webb's question said that there were definite indications that the Soviet Union was over-extending and that this may be one of the signs that the Russians are starting to face up to this problem and are adjusting accordingly.

There followed a considerable discussion as to the steps that should be taken in regard to following up the Malik-Jessup conversation. Finally, Mr. Acheson summarized what he wanted done in this regard. He asked Mr. Bohlen, Mr. Jessup and Mr. Murphy to work as a task force to develop a possible program and to follow developments and make recommendations for future steps in regard to the conversations. In connection with this, Mr. Acheson said that he wanted:

(1) The British and French informed of this exchange through our Ambassadors in London and Paris.<sup>6</sup> The general line that we should take in informing them was that we thought that this was a very interesting development, that we were thinking about it, and that we were planning to discuss this further with Mr. Bevin and Mr. Schuman at the time of the Atlantic Pact signing in Washington.<sup>7</sup>

(2) He said that we should inform them that if we develop any further ideas, or if they have any thoughts, we will allow one another to know about them preliminary to the Washington meeting.

(3) He wanted the group to consider particularly whether we should advise General Clay and the Department of the Army of these developments.

(4) He particularly stressed the public relations side of this problem and wanted to make certain that the task force go into this question

<sup>6</sup> A copy of the telegram to Douglas, March 22, not printed, which outlined briefly the course of the talks with Malik, is in CFM Files: Lot M-88: Box 140: Malik Conversations, 1949.

<sup>7</sup> Documentation relating to the signing of the Atlantic Pact, April 4, 1949, is in volume IV.

in a careful way. He suggested that Mr. Allen <sup>8</sup> be brought into this at an appropriate moment. He said that he wanted to be ready in case a leak developed regarding these conversations so that the Department could make a statement immediately and get as much propaganda benefit out of such an eventuality as possible.

Mr. Acheson then talked about the question of proper security restrictions on this subject. He said that he did not want it to go beyond the immediate group present in the room with the exception of Mr. Thompson of EUR. He asked Mr. Rusk to inform Mr. Hickerson of the general subject and to request Mr. Thompson to be assigned to the working group. No one else in EUR was to be notified of this. At this point Mr. Bohlen asked if it would be proper to bring General Smith <sup>9</sup> into the conversations, and Mr. Acheson agreed that that would be perfectly agreeable.

[In the four other items in the source text Murphy was instructed to discuss a preliminary agenda with British and French representatives in Washington for the forthcoming conversations on Germany; Secretary Acheson reported on a discussion he had had with Secretary Snyder on the Point Four Program; it was agreed that Acheson should see an analysis on Germany prepared by a former Czech diplomat in Moscow; and Acheson expressed his desire to have Kennan, who was in Germany, return to Washington in time for the talks with Bevin and Schuman.]

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<sup>8</sup> George V. Allen, Assistant Secretary of State for Public Affairs.

<sup>9</sup> Walter Bedell Smith, former Ambassador to the Soviet Union.

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740.00119 Control (Germany)/3-2549

*Memorandum by the Secretary of the Army (Royall) to the Secretary of State*<sup>1</sup>

TOP SECRET

WASHINGTON, March 23, 1949.

MEMORANDUM TO THE SECRETARY OF STATE

Through: the Secretary of Defense

It seems to me highly important to make a definite decision as to what action should be taken in Berlin and that this decision should be made at the time the German Government is formed. Without change

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<sup>1</sup> Attached to the source text were a memorandum from Murphy to Webb and Acheson and a letter of transmittal from Robert Blum in the Office of the Secretary of Defense, neither printed. Blum's letter requested that the source text be shown to Acheson, while Murphy's memorandum, initialed by both Webb and Acheson, suggested that the decision on Berlin be considered after the outcome of the Jessup-Malik conversations had become known. (740.00119 Control (Germany)/3-2549)

one way or the other, our present situation will tend to become more and more ridiculous.

The expense of the airlift, its adverse effect upon the transport reserve of the Air Force, and the danger of incidents arising therefrom are arguments in favor of withdrawing from Berlin with an announcement that, the Western German Government having been completed and a capital therefor established, Berlin has no other significance to Western Germany. If we decide to withdraw from Berlin, we should offer asylum in the Western Zone to any Berliners in the Western Sectors who desire it.

On the other side is the familiar argument that a withdrawal from Berlin may affect our international prestige and create uncertainty and fear in European nations. If we are to remain in Berlin, consideration should be given to establishing a land route thereto even at the risk of an untoward incident.

KENNETH C. ROYALL

740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] April 1, 1949.

Participants: The Secretary of State  
 Mr. Bevin  
 Mr. Schuman  
 The British Ambassador  
 The French Ambassador  
 Mr. Murphy  
 Dr. Jessup

Others Present:  
 Mr. Couve de Murville  
 Mr. Bérard  
 Mr. Barclay  
 Mr. Beam

I recapitulated what I had told the Foreign Ministers separately about Dr. Jessup's talks with Malik.<sup>2</sup>

Mr. Bevin said the Prime Minister's first reaction was one of great caution. He felt that the proposed step might imperil many things. We are not ready with Western Germany; the Pact has not been ratified; the European Council has not been set up. The Soviets might drive a wedge between the countries of Western Europe. They may put up counter-proposals frustrating further action. They might upset ERP, Ruhr control and the other arrangements. Recently we have gone a long way in Western Europe. It was not clear that Malik had acted officially.

<sup>1</sup> The memorandum was prepared by Beam.

<sup>2</sup> Secretary Acheson had discussed the Malik conversations with Bevin on March 31 and with Schuman on April 1, before the tripartite meeting. Memoranda of these conversations are in CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations.

I said, suppose the Soviets publicize the Jessup-Malik exchange and take the position they have stated their terms, which were rejected? We could tell Malik that his statement reflected the same basis we have always entertained and ask him about dates for lifting of the blockade and a CFM. If Moscow replies, then the question could be taken up officially. We would, of course, go forward with the Western German government even while the CFM is sitting; we would neither increase nor decrease the tempo.

Mr. Bevin expressed concern regarding the effect on the Germans. Since we are not yet fully agreed on Germany, four-power negotiations could split the Western front. The Soviets previously vetoed the very thing we are now proposing.

I mentioned we seemed to be close to agreeing about Germany. It was desirable a reply be made to Malik in the next few days because of Evatt's <sup>3</sup> possible intervention and because the Soviets might exploit the approach in the General Assembly and claim we had made no reply.

Dr. Jessup explained the last step in his talks with Malik. In brief, Vishinsky had said that if we lifted the counter-blockade the Soviets would lift the blockade, provided there was a firm understanding on a CFM, but the dates for these measures need not be identical. Dr. Jessup had given no undertaking regarding the Western German government but had simply said it did not now exist. The Soviets indicated they wanted a CFM to begin before the government was established. No written exchange had taken place.

Mr. Bevin said that because of our previous experiences with the Soviets we should have written elucidation. We should ascertain what the Soviets mean and the dates they have in mind; we should consider what we should answer, and then fix dates.

Mr. Schuman said we must not fall into a trap. If the Soviets had agreed to the Malik conversations merely for propaganda purposes, they would be glad if we rejected any purported offer. If they are sincere, there should be no objection to an answer being given to Malik and we might get back to the pre-blockade situation. We need not slow up other steps in Western Germany. Mr. Schuman was therefore sympathetic to the proposal but said it rendered three-power agreement all the more urgent.

Sir Oliver Franks said he understood it was not suggested that Dr. Jessup place a proposal before Malik but should present a record of what he believed was the Soviet understanding. If this corresponded with their intent, the way would be open for more formal approach. We did not want to seem to make a proposal, because otherwise we might expose ourselves to Soviet propaganda and a swindle.

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<sup>3</sup> Dr. Herbert V. Evatt, President of the United Nations General Assembly.

Dr. Jessup distributed a draft of a paper he might be authorized to present to Malik in the name of the three Western governments.<sup>4</sup>

Mr. Bevin objected to the text, saying it put forward a proposal. He also complained of the reference to the fact that a Western German government would not be set up for some months, since he had hoped for early action. The Soviets would interpret this reference as meaning we would not go ahead with a Western German government. We should make a declaration of our intention to proceed, stating that a CFM could be held in the meantime without prejudicing the preparations. He was worried that in negotiations with the Soviets we might have to accept a strong German government in Berlin, and what then? Are we willing to return to quadripartite administration?

Mr. Murphy suggested we could state that plans for a Western German government are proceeding but are not yet completed.

Mr. Schuman questioned the effects on the Germans at the Bonn Constituent Assembly.<sup>5</sup> While the Western governments can remain masters of the situation, the Germans would use a CFM as a pretext to stop their work and we would risk losing our present objectives. The Germans would not wish to give the impression that they are splitting Germany while the four powers are discussing unification. It might be explained to the Germans that their work at Bonn might have to be adapted to a four-power solution, but since there was a possibility of a breakdown of a CFM they should proceed with their work since it could be used in the event that four-power negotiations failed.

Mr. Murphy said we must realize that a lifting of the blockade would be regarded as a Western victory.

Mr. Bevin objected to the reference in the paper to currency problems, which might cause German uneasiness with respect to a new currency change. He said it was always open to the Soviets to ask for a CFM. They are in the chair and at London the CFM simply adjourned. He didn't want to go so far at present and wished to make no promises. While he might agree to a meeting, it was too early. Possibly Dr. Jessup might point out to Malik that the three Foreign Ministers are here, and inquire whether the Soviet Government has anything to communicate.

Dr. Jessup said he might be able to tell Malik that the US, UK and French Governments had been informed about his statements and ask him if he wished to formalize them. If they were meant seriously, they corresponded to what we had suggested in the past, namely, if the

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<sup>4</sup> Not printed; this draft of the statement to be handed to Malik was prepared by Jessup on March 24, following the second conversation with the Soviet representative. A copy of the draft is in CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations.

<sup>5</sup> For documentation relating to the Bonn Constituent Assembly, see pp. 187 ff.



Soviets lifted the blockade on one date then a CFM could be held on another date.

Mr. Bevin said this was what we did in the SC meetings in Paris.

I said Dr. Jessup might tell Malik he had reported to the three governments and that they were interested to note that Malik's statements correspond to our own views and that we assume there should be no difficulty regarding a lifting of all blockade measures. Adopting Mr. Schuman's suggestion, we could further declare that since a Western German government does not exist, it is not a factor, but the necessities of the situation require we continue with preparations for its establishment.

Although Mr. Bevin suggested we tell Evatt to keep his hands off, I thought this would have the contrary effect. In the meantime this matter must be kept most secret. I hope we would have something to say by Tuesday, April 5, to Malik so that it would not look as if we had rejected the offer.

I suggested it might be useful for us to put down in a written minute our agreement that CFM proceedings would not hold up the Western German government preparations or interrupt the establishment of a Western German government at any time we consider this desirable.

A discussion ensued concerning Dr. Jessup's draft reply to Malik and a drafting committee was appointed to revise the text.<sup>6</sup>

Mr. Bevin said he would examine the revised text without commitment as soon as ready. He would have to refer the question to the Cabinet which meets Monday, April 4. He hoped to have a reply by Monday noon.

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<sup>6</sup> The drafting committee, composed of Franks, Jessup, and Couve de Murville, met on April 3 and 4 at the British Embassy to redraft Jessup's version of the statement to be read to Malik. Memoranda of these drafting sessions are in the CFM Files: Lot M-88: Box 140. For the text of tripartite draft, agreed during these meetings, see the Statement by the United States Ambassador at Large, April 5, p. 716.

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740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at Large (Jessup)*

TOP SECRET

[NEW YORK,] April 5, 1949.

Participants: Dr. Yakov A. Malik, U.S.S.R. Delegation to the  
United Nations  
Dr. Philip C. Jessup, U.S. Ambassador at Large

I made an appointment with Mr. Malik by telephone from Washington last night and called on him at his office at 11:30 this morning.

We talked for an hour and forty minutes. On this occasion he had a very adequate interpreter.

I began by reading him the agreed statement.<sup>1</sup> He asked for clarification on the question of the relative dates of the lifting of the blockade and the meeting of the Council of Foreign Ministers. I repeated the appropriate paragraphs and said this meant that if we agreed on a date for the meeting of the CFM, the date for the lifting of the blockade could be a date earlier in time.

Malik then asked for clarification of the paragraph in the statement relating to the Western German Government. He restated the previous views expressed in our earlier conversations and gave a fair summary of them. I in turn summarized our previous conversations and recalled particularly that it had been explicit that we would make no promise about the establishment of the Western German Government after the meeting of the CFM but indicated that as a factual matter if the meeting of the CFM were held in the reasonably near future, it would begin before the Western German Government was in existence. I explicitly repeated those parts of the statements which said that we would continue with the preparations and repeated that we did not make any promise to abandon those preparations. Malik then made a long statement during which he referred to some typewritten notes. He recalled Stalin's reply to Kingsbury Smith<sup>2</sup> and our discussion of the question of the Western German Government's establishment. He said that I had told him that the question of this establishment could not arise if the CFM should meet, for example, "tomorrow" and that the question would not be "acute". He later explained that the word "acute" was used in the sense that the session of the CFM would proceed in the absence of the Western German Government. He commented that we now said that we would continue with the preparations even in the very midst of a CFM. I recalled from memory the nature of Stalin's statement on this point and that he had appeared to deal with it as if the postponement of the establishment of the Western German Government were a condition precedent to a CFM. It was in this connection that I said that since the government was not in existence now, the problem did not arise.

Malik then sent for a Russian newspaper containing the text of Stalin's replies to Kingsbury Smith and read question No. 3 and

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<sup>1</sup> *Infra*.

<sup>2</sup> The reference here is to a series of four questions submitted to Stalin by INS correspondent Kingsbury Smith in late January, and Stalin's reply to them January 30. The text of the questions and replies is printed in the *New York Times*, January 31, p. 4.

Stalin's answer to it.<sup>3</sup> He also referred to his notes to recall what he told me Vishinsky had said. He interpreted the word "postponement" in connection with the third of Kingsbury Smith's questions as meaning postponement until the calling of a CFM. I repeated our position in regard to the word "postpone" indicating again that since the government was not established, it was not a question of postponement. I said we could make no statement regarding what might happen after a meeting of the CFM began; that we do not know when the meeting might be held or how long it would last. Malik then said that Kingsbury Smith's question meant the postponement not only of the establishment of the Western German Government but the postponement of preparations for it. He then restated our position accurately and said he would report it to Vishinsky. I pointed out that Kingsbury Smith did not say anything about postponing preparations and that he did not use the word "abandon" or the words "give up" in this connection.

Malik then said I had previously used the word "tomorrow" in connection with the date of the meeting of the CFM and today I had used the expression "reasonably near future". He said that if the CFM were to meet "tomorrow" and the Western German Government were established "the day after tomorrow" that would present some difficulty. He asked what I had in mind by the expression "reasonably near future". He said that it was obvious that no matter how hard he and I tried, it would obviously be impossible actually to arrange for the CFM "tomorrow".

I said that we of course recognized this and we recognize that various arrangements would have to be made and that we would all need to consider engagements of the Foreign Ministers. I said that just as a rough indication we had in mind that "reasonably near future" might mean five or six weeks.

Malik then asked whether that meant that we would not establish the Western German Government for five or six weeks. I said that as I had previously stated, if the Council of Foreign Ministers met within such a time, it could meet in the absence of the existence of the Western German Government.

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<sup>3</sup> They read as follows:

"If the Governments of the United States of America, the United Kingdom and France agreed to postpone the establishment of a separate Western German state, pending a meeting of the Council of Foreign Ministers to consider the German problem as a whole, would the Government of the U.S.S.R. be prepared to remove the restrictions which the Soviet authorities have imposed on communications between Berlin and the western Zones of Germany?

Provided the United States of America, Great Britain and France observe the conditions set forth in the third question the Soviet Government sees no obstacle to lifting transport restrictions, on the understanding, that transport and trade restrictions introduced by the three powers be lifted simultaneously."

Malik then asked if I had any ideas about the agenda for the CFM. I referred to the statement which mentioned "matters arising out of the situation in Berlin and matters affecting Germany as a whole". I asked Malik whether he had in mind any other question which would be on the agenda which was not covered by this expression. He said, "Personally, I think it covers."

Malik then said that I had made no mention of currency. I inquired in turn whether this was not included in "matters arising out of the situation in Berlin". Malik said it could be if that is what we agreed and he merely wished to call attention to the fact that they had said they considered the currency question important and that he had mentioned it before. I replied that I recognized this.

Malik then asked whether the governments of the United Kingdom and of France, when we had informed them about our conversations, had made any further suggestion regarding the date and the agenda. I replied that the statement which I had made this morning was intended to make certain that we understood the views of the Soviet Government and to indicate that if our understanding was correct we could proceed with arrangements. The question of the date and the exact agenda would be a next step.

Malik then asked what the procedure would be. I said that I assumed that if the Soviet Government wished to proceed with the arrangements, that the discussions would need to include representatives of the United Kingdom and of France. Malik asked whether that meant that we could not have any further conversation alone. I told him that I would always be glad to meet him informally but that it seemed obvious that if the matter were to be formalized, we would need to include the representatives of Great Britain and France. He again asked why they did not make some suggestions now about date and agenda. I said we had an "open mind" on this question. The interpreter had some difficulty in translating this expression and I asked Malik if he understood what it meant. He and the interpreter said there was no equivalent expression in Russian, but he understood my meaning. He mentioned that these informal conversations of ours were not binding, with which I agreed. He then said that he would report what I had said to Vishinsky.

I told him that I would be returning to Washington but would be back in New York again and he could always leave a message for me at our New York office.

Malik summarized our discussion by saying he understood that the position was that a meeting of the CFM could be held on the conditions stated this morning. I said that was correct.

CFM Files : Lot M-88 : Box 140 : Jessup-Malik Conversations

*Statement by the United States Ambassador at Large (Jessup)*<sup>1</sup>

TOP SECRET

[NEW YORK,] April 5, 1949.

The Department of State has given careful consideration to the information conveyed by Mr. Malik to Mr. Jessup in their informal conversations. It regarded this exchange as being of such a character that the Governments of France and the United Kingdom should be informed and it has so informed them.

We understand that the Government of the U.S.S.R. is willing to remove the restrictions imposed since March 1, 1948, on communications, transportation and trade between Berlin and the Western Zones of Germany.

We also understand that the Government of the U.S.S.R. desires that at the same time as these restrictions are removed, the restrictions imposed by the Three Powers on communications, transportation and trade to and from the Eastern Zone of Germany should also be removed.

We also understand that the Soviet Government would like to be assured that, at a date subsequent to the reciprocal removal of these restrictions, a meeting of the Council of Foreign Ministers will be held to discuss matters arising out of the situation in Berlin and matters affecting Germany as a whole.

If these understandings are correct, the position of the Soviet Government coincides with the position which has been taken by the three governments notably in the discussions in the Security Council in Paris and which is still their position.

With regard to the question of the Western German Government to which Mr. Malik said Mr. Vishinsky also referred, it is a well-known fact that the three governments are proceeding with preparations for the establishment of such a government. These preparations will continue. However, the question of the establishment of a Western German Government does not arise in the consideration of arranging a meeting of the Council of Foreign Ministers in the reasonably near future.

If the positions of the Soviet Government are those mentioned above and if therefore it desires that arrangements for the removal of the restrictions and for a meeting of the Council of Foreign Ministers should be made, the three Governments are prepared to receive its suggestions.

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<sup>1</sup> Read to Malik during the course of the third Jessup-Malik conversation, April 5.

740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at  
Large (Jessup)*

TOP SECRET

[NEW YORK?] April 11, 1949.

Participants: Mr. Yakov A. Malik, USSR Representative to the UN  
Ambassador Philip C. Jessup

Mr. Malik telephoned Saturday noon and asked for an appointment.  
I went to see him in New York at 2:30 Sunday.<sup>1</sup>

Malik began by reading a statement which was substantially as  
follows:

Vishinsky has received the report of our last conversation.<sup>2</sup> Vishinsky understands that, with reference to the statement I made<sup>3</sup> concerning the establishment of the Western German Government, this means that the Western German Government will not be established before the convening of a CFM or during the work of the session of the CFM. Since the parties have agreed to lift simultaneously the restrictions on communications, transportation and trade between the Western and Eastern zones and since the Western German Government would not be set up before or during the CFM, no obstacle exists to holding conversations regarding the date and agenda bearing in mind that the CFM will meet in five or six weeks and that the four ministers will attend the meeting. An exchange of views can also be had regarding the date for lifting the restrictions.

I then summed up the nature of our previous conversation with particular emphasis upon the fact that I had made it very explicit that we would not make any promise concerning the establishment of the Western German Government during the meeting of the CFM; that we had merely undertaken to say that, if the CFM met within five or six weeks, it would meet before the Western German Government was established.

Malik replied that I had correctly summed up the exchange of opinions in our last meeting. He in turn repeated what we had said and then stated that Vishinsky understands this to mean that the Western German Government would not be set up either before calling the CFM or during the meeting. He then read again the Vishinsky statement and concluded that it was thus that Vishinsky understands the results of our talks.

I went over the same ground noting the difference between the understanding of Vishinsky and the conclusions reached in my conversations with Malik. I reminded him that I had said before that I had described

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<sup>1</sup> April 10.

<sup>2</sup> April 5.

<sup>3</sup> *Supra*.

the matter in factual terms, that I had said we would continue our preparations, that we did not know how long these preparations would take nor did we know how long the CFM would take. We had definitely not made any agreement that the Western German Government would not be set up during the CFM meeting. As a further indication of the factual situation, I said that he undoubtedly had noted in the papers the report of the Secretary of State's press conference on Friday, April 8, in which the Secretary had indicated the various steps which had to be taken before the Western German Government was set up but in which he had definitely declined to hazard a guess as to the date by which these steps would be completed. I said it was very important that we should be clear on this matter and that I hoped Vishinsky understands our position. I said that Malik and I must avoid any possibility of a misunderstanding on this point.

Malik replied that he did not think that "anything indefinite can contribute to a definite arrangement on concrete questions". He said it was therefore expedient to reach a more definite arrangement "considering the importance of the question as a whole".

I asked him what he had in mind by a "more definite arrangement".

Malik said if Vishinsky's statement could be accepted by all concerned then, as Vishinsky had said, we could hold an exchange of views on the concrete points indicated. I replied that, if our statement were accepted by all concerned, we could similarly proceed with the arrangement of all details.

Malik said he was sorry that my summary of our conversation differed somewhat from his; namely, in that were we to agree on calling a CFM in the reasonably near future it would take place in the absence of a Western German Government but that the three powers would continue with their preparations. So far we were agreed. However, Malik said he understood personally that, under my statement, if the CFM were called for example on the fifth of some month then on the sixth "as a surprise for the Ministers" the Western German Government might be established. He embroidered on this by applying the same thought to the possibility of its being established on the seventh or eighth of the month.

I restated the extent of our agreement and told him that he must realize that I had no authority to make the promise that the Western German Government would not be established during the CFM meeting. He nodded his agreement. He went on to say that, since this was the case, he would ask me to convey Vishinsky's statement to Mr. Acheson together with a report on this conversation of ours. He asked what would be the view of the United States regarding the possibility that the Western German Government would be perhaps

established on the second or third day of the meeting "during the heat of its work, figuratively speaking."

I asked him just what question he wished me to take up with The Secretary—was it the question whether the Government would be established during the first few days of the meeting or whether it would not be established at all during the CFM which, judging by the experience of previous sessions, might continue for some time. Malik replied that he was not authorized to put the question in any other way than that stated by Vishinsky in the statement which he had read to me. He said that an arrangement according to which the Western German Government would not be established either before or during the CFM would correspond best to reaching agreement. He then added that he would like me to report also the other part of Vishinsky's statement to the effect that it should be borne in mind that, since the parties have expressed their willingness to lift the restrictions on communications, transportation and trade between the Eastern and Western zones of Germany, no obstacles existed to entering into conversations to fix the details, bearing in mind also that the CFM would meet within five or six weeks with the four ministers present.

I then called attention to the fact that Vishinsky's formula regarding the lifting of restrictions was not identical with that which I had made in my statement to him on April 5; Vishinsky referred merely to restrictions between Eastern and Western zones and did not refer specifically to restrictions between Berlin and the Western zones. I reread at this point the second paragraph of our agreed statement of April 5.

Malik replied that it was true Vishinsky's formula did not repeat textually everything that was in my statement. It seemed to me clear that he had not noticed the discrepancy and he indicated that probably no importance was to be attached to it since Vishinsky's formula was merely a brief summary. He said, however, he would be glad to ask Vishinsky for clarification. I said it would be desirable to clear this up to be sure there was no misunderstanding on this particular point.

Malik said that he agreed with my opinion that we should reach agreement in general conversations before making the understanding concrete to avoid any misunderstanding and that is why he had spoken of indefinite statements not being helpful in reaching concrete results. For this reason he thought it would be useful to reach agreement on the lifting of the restrictions and on the establishment of the Western German Government. On the latter point, he personally did not think it would be appropriate if we did not reach agreement, by which I understood him to mean reach agreement on Vishinsky's formulation.



As to the date of the lifting of the restrictions and the other concrete points, we could go on to agree on them after the general basis was settled.

The impression I gained was that they were "horsetrading" on the question of the establishment of the Western German Government during the CFM. Malik's remarks about the possibility of its being established on the second or third day of the meeting clearly suggested to me a trading area short of complete acceptance of Vishinsky's desire for a promise that the Government would not be established at all during the CFM. In the second place, it seemed to me clear that he wanted to avoid breaking off the attempt to reach agreement; this was emphasized by the statement which he made about "the importance of the question as a whole". In the third place, it is clear to me that there is no misunderstanding in Malik's mind about the position we have taken. I interpreted Vishinsky's statement which says that he "understands" that the Government will not be established during the CFM as being merely an attempt to parallel the form of our statement of April 5. In that statement we set forth a number of understandings and said, if these are correct, we could go ahead. Vishinsky is evidently restating one of the understandings in the hope that we will agree to it.<sup>4</sup>

PHILIP C. JESSUP

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<sup>4</sup> Following his fourth conversation with Malik, Jessup reported to the Secretary of State and President Truman. In his meeting with the President the Ambassador presented the text of an undated memorandum, not printed, prepared in the Department of State, which would instruct the Secretary of State to continue the private talks, instructing Jessup in particular to obtain confirmation of the Soviet readiness to lift the blockade. The British and French were to be kept abreast of all these developments (CFM Files: Lot M-88: Box 140). The President approved the memorandum on April 12. Memorandum by Jessup, April 12, not printed (CFM Files: Lot M-88: Box 140). On the same day the Department informed Douglas and Caffery of the progress of the conversations.

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CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations

*Draft of a Possible Statement To Be Cleared With the British and French and Then Read to Malik*<sup>1</sup>

TOP SECRET

[WASHINGTON, April 12, 1949.]

1. Mr. Acheson has given careful consideration to the information conveyed by Mr. Malik to Mr. Jessup on April 10 including the views expressed by Mr. Vishinsky. In accordance with the position indicated

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<sup>1</sup> The source text was attached to another draft of this statement prepared by Jessup, dated April 11, not printed.

by Mr. Jessup to Mr. Malik on April 5, Mr. Acheson has informed Mr. Bevin and Mr. Schuman.

2. Before proceeding with any formal discussion of arrangements regarding the simultaneous lifting of the restrictions on communications, transportation and trade and a meeting of the Council of Foreign Ministers, it is necessary to have a clear understanding on certain points which have arisen in the several informal conversations between Mr. Malik and Mr. Jessup.

3. With regard to the lifting of the restrictions, it would need to be clearly understood that the restrictions to be removed are those imposed since March 1, 1948, on the one hand by the Government of the Soviet Union on communications, transportation and trade between Berlin and the Western zones of Germany, and on the other hand by the three powers on communications, transportation and trade to and from the Eastern zone of Germany.

4. With regard to the question of the establishment of a Western German Government, it is desirable to repeat the statement made to Mr. Malik by Mr. Jessup on April 5;<sup>2</sup> namely: "It is a well-known fact that the three Governments are proceeding with preparations for the establishment of such a Government. These preparations will continue."

5. It can be stated in addition that, if a meeting of the Council of Foreign Ministers is held, the fact of such a meeting will not interrupt or retard these preparations.

6. On the other hand, the continuation of the preparations for the establishment of a Western German Government will not preclude or contravene any agreement arrived at by the four powers on a government for all Germany.

7. The exact date on which the Western German Government will be established cannot be determined at this time but preparations for such establishment could scarcely be completed before July 1, 1949.

8. The Foreign Ministers of the United States, France and the United Kingdom would be available for another meeting of the Council of Foreign Ministers upon the conclusion of the necessary prior agreements, but would wish to conclude their personal participation in such a meeting by approximately the end of the first week of June. These prior agreements would deal with the description of the restrictions on communications, transportation and trade to be removed and the date of their removal, and the place, date and agenda for a meeting of the Council of Foreign Ministers.

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<sup>2</sup> *Ante*, p. 716.

740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at  
Large (Jessup)*

TOP SECRET

[NEW YORK,] April 13, 1949.

Participants: Sir Alexander Cadogan (U.K.)  
Ambassador Chauvel (France)  
Philip C. Jessup

By appointment Sir Alexander Cadogan and M. Chauvel called on me at the USUN office this morning. I informed them concerning my talk with Malik on Sunday, April 10th. I then gave them copies of a "Draft of Possible Statement to be Cleared with the British and French and then Read to Malik."<sup>1</sup> I explained the general reasoning behind our drafting of this paper and told them that it had been drafted in consultation with the Secretary.

The only substantive point raised by either of them was Chauvel's question about paragraph seven. He was somewhat troubled by the reference to the date of July 1. He suggested that it might be phrased as follows: ". . . but preparations for such establishment could scarcely be completed for some time to come and scarcely before July 1, 1949." He thought in its present form it might seem to be something of a promise which we did not want to make.

Both Cadogan and Chauvel were particularly interested to discuss further procedural steps, particularly those needed to reach the "prior agreements" referred to in paragraph eight of the Draft Statement. Chauvel at first thought it would be necessary to have a preliminary meeting of deputies to reach these agreements. I said we had no fixed view on this procedural point, but that I thought one possibility would be for me in a continuation of these informal conversations with Malik to press forward to the point where it was understood informally on both sides that we were agreed on the basic points listed in our proposed statement and possibly moving on to agreeing informally with him on the dates for the lifting of the blockade and for the holding of the CFM. With regard to the agenda I said one possibility would be to leave it very broad as in our statement of April 5th which referred to "matters arising out of the situation in Berlin and matters affecting Germany as a whole." I said we would need to consider further whether it was desirable to spell out the agenda in more detail before the CFM met. I suggested that another possibility would be for me to continue the informal conversations with Malik merely to the point of agreement on the basic points covered in our Draft Statement and

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<sup>1</sup> *Supra.*

then to suggest that Malik and I meet with Cadogan and Chauvel to reach agreement on the four points.

This led to a consideration of the manner in which the whole subject might be broached to the public. I recalled the feeling of Mr. Bevin and M. Schuman that it would be preferable to let the Russians take the formal initiative. I said that this seemed to us to be a question on which there were arguments on both sides. The Russians might make propaganda capital out of taking the initiative. All things considered, we felt this was a matter of minor importance. I recalled the discussion with Bevin and Schuman of a possible announcement through the stimulated initiative of the President of the Security Council and noted that we had given up this suggestion in the face of French and British feeling that it was not a desirable procedure. I then suggested our alternative plan of a Four-Power communiqué to the President of the Security Council merely informing him that the Four Governments had agreed to lift the blockade and have a CFM. I said that, at the same time, we might agree privately with the Russians that after the blockade was actually lifted we would ask the Security Council to take the Berlin question off its agenda. Both Chauvel and Cadogan reacted favorably to this plan and both came around to stating their personal view that they did not think it important to force the Russians to take the initiative.

I also called their attention to the discussion between the Secretary and Mr. Bevin and M. Schuman on an "Agreed Minute of Conversation" <sup>2</sup> relative to our common determination to continue with plans for the Western German Government even during a CFM. I recalled that neither Mr. Bevin nor M. Schuman saw any objection to this and that it accurately reflected the conversations which took place; however, no formal action was taken to initial such a Minute. I noted that the substance of it was actually included in the draft of our statement to Malik; and that if the three of us were agreed on some such statement, this merely confirmed the views which all three Ministers had expressed when they met.

Cadogan and Chauvel both said they would inform their Ministers. Cadogan pointed out that Mr. Bevin would not be landing until the end of the week and that the Easter weekend was a hard one on which

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<sup>2</sup> Under reference here is a minute prepared by Jessup following the tripartite meeting April 1, copies of which were given to Franks and Couve de Murville on April 4. It read as follows:

"With regard to the question of the Western German Government to which Mr. Malik said Mr. Vishinsky also referred, it is a well-known fact that the three governments are proceeding with preparations for the establishment of such a government. These preparations will continue. However, the question of the establishment of a West German Government does not arise in the consideration of arranging a meeting of the Council of Foreign Ministers in the reasonably near future." (CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

to get action especially since Monday was a holiday in England. He doubted if he would get any word before Tuesday or Wednesday. Chauvel said that M. Schuman had sailed last night on one of the Queens and would also be getting to Paris about the end of the week so that he would similarly have no response before Tuesday or Wednesday. He said he would discuss the matter with M. Couve de Murville, who had followed the conversations in Washington.<sup>3</sup> I pointed out that hitherto I had been staying in Washington and had therefore had no chance encounters between the dates when I wanted to talk with Malik. I said that, since I would now be here for several days, I might encounter him casually and I asked them whether they thought it would be useful for me to just say to him that Bevin and Schuman were on the ocean and that I would hope to make an appointment to see him next week. Both thought this would be desirable. I pointed out that as a matter of timing, while we thought it very desirable not to have the matter concluded and announced during this week which was an especially critical one in Western Germany,<sup>4</sup> it was desirable to move forward with some celerity so that the CFM could be arranged for about May 15, and the blockade could be lifted perhaps about May 1. They shared my view that it was desirable to take the next steps as soon as possible.

PHILIP C. JESSUP

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<sup>3</sup> Later in the day Jessup talked to Couve de Murville, who expressed his general agreement with the plans elaborated by the three Western officials at this meeting. (Memorandum of Conversation, by Jessup, April 13, not printed (740.00119 Control (Germany)/3-1549)

<sup>4</sup> Under reference here are the consideration by the Bonn Parliamentary Council of the Occupation Statute, which had been agreed by the Three Ministers in Washington on April 8, and the Council's drafting of the Western German Basic Law for presentation to the Military Governors. For documentation relating to the Basic Law, see pp. 187 ff.

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740.00119 Control (Germany)/4-2049

*Memorandum of Conversation, by the United States Ambassador at Large (Jessup)*

TOP SECRET

[NEW YORK,] April 20, 1949.

Participants: Sir Alexander Cadogan, United Kingdom Delegation  
M. Chauvel, French Delegation  
Dr. Philip C. Jessup, U.S. Ambassador at Large

Sir Alexander Cadogan and M. Chauvel called at my office this afternoon to exchange information regarding the views of Mr. Bevin and M. Schuman on the draft of a possible statement to be communicated to Malik.<sup>1</sup>

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<sup>1</sup> *Ante*, p. 720.

Cadogan summarized a telegram from Mr. Bevin along the following lines. Mr. Bevin realizes the risks to our plans for a Western German Government involved in conducting negotiations with the Russians in the next few weeks or months. On the other hand, he is anxious to reach a settlement with the Russians if that is possible. He agrees that at some stage a written document is desirable but he does not wish the Russians to be able to pin us down before they themselves are committed. Therefore, he does not wish anything given to the Russians in writing until they have committed themselves. If we give them a paper, they would come back with amendments and counter-suggestions and we would lose our advantage. We must always keep in mind the effect of various steps on the proceedings at Bonn.<sup>2</sup> The Russians will claim that by agreeing to a CFM in exchange for the lifting of the blockade, we are morally committed not to establish the Western German Government while the CFM is in session. They will use this as propaganda in Germany and will hold up our plans. We would lose the confidence of the Germans not only in Western Germany but throughout all of Germany and we would find ourselves back in the position of frustration which followed the period of Potsdam. Our experience in Moscow last summer should be a warning to us.<sup>3</sup> The best plan would be to continue the oral exchanges with Malik with a view to inducing the Russians to come out with a written proposal. We should try to reach a clear agreement on both sides which could be committed to paper. Bevin would like to have Cadogan and Chauvel associated with Jessup in any further talks with Malik. In these talks attempt should be made to: (1) Find out when and how the Russians are prepared to lift the blockade; (2) The details for the lifting of our counter-blockade measures; and (3) The date for the CFM. If Malik makes it a condition that we should not carry on with our Western German Government plans, we must make clear that we will not make any such commitment and if such a commitment is insisted upon, we would have to break off the conversations. The procedure along the above lines would be much safer and would produce better results. Regarding the plan for a four-power letter to the President of the Security Council, Bevin is opposed to bringing the President of the Security Council into this matter at all, at least at this stage. This would complicate reaching the informal agreement which is necessary. The foregoing represent Bevin's present views. We must bear in mind that the whole object of the Soviet maneuver is to block

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<sup>2</sup> For documentation on the deliberations of the Bonn Parliamentary Council concerning the Basic Law, see pp. 187 ff.

<sup>3</sup> Documentation regarding the four-power discussions of the Berlin question at Moscow during August and September, 1948, is in *Foreign Relations*, 1948, vol. II, pp. 995 ff.

the Western German Government. Thus the Bonn talks are crucial. Bevin cannot agree on any further move with the Russians at least until we have delivered the message of the Foreign Ministers<sup>4</sup> to the Germans and secured a firm basis of agreement between the military governors and the Parliamentary Council at the meeting projected for April 25.

In discussing this telegram from Bevin, Cadogan rather agreed that on the four-power communication to the President of the Security Council, Bevin did not seem to understand that we did not contemplate sending such a communication until all points have been agreed upon. Cadogan said that it was clear Bevin still felt it very important that we should have the Russians take the initiative.

Chauvel read a telegram from M. Schuman which was substantially as follows. M. Schuman thinks it is preferable to give Malik an *aide-mémoire* in order to make our position precise. (Chauvel interposed to say that he had suggested to Schuman that this precision should be attained as soon as possible because of all of the current publicity. He remarked that the Paris papers are now full of this matter.) Schuman continued to say that the American draft of a possible statement to Malik is on the whole satisfactory and ought to contribute to reaching the desired results. However, he wished to make a reservation in regard to paragraph 6. M. Schuman would prefer to have this paragraph read as follows: "On the other hand, neither the continuation of the preparations for the establishment of a Western German Government nor the establishment of the Western German Government itself will preclude any agreement arrived at by the four powers on a government for all Germany."

Schuman fears that there might be some misunderstanding which would be made use of by Soviet propaganda. He thinks that one possibility would be to have paragraphs 6 and 7 conveyed orally to Malik and not included in the written statement which would be left with him. If paragraph 6 is retained in the statement, he would like to omit the word "contravene." He thinks it is hard to say in advance that the establishment of a Western German Government would not contravene some theoretical agreement which we might subsequently make with the Russians. If paragraph 7 is retained in the draft, he prefers our original text to the slight modification which Chauvel had suggested at our last meeting and which he had telegraphed to Schuman. He thinks that the existing text of paragraph 7 is useful in that it enables the Russians to see that they can start a meeting of the CFM

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<sup>4</sup> For the text of the Western Foreign Ministers' message, see p. 186

but that they cannot prolong it for too long a time. Returning to the question of paragraph 6, Schuman made the following points:

a. There might be a contradiction between the continuation of preparations for the establishment of the Western German Government and a possible agreement with the Russians in that the nature of the government agreed upon with the Russians might be different from that now contemplated for Western Germany.

The incompatibility between the Western German Government and any agreement with the Russians might arise from action which the Germans themselves will take either in the forming of their basic law or in the course of their elections. We might be put in the position of either having to reject an agreement with the Soviets or having to withdraw from a promise we had made to the Germans. He wishes to avoid the possibility of such a dilemma. He therefore thinks that it is necessary to explain orally to Malik the exact steps which are involved in the establishment of the Western German Government including the approval of the basic law, its ratification, the elections, etc. The Russians should understand exactly what is involved.

b. We might agree that in approving the basic law we should make it clear to the Germans that in so doing we are not taking a step for the perpetual partition of Germany but always leave open the possibility of necessary adjustments in case agreement is reached on Germany on [as?] a whole. Schuman accepts the idea of eventual announcement through a four power letter to the President of the Security Council. Schuman then suggested that meetings of the representatives of the four governments should be held in New York to arrange the formal details and informed Chauvel that he would be prepared to send an expert to help with the details as soon as Chauvel tells him the time has come. (Chauvel commented that he thought this indicated that Schuman thought that the matter had perhaps proceeded further toward a final agreement than was actually the case.)

In a general exchange of views on the two foregoing communications, it was apparent that the French feel that particularly in view of the current publicity, it is desirable to move forward as rapidly as possible at least with the next steps of some further communication to Malik. After Sir Alexander left, Chauvel lingered a moment and commented on the fact that he thought that Bevin was taking a position of delaying the whole matter, which he thought was not in accord with the views of his government. In the conversation with Cadogan, Chauvel and I both noted that if no further statement was made to Malik until after the conditions mentioned by Bevin were met, we might have to reconsider the dates and time periods previously contemplated. For example, three of the "five or six weeks" which we mentioned on April 5 as a measure of the "reasonably near future" would have been used up.

Chauvel stated rather strongly his view that it would be a mistake for him and Cadogan to go with me on the occasion of the next com-



munication to Malik. He said that this would really mean that we had embarked on the formal negotiations. He thought the Russians would interpret it as meaning that we had definitely decided to go ahead with the CFM and that it would weaken our bargaining position. I expressed agreement with this point of view and Cadogan seemed to think this was a consideration which had not occurred to Bevin.

In summarizing the situation, we three were agreed that the important points now to be cleared up were first, the definition of the restrictions to be lifted and second, the clarification of our firm resolve not to make any pledge about postponing the establishment of the Western German Government during a meeting of the CFM. We were agreed that if these two points were cleared up, that it would then be possible to move forward probably in four-cornered conversations to actually set the dates and to agree on the agenda.

Cadogan said that he would get off a telegram to Bevin tonight and would probably have some reply tomorrow. He seemed to think that several of Bevin's statements were based on some slight misunderstanding of the status of the Malik talks and the plans for any further approach. Chauvel said that he would give to Cadogan and to me in the morning a written summary of Schuman's telegram which he had read to us in French. He showed me the telegram however so that I could check my notes on what he had read. We agreed that if further word had come from London, we would meet again tomorrow afternoon. Chauvel told me privately that he thought he did not need to send any further telegram to Paris. He seemed to think that so far as the French were concerned there were no particular points of difference which could not be readily handled.<sup>5</sup>

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<sup>5</sup> In two subsequent meetings, the first between Jessup and Cadogan, the second also including Chauvel, the three Western Powers were unable to agree on the tactics to be followed in the conversations with Malik. Chauvel continued to agree generally with the United States approach while Cadogan expressed Bevin's apprehension of moving ahead too rapidly and jeopardizing the deliberations of the Bonn Parliamentary Council. Memoranda of these two meetings, not printed, are in file 740.00119 Control (Germany)/4-2149 and 2349.

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CFM Files : Lot M-88 : Box 140 : Jessup-Malik Conversations

*Draft of a Telegram From the Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

TOP SECRET

[WASHINGTON, April 25, 1949.]

[1394.] Eyes Only Ambassador and Holmes from Acheson. Please see Bevin immediately and convey following from me personally.

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<sup>1</sup> The text of this message, sent to London as telegram 1394, was not found in Department of State files; however, another copy of the draft with minor textual differences bears the handwritten interpolation "Sent at 11:00 AM April 25, 1949." (CFM Files : Lot M-88 : Box 140 : Malik Conversations, 1949)

I am disturbed by failure to reach agreement on tactics in next moves with Russians on Berlin-CFM question. Differences between us are only tactical but in President's and my opinion most important. We, Bevin and Schuman are agreed on objectives and in common concern lest talks with Russians disturb plans for Western German Government. We are convinced it is necessary to continue informal talks with Malik in order to stave off premature Russian public offer which they can make at any moment. We believe Russians most likely to make such public move if they conclude we will not continue informal talks. Further oral statement by Jessup to Malik along lines text sent Bevin by Cadogan<sup>2</sup> would envisage Moscow reply by end this week. If Soviets then agree in principle, further talks with Cadogan and Chauvel present would be necessary to arrange details of dates and nature of blockade lifting, time and place CFM, and broad lines of agenda. With need for telegraphic confirmation in Moscow, this would bring us well into first week of May before any public announcement would be made. Meanwhile newspaper publicity and reported renewed activity Evatt make informal arrangements more difficult.

While recognizing Bevin's desire to have Soviets make formal proposition on their initiative, if they will not we see no harm and some advantages in plan to have four governments send joint note to President Security Council announcing agreement. Such note would not be sent until agreement reached on dates, on nature of blockade restrictions to be raised, and agenda.

Regret misunderstandings end of last week complicated attempt to secure three power agreement. Berlin delivery of three ministers' message<sup>3</sup> to Germans and favorable developments in Germany now remove Bevin's main worries about proposed next approach to Malik. I hope he will therefore urgently instruct Cadogan regarding text of proposed statement to be read to Malik by Jessup. Hope he will agree to Jessup's arranging today to see Malik Wednesday by which time any desired revision of text of statement could be agreed.

I attach greatest importance to maintaining our tripartite unity so happily achieved in Washington. Further delay likely to be interpreted by Russians as revealing discord or weakness. Also believe if CFM to be held it should come not later than May 23 so that it will be finished with either agreement or disagreement by middle of June to give us clear picture for proceeding in Germany. We must leave time for full discussions among the three of us regarding positions to be taken in CFM before meeting takes place.

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<sup>2</sup> Under reference here is the draft statement, p. 720.

<sup>3</sup> Under reference here is the message of the Foreign Ministers, April 8, p. 186. Regarding delivery of the message to the Bonn Parliamentary Council on April 22, see editorial note, p. 248.

For your background and for use with Bevin if appropriate, British Embassy here and in Paris seems to have given erroneous impression that Schuman and I fully agreed with Bevin's telegram to Cadogan of April 21<sup>4</sup> regarding timing of next steps in Jessup-Malik talks. This misunderstanding has now been removed. Foregoing position is understood to be in full agreement with French views.

Following is text of proposed statement to be read to Malik by Jessup incorporating changes in paragraphs six and eight suggested by Schuman and us:<sup>5</sup>

[ACHESON]

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<sup>4</sup> Not printed; in it Bevin had stressed the need for agreement between the Military Governors and the Parliamentary Council before any further move was made with regard to the Jessup-Malik talks. (CFM Files: Lot M-88: Box 140: Malik Conversations, 1949)

<sup>5</sup> The text of this proposed statement was not included in the draft telegram. See draft of a possible statement to be cleared with the British and French and then read to Malik, p. 720, as amended by the memorandum of conversation April 20, p. 724.

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740.00119 Control (Germany)/4-2549: Telegram

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

TOP SECRET

US URGENT

LONDON, April 25, 1949—10 p. m.

NIACT

1582. Eyes Only for the Secretary. ReDeptel 1394, April 25.<sup>1</sup> Holmes saw Bevin 7:30 this evening. Bevin said that the decision requested of him was of such very great importance that it required consultation with members of his staff tonight and with the Prime Minister tomorrow before he could give an answer. He expressed great fears that to continue what he described as "our initiative" would play into Soviet hands. He felt that the Russians were anxious to get a partial agreement from us and then use the usual Stalin-Malik tactics "to tear us to pieces". He said that if we were not extremely cautious we run the risk of losing Germany and that he would like to see Bonn in his pocket before talking to the Russians. He believed that the principal object of the Soviet was to produce a *détente* in the hope of preventing ratification of the Atlantic Pact by continental countries and that in the light of the slight depression in the US and difficulties with appropriations to forestall at least appropriation of funds for MAP. He felt that it was far more dangerous to continue informal Jessup-Malik talks than to risk public offer from the Russians.

Bevin was in a depressed and discouraged mood resulting to some extent at least from his concern over the shelling of British warships

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<sup>1</sup> A draft of this telegram is printed *supra*.

in China. He said on several occasions "China is lost and we have to face the Yangtse matter in Parliament tomorrow. What a day to make approaches to the Russians."

All the arguments contained in reftel were put as strongly as possible but without much success. Holmes suggested that Bevin agree that Jessup should arrange for a meeting with Malik on Wednesday which would give us time to decide what Jessup were to say. This Bevin declined to do without consultation with his staff and Prime Minister. He has summoned Strang and Dean with all the papers to his home later tonight. We shall renew our efforts tomorrow.<sup>2</sup>

To understand Bevin's mood and attitude you should know that he was critical of Jessup's initiative and eagerness.

He was almost violent in his comment on "Evatt's meddling".

DOUGLAS

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<sup>2</sup> In telegram 1584, April 26, 11 p. m., from London, not printed, Douglas reported that after consultation with his staff Bevin was sending instructions to Franks agreeing to the approach to Malik on April 27 and promised to cable his suggestions regarding the statement to be read to Malik. Bevin's decision was strongly influenced by the announcement that evening of the agreement on the Basic Law. (740.00119 Control (Germany)/4-2549)

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### *Editorial Note*

On April 26 the Soviet press published a Tass communiqué which gave a brief summary of the Jessup-Malik conversations up to April 10 and stated that if a date were agreed upon for the convocation of the Council of Foreign Ministers then the mutual restrictions on communications and trade in Berlin could be cancelled before the beginning of the Council.

On the same day the Department of State released to the press a statement on the informal talks between Jessup and Malik summarizing the talks through April 10 and stating:

"If the present position of the Soviet Government is as stated in the Tass Agency release as published in the American press this morning, the way appears clear for a lifting of the blockade and a meeting of the Council of Foreign Ministers. No final conclusion upon this can be reached until further exchanges of view with Mr. Malik."

The full texts of the Tass communiqué and the State Department press release are printed in *Berlin: Quellen und Dokumente*, Bd II, pages 1545-1547. The Tass communiqué was also published in the *New York Times*, April 26, pages 1 and 6; and the text of the State Department press release in Department of State *Bulletin*, May 8, 1949, pages 590-591, and *Germany 1947-1949*, pages 273-274.

740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at  
Large (Jessup)*

TOP SECRET

[NEW YORK,] April 27, 1949.

Participants: Ambassador Malik, USSR Delegation to the UN  
Dr. Philip C. Jessup, US Ambassador at Large

I called on Malik by appointment at his office this morning at 12:30. We began by my reading to him the agreed statement.<sup>1</sup> Malik then said that he wished to make more precise the question of the removal of restrictions which had been touched upon in Vishinsky's previous statements. He was now able to make it clear that what Vishinsky had in mind was the mutual lifting of restrictions on transportation, communication and trade between the Western and Eastern Zones, and between Berlin and the Western Zones. These restrictions could be lifted before a meeting of the CFM if we come to an agreement for the date of such a meeting. Vishinsky had in mind all such restrictions introduced after the 30th of March 1948 as had been stated to the US in the Soviet's note of the 18th of September 1948.<sup>2</sup> That, said Malik, is Vishinsky's understanding of the question.

I said that my memory was not exact as to the precise dates on which various restrictions had been imposed and I did not recall whether there were some of them which had been imposed prior to the 30th of March. I called attention to the fact that we had mentioned the date of the 1st of March.

Malik said that he recalled that some of these restrictions were on the 28th of March and others on the 29th and 30th. He said therefore a correction could be made in the date of March 30 to cover the 28th, 29th and 30th. He understood that these would be included in the measures to be lifted.

I repeated that I did not recall the exact dates but wanted to be sure that the general idea was that Vishinsky wished to lift all of the restrictions which had been imposed and that he does not have in mind that he wishes to keep some of the restrictions.

Malik in turn said that he did not recall precisely the exact dates but according to his instructions there were no restrictions imposed before the 28th of March.

I asked again whether regardless of this detail of dates there was a desire to exclude any of the restrictions from those to be lifted. Was it merely a question of fact to be determined in order to set the date? Malik replied that he thought this was correct.

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<sup>1</sup> *Infra.*

<sup>2</sup> *Foreign Relations*, 1948, vol. II, p. 1162.

Malik then asked for an explanation regarding that point in our statement which referred to the end of the second week of June as the termination of the meetings. He inquired what idea the three Ministers had for the date for the beginning. I said that the Ministers had no exact date to suggest at this moment for the beginning of the CFM. If we were agreed in principle, if no substantial question was still outstanding, then it seemed to me it would be convenient, as I had suggested to him on April 5, to ask Sir Alexander Cadogan and Chauvel to join us in another meeting in order that we might fix the dates, the place of the CFM, the specification of the restrictions to be lifted and other details.

Malik then requested me to read again that part of my statement which referred to the Western German Government and I read over once more paragraphs 4, 5 and 6. Malik then said that if he understood correctly, the following is the situation: The Western German Government does not now exist; if we come to an understanding regarding the calling of the CFM in the reasonably near future that meeting would start in the absence of a "condition of the existence of such a government" but would proceed in the "condition of the continuance of the preparations". I said this was correct.

Malik then said he had a second point. If he understood correctly, we were agreed on the following: All restrictions on transportation, communication and trade, introduced by the Soviet Union since the 28th of March, between Berlin and the Western Zones, and the restrictions imposed by the three powers between the Eastern and Western Zones were to be removed. I replied that I could not say as to the exact date of the 28th of March, but that the general sense was that all of the restrictions which had been imposed were to be removed. If it were the fact that some restrictions had been imposed before the date of the 28th, we wanted to get rid of that too.

Malik said that he had formulated his observations on this point in such detail because of the fact that I had pointed out that in a previous meeting Vishinsky's reply did not textually coincide with mine. Therefore, he wanted to go into detail and clarify whether we could state that all restrictions imposed after a specified date between Berlin and the Western Zones, and between the Eastern and Western Zones could be lifted. If there is doubt as to the date, that could be settled later. He did wish to make precise that there is a desire between us to agree in the sense that all the restrictions after a certain date between Berlin and the Western Zones would be lifted on a date to be agreed upon. I said this was correct.

Malik then said he had a third point which he wished to make more precise. He asked if we could state that we have reached agreement

in these conversations on holding a CFM for a consideration of the question of Germany including the question of currency, bearing in mind that the lifting of the restrictions will have been effected before that meeting and also bearing in mind that the date of the CFM and the date of the lifting of the restrictions are to be agreed upon. I agreed.

Malik then said therefore he could state there is agreement on the questions we have discussed including the question of the Western German Government. I said I believed this to be true but that I wished to make quite sure on this last point regarding the Western German Government. I therefore recalled his previous statement to the effect that the agreement was that if the CFM was held in the reasonably near future, it would begin before a Western German Government was formed but would continue its sessions while the preparations for the establishment of the Western German Government continue.

Malik said this was correct and asked what was the next step. I said that it seemed to me the next thing would be to have four-party talks reasonably soon to set the dates and the other details. I assumed that there would then be a formal agreement of the four governments after we had agreed on these details. I said that as a personal suggestion I wondered what he would think of the possible desirability of a four-power note addressed to the President of the Security Council telling him that the agreement had been reached. I pointed out that this would be a later stage after the reaching of the agreement in four-party conversations. I said that I had no particular form in mind regarding an agreement. I suggested that the Soviet Government might send us a note containing the details after the four of us had worked it out and that the three governments would then in the usual diplomatic form communicate their agreement in reply. Malik said that personally he hadn't considered what form an agreement might take but as we were talking he had the idea that perhaps an exchange of notes would be superfluous. He said that perhaps after we reached agreement we could issue a four-power communiqué pointing out that the four governments have agreed on the following points: (1) All restrictions imposed by the Soviet party since such and such a date and those imposed by the other three parties would be lifted on the same date; (2) we would state the date when the CFM would be called to consider the question of Germany and the question of currency in Berlin. As for the suggestion of a letter to the President of the Security Council, it did not seem to him that this would be necessary. I said that this might be a good way to do it, that I had no definite ideas about it and probably this would be a matter we would want to discuss with the others. I then asked him whether he had any thoughts about the interval between the date of the lifting of the blockade and the

date for the meeting of the CFM, whether it should be three weeks, two weeks, ten days, one week, or what. Malik said he was not prepared to discuss specific dates. He said today we are merely stating a general agreement and therefore he was not prepared on details but he would think it over. He said that he would communicate the result of our conversation to Vishinsky.

I asked him whether he thought Vishinsky would agree with Malik that we had reached agreement. Malik replied "I consider it possible." He said he could not speak for his Minister but considering the stage of the exchanges of views, he would state to Vishinsky as his opinion that we had reached agreement and this would be put up to Vishinsky for his decision.

I said if Mr. Vishinsky does agree, probably our next meeting should be with Sir Alexander Cadogan and Ambassador Chauvel to arrange details. Malik agreed but said that he had enjoyed our private conversations. I said I had also enjoyed them but that I was generous and was glad to share that pleasure with the two others, to which Malik replied "I am not an individualist".

I then called attention to the crowd of reporters assembled outside his building and said obviously the press was aware that we were talking but that in my opinion it would not be desirable to issue to the press any statement regarding the substance of our conversation. Malik agreed.

It was left that he would telephone me after he has had further word from Vishinsky and that if Vishinsky decides that agreement has been reached, our next meeting would be with Cadogan and Chauvel to arrange the details.<sup>2</sup>

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<sup>2</sup> Jessup reported his conversation to Cadogan and Chauvel April 28, and gave them each a copy of the memorandum of conversation. The three officials then discussed the lifting of the restrictions, the question of a timetable, and the form of the quadripartite announcement. General agreement was reached that the technical details of lifting the restrictions should be left to the military representatives in Berlin. May 23 was set for the beginning of the Council of Foreign Ministers with the blockade to be lifted on May 9. Both Cadogan and Chauvel felt that Malik's suggestion about the joint communiqué was satisfactory. (Memorandum of Conversation by Jessup, April 28, not printed, 740.00119 Control (Germany)/3-1549)

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740.00119 Control (Germany)/3-1549

*Statement by the United States Ambassador at Large (Jessup)*<sup>1</sup>

[NEW YORK,] April 27, 1949.

1. Mr. Acheson has given careful consideration to the information conveyed by Mr. Malik to Mr. Jessup on April 10 including the views

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<sup>1</sup> Read to Malik on April 27.



expressed by Mr. Vishinsky.<sup>2</sup> In accordance with the position indicated by Mr. Jessup to Mr. Malik on April 5,<sup>3</sup> Mr. Acheson has informed Mr. Bevin and Mr. Schuman.

2. Before proceeding with any formal discussion of arrangements regarding the simultaneous lifting of the restrictions on communications, transportation and trade and a meeting of the Council of Foreign Ministers, it is necessary to have a clear understanding on certain points which have arisen in the informal conversations between Mr. Malik and Mr. Jessup.

3. With regard to the lifting of the restrictions, it would need to be clearly understood that the restrictions to be removed are those imposed since March 1, 1948, on the one hand by the Government of the Soviet Union on communications, transportation and trade between Berlin and the Western zones of Germany, and on the other hand by any one of the four powers on communications, transportation and trade between the Western and Eastern zones of Germany.

4. With regard to the question of the establishment of a Government in Western Germany, it is a well-known fact that the three Governments are proceeding with preparations for the establishment of such a Government. These preparations will continue.

5. It can be stated in addition that, if a meeting of the Council of Foreign Ministers is held, the fact of such a meeting will not interrupt or retard these preparations.

6. As the representatives of the three governments made clear to Marshal Stalin during the course of the discussions in Moscow last August,<sup>4</sup> the establishment of a Government in Western Germany in accordance with the decisions taken in London in June, 1948,<sup>5</sup> does not preclude four-power agreement whereby a Government for the whole of Germany could be established, and the three governments will make a sincere endeavor to ascertain whether there is a real prospect of agreement among the Four Powers.

7. The Foreign Ministers of the United States, France and the United Kingdom would be available for another meeting of the Council of Foreign Ministers upon the conclusion of the necessary prior agreements and upon the removal of the restrictions on communications, transportation and trade referred to above, but wish to be in a position to return to their duties at home by the end of the second week of June. It is their belief that this would afford sufficient time for

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<sup>2</sup> A memorandum of the conversation between Jessup and Malik on April 10 is printed on p. 717.

<sup>3</sup> The reference here is to the statement read by Jessup on April 5, p. 716.

<sup>4</sup> Documentation relating to the quadripartite discussions of the Berlin question in Moscow during August 1948 is in *Foreign Relations*, 1948, vol. II, pp. 995 ff.

<sup>5</sup> For the text of the London decisions and related documentation, see *ibid.*, pp. 1 ff.

reaching agreement in the spirit in which, as stated above, they will enter upon the discussions. These prior agreements would deal with the description of the restrictions on communications, transportation and trade to be removed and the date of their removal, and the place, date and agenda for a subsequent meeting of the Council of Foreign Ministers.

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740.00119 Control (Germany)/3-1549

*Memorandum of Conversation, by the United States Ambassador at Large (Jessup)*

TOP SECRET

[New York,] April 29, 1949.

Participants: Ambassador Yakov A. Malik, USSR Delegation  
Dr. Philip C. Jessup, U.S. Ambassador at Large

I called on Malik this afternoon at four-thirty, our appointment having been delayed by the prolongation of the meeting of the General Committee which Malik was attending at Flushing Meadows.<sup>1</sup>

Malik opened the conversation by inquiring what the French and British thought about the idea of the communiqué which he had suggested in our last meeting. I told him that as I had indicated the last time, the French and British representatives were ready to meet with us to discuss details if Mr. Vishinsky had confirmed Malik's understanding that agreement had been reached on the principal points. Malik replied that the last time we met we had reached the conclusion that we were in agreement on the main points including the question of the Western German Government. He said we must now come to details. What did I think of beginning the session of the CFM between the 10th and 14th of June. I replied that as I had told him the last time and as I had previously indicated to him, for instance on April 5, when we came to the discussion of these details I thought we should ask Cadogan and Chauvel to join us. I said, however, that I wondered why he had mentioned the date of June 10-14 as the beginning of the CFM after I had indicated to him in the statement which I had read last time that the Foreign Ministers of the three powers would find it convenient to return to their duties at home by the end of the second week of June.

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<sup>1</sup> Previous to this meeting Jessup had talked with Cadogan and Chauvel at noon. The French and United States positions generally coincided, but Cadogan reported a feeling in London that a firm agreement should be reached with the Soviet Union as to precisely what should be done in connection with the lifting of the blockade. Both Chauvel and Jessup argued against this procedure, stating their desire for a general formula through which Soviet intentions could be tested, and Cadogan agreed to telephone London for further instructions. The three representatives then arranged to meet at 7:30 after Jessup had talked to Malik. (Memorandum of Conversation by Jessup, April 29, not printed, 740.00119 Control (Germany)/3-1549)

Malik then said that the fact that he had begun with a reference to the details showed that Vishinsky had agreed with the conclusions he had drawn regarding our being in agreement on the main points. He said that he did have in mind the question of the participation of Cadogan and Chauvel in our further talks but he thought it would be more convenient for him and me to reach some agreement to facilitate and expedite the meeting of the four when it took place. He said that if we could agree on the date for the CFM and the date for the removal of the restrictions, bearing in mind that all restrictions imposed after a certain date were the ones to be removed, it would be useful for us to exchange informal views also on the question of the agenda. Thereafter, we could meet with Cadogan and Chauvel. He said he had not mentioned the place of the meeting but that this was so to speak a constitutional question. It depended on where the regular meeting was to take place. This place was Paris and no special discussion of this was necessary. If I agreed with Malik's point of view, he thought that we could exchange views on the other points bearing in mind that we would then need to reach agreement with Cadogan and Chauvel.

I said that I had thought in coming to see him today that I would merely receive from him Vishinsky's view concerning the conclusion which Malik had reached in our last talk. This was the impression I had from the conclusion of our last conversation. I was, therefore, not prepared today to discuss the details. I said that I did not think a further conference including four people would necessarily be very long. I pointed out that we had kept the British and French informed concerning the talks at each stage. However, I would be glad to get his views in order that we and the French and British could consider them. As for his reference to the meeting place, I agreed with his view that this was determined by the regular order of procedure.

Malik said that at our last meeting he had made no final suggestions because he had no information on concrete dates since there had hitherto been a question of coming to an "arrangement" on general questions. He said he now did have the information and it would be useful for us to discuss the details now. If I could not do so, I could tell Cadogan and Chauvel what he had to say. When I had ascertained their views, I could talk to him again. If this was satisfactory to me, he was prepared to state his concrete proposals. He said that I was here in my own country and it was not difficult for me to reach conclusions about his suggestions and that he thought the same was true of Cadogan and Chauvel and that our conclusions could be reached without much delay and that then the four of us could meet and could

make the final agreement. I said that I wished to understand exactly what he had in mind, namely, that he would state his propositions, that I would pass them on to Cadogan and Chauvel and that then the four of us would meet to reach agreement. I said that this was satisfactory on the understanding that I might not be able to comment on his concrete proposals this afternoon.

Malik said that the first part of my understanding was correct. As to the second part, he thought it would be more convenient for him if I could communicate my views on his suggestion and if possible the views of Cadogan and Chauvel in order to have one more exchange of informal conversations before the four of us met. Any other procedure, Malik said, would put him at a disadvantage since he would be unprepared for a meeting of the four. I replied that I still thought it was better to have the four of us meet on the next occasion. I would have to consult my government and them. However, I would be glad to hear his concrete proposals and report. Perhaps when he had stated his positions, it would be possible for us to see whether they suggest any difficulties requiring further exploration, but in any case, I still thought that it would be more convenient to have the next meeting with the others present.

Malik said he understood my position and took my desires into account. However, he thought we should be guided by the fact that we two could come to a preliminary arrangement on the details and thus, "without any unnecessary procrastination", agree on the details and give a definite form to our agreement. A meeting of the four might give our talks a more official character and if the exchange of views among the four dragged out, it might create an undesirable impression on the public. He continued that the details to be discussed were the date of the meeting of the CFM, the date of the lifting of the restrictions and the date which would identify the time at which the restrictions had been introduced. In addition, there was the question of an approximate text of a communiqué. He would prefer to have my views first in preparation for the meeting of the four.

I suggested that he should go ahead and tell me his views. I said I could report them and see if there was any real difficulty involved or whether it was merely a question of detail. If there were no real difficulties, his objection to a meeting of the four did not apply. There was no reason now why the further conversations should not be somewhat more official. Only after I knew his views and had reported them would it be possible for me to tell whether conversations among the four of us would be likely to drag which I understood to be his

main objection to enlarging the conversations. I said that in my view it was definitely desirable that they should be included in the discussion of the details and not merely brought in for a formal ceremony of signing an agreement. I said their participation would facilitate rather than retard final agreement on details.

Malik said he proceeded from a consideration only of "practical convenience". Suppose that the four met tomorrow or tonight. If he and I had not previously reached some agreement, our counter-proposals might show a great variance. If we were not prepared to make an immediate reply, we would have to meet again. Malik would then have to ask for further instructions and this would lead to another meeting. He said he was not proceeding from any consideration of wanting to relegate Cadogan and Chauvel to the role of mere signers of an agreement. He then said that he was prepared to state his considerations. At this point he referred to a typewritten memorandum. His first point was that he proposed that the CFM should begin in Paris some date between the tenth and fourteenth of June 1949. The second point was that the mutual restrictions on transport, communications and trade between Berlin and the Western Zones, and between the Eastern and Western Zones should be removed simultaneously, one week before the session of the CFM. On the Soviet side, all restrictions introduced after the 30th of March should be removed; the date of March 30 was used since no Soviet restrictions had been introduced before that date. Third, he said that they considered it necessary to consider at the CFM questions regarding Germany including the question of currency in Berlin. Fourth, the following draft communiqué is proposed, as he had previously suggested in a preliminary way. He had now prepared a text and was therefore able to be more precise. He said that if he and I could agree on the four foregoing points we could then meet with the others and agree in a formal manner on the communiqué. The interpreter then read slowly while I copied down the following text:

"The four governments [of Great Britain, France, the USSR and the U.S.] <sup>2</sup> have agreed that:

1. All restrictions on transport, communications and trade introduced on the Soviet side since March 28, 1948, between Berlin and the Western Zones, and between the Eastern Zone and the Western Zones, shall be removed from such-and-such a date of such-and-such month, and all restrictions on transport, communications and trade between Berlin and the Western Zone, and between the Eastern Zone and the Western Zone introduced by Great Britain, the U.S. and France shall be removed from the same day of the same month.

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<sup>2</sup> Brackets in the source text.

2. On such-and-such a day of such-and-such month, the Council of Foreign Ministers shall be called to consider questions relating to Germany, including the question of currency in Berlin."<sup>3</sup>

I said that I was struck by the fact that the date of March 30 in his text applied only to the introduction of the Soviet measures and not to the introduction of the measures of the three Western Governments. I did not know why he did not make the date equally applicable to the Western restrictions. Malik interrupted to say that the text should be corrected from March 28 to March 30 since no Soviet restrictions had been imposed before the 30th. In answer to my question, he said that the date applied only to restrictions on the Soviet side bearing in mind that they had imposed none before March 30. As for the Western powers, it was known that the introduction of the currency measures had led to the Soviet restrictions and that then the counter-restrictions of the Western powers were introduced on several dates after March 30. He did not know of any restrictions imposed before March 30, but wished them all removed whenever they were imposed. It appeared to me that he was somewhat confused in his argument and I replied that I also wanted all restrictions removed whenever they were imposed but still did not understand why he made the distinction of suggesting a date in regard to the Soviet restrictions but not in regard to the restrictions of the Western powers. Malik replied that this was because before March 30 none was imposed on the Soviet side and all imposed after that date were to be removed as we agreed. I said that exactly the same reasoning applied to the Western powers and that it was quite impossible to make the distinction which his text suggested. Malik again repeated his explanation but said that if I had any other ideas he would be glad to hear them. I said that referring first to the date of March 30, I was not able to say whether that was the correct date to use. I recalled that he had previously referred to March 28 and that I seemed to remember there was some discussion of a Soviet restriction which had been announced on March 30 but which perhaps had been imposed at midnight. It

<sup>3</sup> On April 28 Jessup had drafted his own text of a four-power communiqué, which read:

"The Governments of France, the U.S.S.R., the United Kingdom and the United States have reached the following agreement.

1. The restrictions imposed since March 1 (28), 1948, by the Government of the U.S.S.R. on communications, transportation and trade between Berlin and the Western zones of Germany will be removed on May 9, 1949.

2. The restrictions imposed since March 1 (28), 1948, by the Governments of France, the United Kingdom and the United States, or any one of them, on communications, transportation and trade between the Western and Eastern zones of Germany will also be removed on May 9, 1949.

3. A meeting of the Council of Foreign Ministers will be convened in Paris on May 23, 1949, to consider the question of Germany and matters arising out of the situation in Berlin including the question of currency."

(CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations)

might be confusing to determine whether this was imposed on March 30. On the second point regarding the Western Governments' restrictions, they were, as Malik had himself noted, counter measures taken after the Soviet restrictions had been imposed. I said the same identification date must apply to both.

Malik said that our conversation so far had shown that this preliminary exchange of views was useful. Secondly, he was prepared to hear suggestions on any previous date. He had indicated a date because I had mentioned one. Last time I had said March 1, but according to Malik's information there was no restriction imposed before March 30, so he had mentioned March 30. He was quite prepared to discuss this and said he had no desire to "clinch" on that date. I went over the same ground again pointing out that the intention was to get all the restrictions lifted and that there was no reason to make a distinction between the date for the Soviet measures and the date for counter measures. It then appeared that this whole argument was based on an inaccuracy in his translation of paragraph 3 of the statement which I had read to him on April 27.<sup>4</sup> In that statement we had said that "the restrictions to be removed are those imposed since March 1, 1948, on the one hand by the Government of the Soviet Union" and so forth, "and on the other hand by any one of the four powers" and so forth. In the translation the date had been made to apply only to the Soviet Union action and not to the action of the Western Governments. After we had cleared up this point, Malik agreed that he had had no special object in mind in eliminating the date applicable to the Western restrictions but thought he was merely following my formula.

I then said that there was another point in paragraph 1 of his communiqué, which I did not quite understand. In referring to the restrictions imposed by the Western powers, he had included a reference to restrictions on transport, and so forth, "between Berlin and the Western zones." It was, of course, obvious that the Western powers had never imposed restrictions between Berlin and the Western zones. On the contrary, this was the trade they desired to keep open and which the Russians had blocked. Malik replied that he put this in in order to make the formula identical for both parties, apparently thinking there was something invidious in using a different formula for the two sets of restrictions. He noted that Berlin included the Soviet sector and that perhaps some of our restrictions applied to trade between that sector and the Western Zones.

I then returned to the question I had put earlier, namely, why he had selected the date of June 10-14 for the beginning of the CFM in view of my statement on the 27th that our ministers would find it

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<sup>4</sup> *Supra*.

convenient to be back in their homes by the end of the second week of June. Malik said there were two reasons for this. First, it was desirable to have more time to prepare for the CFM. Second, there was no assurance when the General Assembly would end; Gromyko as First Deputy heads the Soviet Delegation to the GA. In the absence of the Minister at the CFM, Gromyko would head the Ministry. Counting the probable end of the GA and the time for the trip, Gromyko should be back in Moscow by about June 1. He then asked whether I had any other suggestion for the date and said he would be glad to consider it. I merely replied that it might be useful if Gromyko would agree to end the GA earlier which led to Malik saying that they had no objection to expediting the GA but were disappointed in the results of the meeting of the General Committee this afternoon.

I then asked how he had happened upon one week as the interval between the lifting of the blockade and the meeting of the CFM; whether he attached particular importance to this exact interval. Malik said he attached no special importance to it but believed that a week would be sufficient so that by the time of the opening of the session all the restrictions would be lifted and normal conditions would be introduced. I inquired whether that meant they intended to lift the restrictions gradually. Did they think it would take more than one day to actually lift them? Malik said that they contemplated simultaneous lifting and did not intend that this should be dragged out for several days.

I said I would report his suggestions and hoped that he would agree that if the three Western Governments still think it useful to have the next meeting a meeting of 4, that he would be willing to have it so arranged. Malik said that he didn't oppose a meeting of the 4 and had already accepted it as proper for final agreement. He said his main desire was to have my views one or two days in advance of the meeting with them. Otherwise, we would be in an unequal position since we would know his views and he would not know ours. He repeated that he was governed only by practical considerations. He said, however, that according to the proverb—"one cannot be liked by force," if another meeting [of the two of us] <sup>5</sup> was not wanted he could not insist upon it. I said that of course I also was interested in practical details and recognized that if we had a meeting he would need to consult regarding any counter suggestions.

Malik then asked what I thought about the agenda. I said I was not prepared to comment upon it but referred to that part of my statement of April 5 <sup>6</sup> in which we had used the expression "to discuss matters

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<sup>5</sup> Brackets in the source text.

<sup>6</sup> *Ante*, p. 716.



arising out of the situation in Berlin and matters affecting Germany as a whole". I said that I had told him in conversation that we assumed that the currency was one of the "matters arising out of the situation in Berlin". I said I had no suggestion to make today regarding the form which the statement should take in the final agreement.

Malik then said that perhaps I would study his proposals and communicate my views either in a memorandum or through my secretary to his secretary, so that he would know my views before the four of us met on the question of the date for the CFM, the date for the lifting of the blockade and the date which would define the imposition of the restrictions as well as the text of the communiqué. In regard to the date fixing the imposition of the restrictions, he understood that I preferred to use the same date for the restrictions imposed by both sides. I said this was correct.

As I was leaving, I said that I understood that he had told the reporters that he might issue a statement after our meeting. He said this was incorrect since he had told them that he would not issue a statement either before or after. I said that because of the intense interest of the press, it might be necessary to say something. We had consistently taken the position that our talks were confidential and that we would not disclose the substance of them, but that I thought we might feel it desirable merely to say that we had had another talk and that the talks were progressing satisfactorily. Malik said he thought this would be quite all right.<sup>7</sup>

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<sup>7</sup> Jessup summarized this conversation to Cadogan and Chauvel at 7:30 as had been arranged at noon. Cadogan then read a telegram from Bevin in which the latter agreed with General Robertson that a detailed agreement must be reached on the lifting of the restrictions. Chauvel and Jessup argued against this proposal, but the French representative suggested the possibility of two dates: the first for the beginning of the lifting of restrictions and the second, the date on which restrictions would be completely removed. (Memorandum of Conversation by Jessup, not printed, April 30, 740.00119 Control (Germany)/3-1549)

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740.00119 Control (Germany)/4-3049: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, April 30, 1949—2 p. m.

NO DISTRIBUTION IN DEPARTMENT

1476.<sup>1</sup> For Ambassador and Holmes Eyes Only.

[The first paragraph of the cable reported on Jessup's talk with Malik, April 29, and repeated the text of Malik's draft communiqué, printed *supra*.]

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<sup>1</sup> Repeated to Paris as 1392, Moscow as 282, and Berlin as 490.

In our opinion most difficult question at moment is reconciliation of British view with that of French and US concerning lifting restrictions. Cadogan reports Bevin strongly supporting Robertson's view from Berlin that Military Governors must work out detailed agreement covering rights in the air, on canals, etc., before blockade is lifted. Bevin cites formula of Moscow August 30 directive <sup>2</sup> as precedent. We consider this most unhappy precedent. We and French much prefer broad reference lifting restrictions, providing sufficient interval before CFM to test sincerity of Russian intentions. Preliminary indication Clay's view leads us believe he agrees this approach but we are confirming with him and will ask him to discuss with Robertson. We are favorably disposed toward Chauvel's suggestion yesterday that two dates might be used; <sup>3</sup> one two weeks in advance of CFM for initial lifting of restrictions and one a week later for completion of lifting. We strongly hope Bevin will agree with our view that it would be most unfortunate to get bogged down in technical details.

Concerning date for CFM, despite reasonable argument advanced by Malik for June date it seems clear Russians are seeking to delay CFM so that it will still be in session when we are ready to establish Western German Government. We feel strongly we should not fall for these tactics and still prefer May 23 as target date although we might compromise on May 30. From communication just left with Jessup by British Embassy <sup>4</sup> we are glad to note Bevin fully agrees with this general line.

Bevin has indicated objection to mentioning Berlin currency question as included on agenda. We agree entirely that in further four-party conversation with Malik we must emphasize that general description of agenda in communiqué does not affect order of discussion of topics at CFM. In statement read Malik April 5 which was cleared by Secretary, Bevin and Schuman we described the meeting of the CFM as being one to discuss "matters arising out of the situation in Berlin and matters affecting Germany as a whole". We consider Malik's formula quoted above in paragraph two of his text as being better. This formula is very similar to Bevin's suggested in foregoing communication from British Embassy. However, if we suggested Bevin's formula, "all questions relating to Berlin" we would have to admit to Malik that this included currency and would find it difficult to argue why we should not expressly say so. We would prefer following formula "questions relating to Germany and problems arising out of the situation in Berlin including the question of currency".

<sup>2</sup> Under reference here is the August 30 directive, to the Military Governors in Berlin, printed in *Foreign Relations*, 1948, vol. II, p. 1086.

<sup>3</sup> See footnote 7 to the memorandum of conversation by Jessup, April 29, *supra*.

<sup>4</sup> Not printed.

Cadogan has already made clear to Bevin that both we and French prefer not include Austria on advance agenda although recognizing that Ministers could bring it in during course CFM if desired and undoubtedly would do so if favorable progress made on Germany.

Repeating to you telegram to USUN NY for communication to Cadogan and Chauvel giving details our proposals next steps.<sup>5</sup>

ACHESON

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<sup>5</sup> Telegram 238 (to London as 1477), April 30, to New York, not printed, proposed that Jessup write an informal note to Malik stating that he had informed the British and French of the Soviet proposal and agreed to Paris as the setting for the Council of Foreign Ministers but suggested May 23 for its opening and May 9 for the lifting of the restrictions which had been imposed since March 28, 1948. The informal note would also contain a draft four-power communiqué. (740.00119 Control (Germany)/4-3049)

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740.00119 Control (Germany)/5-149: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

US URGENT

WASHINGTON, May 1, 1949—4 p. m.

1481. Eyes Only for Ambassador and Holmes. Re Deptel 1476<sup>1</sup> and Deptel 238 to New York (repeated London as 1477<sup>2</sup>) on subject Jessup-Malik conversations, you will note in first message referred to above that we are concerned over views of Bevin and Robertson on procedure for lifting blockade. Have just received following message from Clay which strongly substantiates our view.

*Begin Clay's message:* "My own concept of the Soviet proposal is that it means a complete change in Soviet tactics to win Germany. If my concept is correct, the Soviet Government (although its representatives will argue bitterly) will accept a solution of the German problem very largely on our terms, to include acceptance of the occupation statute<sup>3</sup> and perhaps even the Bonn Constitution.<sup>4</sup> Their purpose will be, however, to prevent the new Germany from being oriented toward the West and integrated into an association of Western European nations. Thus, they would create a buffer state which if we tended to lessen our present efforts they could exploit by promises and other means. The creation of the new German Government under these conditions could be to our advantage if, after its creation, we continue the type and kind of effort which has been so disastrous to Communism in Europe during the past two years. The inherent danger is the well-known tendency of Democracies to rest on their laurels and their probable loss of enthusiasm in proceeding with re-armament and similar measures vital to a restoration of balance in Europe.

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<sup>1</sup> An extract from this telegram is printed *supra*.

<sup>2</sup> Not printed, but see footnote 5 to telegram 1476, *supra*.

<sup>3</sup> The text of the Occupation Statute is printed on p. 179.

<sup>4</sup> For documentation relating to the Bonn Constitution, see pp. 187 ff.

However, if my concept is correct, even in part, there is little immediate danger of difficulties in transit to and from Berlin with the blockade lifted and obviously the creation of such difficulties would make the Soviet objective impossible.

I think it utterly foolish if a Council of Foreign Ministers is to be held, which will unquestionably be the most important of the meetings held to date, to create minor issues over details covering our rights of entry and exit into Berlin. In point of fact, I am quite sure that by restoration of the conditions existing on 28 March 1948, we will be better off than in an attempt to more clearly define these rights on paper at this time.

There is one important thing to remember. The blockade was broken by air power, and the air power should be maintained in full until the Council of Foreign Ministers has completed its deliberations. Subject to the continuation of the airlift, I would urge that the lifting of the blockade and counter-blockade be defined as just that and not elaborated into a minutiae of detail. I am sorry that I have been unable to see Robertson, who is spending the weekend at his country estate in Melle. He returns to Berlin tomorrow morning and I will, of course, see him then to find out what he has in the back of his mind. I am inclined to believe that the British would like to delay for other reasons than conditions in Germany perhaps connected with an apprehension on their part that an immediate solution of the Berlin problem might possibly affect appropriations pending in our Congress.

I have discussed these observations with Ambassador Murphy and we are in full agreement.

I would urge, however, that now matters have gotten this far, we insist on a prompt reply from the Soviets with immediate and complete lifting of the blockade, as the worst thing that can possibly happen is a long continuation of the present negotiations. Let's tell the Russians now the immediate lifting of the blockade is prerequisite evidence of good faith."

Understand Cadogan has wired Foreign Office for guidance on method of procedure re lifting of blockade and substance of Deptel 1477. Jessup meeting with Cadogan and Chauvel delayed until 1500 Monday to allow Cadogan to receive instructions. Request you approach Foreign Office for acceptance of simple procedure suggested by French and ourselves which is strongly supported by Clay and Bradley.<sup>5</sup>

As noted in paragraph B of your 1677<sup>6</sup> it is clear that British agree with us that acceleration of timing is completely to our advantage.

<sup>5</sup> On May 2, Douglas reported that Bevin had instructed Cadogan to agree to the general formula for the lifting of the restrictions. (Telegram 1686, not printed, 740.00119 Control (Germany)/5-249). On the same day Chauvel, Jessup, and Cadogan met in New York to iron out the last details of the proposed informal letter to Malik. A telegraphic report on this meeting is in file 740.00119 Control (Germany)/5-249, and a memorandum of a telephone conversation between Rusk and Jessup on the various changes in the draft letter is in file 740.00119 Control (Germany)/3-1549.

<sup>6</sup> Not printed.

Prompt agreement with Malik, and avoidance of any preliminary detailed discussion in Berlin, would make best contribution to this end.

Reference place of preliminary informal discussions, among three Western powers, would remind Bevin that foreign ministers agreed here that this would take place at same location as CFM. We consider it most fortunate that this happens to be Paris as we believe it important that both British and ourselves have close contact with Schuman personally during these talks.

ACHESON

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CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] May 2, 1949.

Participants: The Secretary  
Sir Oliver Franks, British Ambassador  
Dean Rusk, Assistant Secretary

Sir Oliver Franks came in to deliver to me a personal message from Mr. Bevin. The message is contained in the attached memorandum. Sir Oliver stated his understanding that this message simply reflected Mr. Bevin's present way of thinking about the matter and that Mr. Bevin would greatly appreciate knowing what I might be thinking.

After reading the attached paper, I told Sir Oliver that I shared many of the ideas contained in the paper. I stated that we did not consider that the USSR had changed its attitude toward us or had changed the basic objectives of its foreign policy and that we must therefore be alert in connection with forthcoming negotiations. I indicated that there had been some earlier concern lest undue optimism might be created, particularly in Congress, but that we had been reassured in our recent talks with members of the Congress. We believe that Congress looks upon the blockade as the first fruits of a policy of firmness and not as a reason for relaxing our effort and vigilance. I also told Sir Oliver that these present negotiations might lead to little more than a lifting of the blockade. In a Council of Foreign Ministers we may have little real chance for agreement but we would have a serious propaganda problem with which to deal. This propaganda would primarily concern German opinion. We must therefore be bold in our approach in order to deal adequately with propaganda aspects but in doing so make proposals which we think would in fact be the basis for a reasonable settlement. By undue timidity we might be pushed back to the defensive and seriously damage our propaganda position.

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<sup>1</sup> The memorandum was prepared by Rusk.

I then indicated the desirability of careful three-power preparation for a CFM and stated that we would be in touch with the British and French informally in Washington before our proposed three-power talks open up in Paris. I emphasized that the three of us must work closely together and that we should make a special effort to keep Mr. Schuman fully in the picture at all stages.

D[EAN] A[CHESON]

[Annex]

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

TOP SECRET

[LONDON, undated.]

I have been watching very carefully the development of the conversations between Dr. Jessup and M. Malik and considering in the light of the situation in Berlin and in Western Germany the course upon which we are now set. I want to make it clear at the outset that I have agreed to this course and that you can depend upon me to do my utmost to see that it is carried through to a successful conclusion. If we can get the blockade lifted and secure a reasonable settlement with the Russians on Germany as a whole we shall have removed one of the most difficult and dangerous problems confronting us and done much to ensure peace.

Nevertheless I want to tell you frankly that I am disquieted and uneasy at some aspects of the way things are going. It is quite possible that the Russians would like to raise the blockade in order to extricate themselves from their present political and economic embarrassments; it is also possible that they would like to reach some accommodation with us about Germany. I am sure, however, that there is much more that they want and are aiming to get. The Russians cannot afford at present if they can possibly avoid it to allow us to establish the sort of political and economic system at which we are aiming in Western Germany and then to extend that system over the whole of Germany, including Western Europe [*sic*]. At bottom they remain bitterly hostile to all our plans for Germany, and I am sure that there are many difficulties and dangers for us behind their present readiness to lift the blockade and begin negotiations.

In fact it is when negotiations begin on a Four-Power basis that our difficulties really arise. It is going to be no easy, and certainly no short, matter for the Western Powers to reach agreement on satisfactory terms for Germany with the Russians. Their ideas and objects are exactly opposed to ours. I do not want to go into all the details now, but the Russians are certainly thinking in terms of a heavily cen-

tralised totalitarian state, controlled by the Communists by direct or indirect methods, geared to the economy of the Eastern European States and the Soviet Union and bitterly hostile to Western Europe and America. I am not saying that they are likely to achieve this, but that is what they are aiming at and that is why I am convinced that the negotiations upon which we may shortly embark will not be plain-sailing or easy to bring to a successful conclusion quickly.

It is almost certainly also in the Russian intention that the meeting of the Council of Foreign Ministers will be used to try to foster opposition in the public mind, especially in France, to the ratification of the Atlantic Pact. My hope had been that the Pact would be safely in force before we opened up with the Russians again.

With these thoughts in mind I would ask you most earnestly to reflect carefully upon where we are going and to join with me in preventing the spread of an air of easy optimism about Russian intentions. I fear there is too much readiness in some quarters to believe that merely because the Russians have shown some readiness to raise the blockade the rest will be plain-sailing. On the contrary, in spite of the advantages which we at present hold, I think that if we are to avoid serious danger we shall have to exercise the greatest caution and foresight during the coming weeks.

I have spoken very frankly and I hope you will accept my message in that sense. In spite of the anxiety which I feel I assure you again that you can count upon my full support to bring the forthcoming negotiations to a successful conclusion.<sup>2</sup>

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<sup>2</sup> Also attached to the memorandum of conversation was a copy of an instruction to Franks to make it clear to Acheson that Bevin had expressed his "deepest thoughts entirely frankly to him and in accordance with the close understanding which was developed between us during the recent talks in Washington."

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### *Editorial Note*

Chauvel, Jessup, and Cadogan met in New York on May 2. Working from a draft prepared by Jessup in Washington, they agreed on the text of a letter to Malik suggesting that restrictions imposed since March 1, 1948, be lifted on May 9, 1949, and that the Council of Foreign Ministers meet on May 23. With the letter to Malik they sent the draft of a Four-Power communiqué.

On May 3 Malik agreed to the dates March 1, 1948, and May 23, 1949, but he stated that the Soviet Government preferred May 12 as the date for the removal of restrictions. He offered several amendments to the draft communiqué and suggested that representatives of the four occupying powers meet at his office in New York on May 4 to discuss the points not yet agreed.

The texts of Jessup's draft, with the revisions made at New York written in, and of Malik's reply transmitted to Washington in telegram 555, May 3, not printed, are in Department of State file 740.00119 Control (Germany)/5-349.

At their meeting on May 4, the four representatives reached agreement on all the points in question and embodied their agreement in the following communiqué, issued on May 5:

"The Governments of France, the Union of Soviet Socialist Republics, the United Kingdom and the United States have reached the following agreement.

1. All the restrictions imposed since March 1, 1948, by the Government of the Union of Soviet Socialist Republics on communications, transportation, and trade between Berlin and the Western zones of Germany and between the Eastern zone and the Western zones will be removed on May 12, 1949.

2. All the restrictions imposed since March 1, 1948, by the Governments of France, the United Kingdom, and the United States, or any one of them, on communications, transportation, and trade between Berlin and the Eastern zone and between the Western and Eastern zones of Germany will also be removed on May 12, 1949.

3. Eleven days subsequent to the removal of the restrictions referred to in paragraphs one and two, namely, on May 23, 1949, a meeting of the Council of Foreign Ministers will be convened in Paris to consider questions relating to Germany, and problems arising out of the situation in Berlin, including also the question of currency in Berlin." (CFM Files: Lot M-88: Box 140)

A memorandum of this meeting of May 4, prepared by Jessup, is in file 740.00119 Control (Germany)/3-1549. A photograph of the four representatives at this meeting will be found following page 642.

### C. THE NEGOTIATIONS OF THE MILITARY GOVERNORS IN BERLIN CONCERNING THE RESTORATION OF TRADE AND COMMUNICATIONS

Department of Defense Files

*The Department of the Army to the United States Military Governor for Germany (Clay)*

TOP SECRET      PRIORITY

WASHINGTON, 12 May 1949.

WARX 88559. Fr CSCAD cite EUR. MA Paris pls pass to Harri-man for info. Reurad May, CC 8532.<sup>1</sup> Controls of 1A and 1B lists is subj.<sup>2</sup>

<sup>1</sup> Not printed; in it Hays asked whether interzonal licenses for passage of prohibited goods consigned to the Soviet zone and Berlin should be refused or delayed. (Department of Defense files)

<sup>2</sup> The reference here is to lists of goods and materials which the United States wanted to prohibit completely (1A) or restrict (1B) from being traded with the Soviet Union and the eastern bloc. For documentation relating to United States policy on East-West Trade, see volume v.



1. State was aware of problem of 1A and 1B controls during discussions in New York for lifting blockade and nothing in detailed conversations commits US beyond language of Four Power communiqué.<sup>3</sup> It was not intended that this agreement would affect 1A and 1B lists and one line of reasoning may be that discussions and agreement was confined to restrictions and counter restrictions which were part of blockade. Our understanding is that documentation was reqd for all shipments to Soviet Zone prior to 1 Mar 48. We do not construe blockade agreement to req US not to have controls or to permit free trade.

2. We wish to avoid specific issue on 1A and 1B lists and request you use whatever adm devices possible to achieve this purpose. We have thought that most desirable im arrangement for this and other purposes might be to revert to barter trade under interzonal trade agreement of character in force prior to blockade.

3. What agency will handle trade relations with Soviet Zone? Will it be JEIA? Would appreciate advice whether you have discussed list problem with British or French. In view approaching conversations with them and CFM, desirable Washington and CFM delegation be kept closely infod of developments. Presume you are also in touch with Harriman and Collisson<sup>4</sup> on this problem.

4. Appreciate this will make difficulty for you and foresee possible necessity instr as situation develops. As you know, relations with Soviets in this field present difficult problems rgg careful handling and urgent that we be infod soonest of any indication that Soviets may attempt to press issue of 1A and 1B lists controls. Active consideration being given here to position which should be taken in this event which will of course req careful coordination with British and French. Ur suggestions would be appreciated.

[MAGRUDER]

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<sup>3</sup> For the text of the Four-Power communiqué, May 5, which reported the lifting of restrictions on trade and communications with Berlin and the convoking of the Council of Foreign Ministers, see editorial note, p. 750.

<sup>4</sup> Norman H. Collisson, Chief of the ECA Mission to Bizonia.

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662.0031/5-1249 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

SECRET      US URGENT  
NIACT

PARIS, May 12, 1949—10 a. m.

1957. Subject is economic relations between Eastern and Western Zones Germany.

Terrill<sup>1</sup> of Embassy and Ashley Clark of British Embassy, called by Alphand of Foreign Office at request of Schuman to outline following situation and request clarification certain points by US and British Government:

1. On occasion of Jessup-Malik conversations, attended by Chauvel and Cadogan on May 4,<sup>2</sup> Jessup indicated in connection with lifting of trade blockade, that barriers to be removed would be of physical character, and that owing to existence two currencies and absence of trade and payments agreement, certain trade controls would be necessary.

2. On May 5 in Berlin in discussion with Wilkinson, Weir and Leroy Beaulieu, US and UK representatives were inclined to issue no licenses to Soviet Zone until payments questions settled. French representative, on instruction from Foreign Office, stated that although trade and payments agreement might be necessary, it would take some time to conclude and recommended that some licenses be issued, specifically excepting however items on US 1-A and 1-B control lists.

3. Foreign Office has today received wire from Leroy Beaulieu (Embtel 1950, May 12<sup>3</sup>) that Wilkinson and Weir upon instructions their governments have issued orders permitting shipment from Bizone to Soviet Zone of all goods with no licensing procedure. Only railway bills of lading required, and these to be issued by German *Laender* officials.

4. French feel that such instruction should have been tripartite and based on prior agreement between governments.

5. In light of foregoing, French have raised following questions:

(a) How will payment for shipments between zones be made?

(b) In view Soviet access to Soviet Zone of Germany, has entire principle of Eastern-Western trade control been abandoned by US and UK?

(c) If goods move freely Bizone to Soviet Zone, will goods supplied under ECA grants also move freely? Is US consequently in effect applying ECA aid to Soviet Zone of Germany?

(d) In view US-UK action, has not bargaining position of three powers vis-à-vis Soviets at forthcoming CFM meeting been seriously impaired?

(e) Throughout this conversation, Alphand showed friendly spirit and emphasized request only for purpose of eliciting US-UK opinions. He stated that since these questions would be raised with Ambassador Jessup and UK representatives at first prelimi-

<sup>1</sup> Robert P. Terrill, First Secretary of Embassy, Paris.

<sup>2</sup> The reference here is to the meeting of the four representatives of the Occupying Powers, May 4, in New York at which the text of the communiqué calling for the lifting of restrictions on trade and communications with Berlin and the convoking of the Council of Foreign Ministers was agreed. For documentation relating to the Jessup-Malik talks, including the meeting May 4, see pp. 694, ff.

<sup>3</sup> Not printed.

nary meeting,<sup>4</sup> it would be helpful if US and UK Governments informed in advance of French concern.<sup>5</sup>

Sent Department 1957, repeated Berlin 168, Geneva 24. (for Harri-man and Porter).

CAFFERY

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<sup>4</sup> Alphanand was referring to the first preliminary meeting, May 14, of representatives of the three Western powers in Paris before the Sixth Session of the Council of Foreign Ministers. For documentation relating to this meeting and other matters in preparation for the Council of Foreign Ministers, see pp. 856 ff.

<sup>5</sup> In response to this cable, the Department of State repeated the text of WARX 88559 (*supra*) for the Embassy and Jessup.

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740.00119 Control (Germany)/5-1249: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, May 12, 1949—7 p. m.

709. Mytel 701,<sup>1</sup> re resumption interzonal trade. Representative Bi-zonal Economic Administration, who today discussed interzonal trade agreement with Representative Soviet Zone Economic Commission reported following:

Soviet zone Economic Commission (hereafter DWK) tentatively agreed to inclusion West Berlin in trade agreement as part of Tri-zone, use of West mark as computing medium; and establishment two clearance accounts in Bank Deutscher Laender, "A" for "essential" goods, listed as such in trade agreement, and "B" for nonessential goods, which would include everything else. Accounts would be cleared every four months. Lists of essential goods not yet decided. Warenbegleitscheine (border transit authority) for goods would be issued only for goods certified as purchased with West marks from either "A" or "B" balances in BDL (different from pre-March 1948 practice when currency not a problem and Warenbegleitscheine were issued for goods not included in trade agreement). Thus Soviet Zone would be able to obtain goods designated by West Germans as "essential" only in value of deliveries East zone "essential" goods and of West mark credits established in BDL. Same would apply to non-essential goods account. West mark accounts in West Berlin and West

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<sup>1</sup> Not printed; it reported a request by the Soviet Military Administration to arrange an interzonal trade agreement, to which the British and United States officials in Berlin had replied that such an agreement was the responsibility of the Germans. (740.00119 Control (Germany)/5-1249)

Germany, now blocked, would be released as either "A" or "B" accounts.

DWK expressed desire for credit, steel, tires and tubes. Was not able to offer goods which would likely be classed as essential. DWK said pitprops, sugar, grains for feed, textile machinery, chemicals, porcelain insulators, lenses, and other commodities desired by Trizone not available. (*Comment:* In view of known exports, reparations, and sales to Soviet trading companies of most foregoing items (missions despatch 473<sup>2</sup>) DWK statement of unavailability and request for West mark credit in BDL appears as means of obtaining West goods without reducing reparations, etc., and that without such credit Soviet zone would have to reduce reparations, etc., or forego imports from West Germany.)

Bizone Economic Administration representative stated West zone border customs control greatly improved, with customs police at 18 to 20 border crossing points and remainder closed to goods transit.

Goods from West Germany to West Berlin would be restricted to Berlin requirements. No control contemplated border West Berlin Soviet zone and West Berlin Soviet sector. Soviet Zone purchasers have now and would have free access to cash purchases in West Berlin in either West or East marks. However, currency exchange rate, which rose during past day or two from 3-3.20 to 3.40-3.60 at official exchange offices, might inhibit sell out to Soviet zone in competition with outlets selling at Soviet zone legal prices. West mark prices would at present exchange rate be much cheaper than Soviet zone "free shop" prices, which have been 10 times legal prices and 3 times West mark prices.

Negotiation on interzonal trade agreement to be continued Monday, after which lists of "essential" goods and further details will probably be available.

To question whether DWK would permit exit goods to West pending conclusion interzonal trade agreement, Trizone Economic Administration representative said probably not except for goods despatched to sell in West for accumulation West mark cash, and that only stocking, curtain material, and suiting (rayon and artificial wool) would be sent, goods which have accumulated as surplus because quality too low for export and reparations.

Sent Department 709, repeated London 251, Paris 241, Frankfurt 27 and pouched Moscow.

RIDDLEBERGER

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<sup>2</sup> Not printed.

Department of Defense Files

*Record of Teletype Conference Between the Department of the Army and the Office of the United States Military Governor for Germany*

TOP SECRET

WASHINGTON, 13 May 1949.

DA TT 2225

Subject: Trade Restrictions

CONFEREES

WASHINGTON: (OASA)

Mr Harold Sheets, Dept Asst Sec  
Army (MC)

Maj Gen Carter Magruder, OAS

Brig Gen E. M. Brannon, JAG

Col W. G. Baker, Jr., CAD-  
EUR

Col C. F. Tischbein, MUN BD

Lt Col G. S. Chittick, CAD-EUR

Maj J. G. K. Miller, OAS

Maj T. W. Archer, CAD-EUR

Mr G. Dorr, OASA

Mr Paul Nitze, State

Mr Ed Martin, State

Mr J. Reinstein, State

Mr Malcolm McComb, ERP Gp

WASHINGTON:

DA-1

Voorhees to Wilkinson—Statement prepared by Mr Voorhees for Wilkinson.

Have just left long meeting with Secretary Acheson personally and his staff. Question presented as to 1-A and 1-B items is considered by Mr Acheson a most serious one. Of course this policy was one initiated by National Military Establishment. You should know that the present situation has already created genuine alarm here, including real danger that a breach may result in the dam against flow of strategic material to satellite areas resulting in other European Nations abandoning similar restrictions imposed at our request.

Have just learned that in Jessup-Malik conversations, Dr. Jessup stated in regard to removal of restrictions the following:

"We all wished to have all the physical impediments to communications, transportation and trade removed. We do not want to hold back on any one of them. I was sure that we all recognized that there would necessarily still be problems to be solved. When trade is resumed after an interval of more than a year, it would be inevitable

in the commercial relations of any countries that such problems would exist that require solution. For example, there was the fact that there were in existence two currencies and no rate of exchange had been established between these two currencies. We all knew that the question of currency reforms both on the Soviet side and on the side of the Western Powers had taken place. Currency was one of the questions to be considered as an item on the agenda of the CFM. Since there will be two currencies in existence when the trains and trucks and barges begin to move again, this problem of exchange is one of those which need to be solved. For our part, we shall be ready to approach the solution of this and any other detailed problems on the spot in a spirit of good will which we have no doubt will be reciprocal. Therefore, I would agree to the insertion of the word 'all.'"<sup>1</sup>

We concur here heartily in your position that the 1948 trade agreement<sup>2</sup> expired.

You will note that Dr. Jessup's quoted statement furnishes support for such position and also that since this was not known to you at time of any previous statements by you, it furnishes entirely new material bearing upon interpretation of the agreement to lift the restrictions. Also implicit in it is the necessity for arranging new trade terms in new trade agreements which might take some time.

There is another point on which we are not yet entirely clear here which needs much further study, and that is extent to which Jessup-Malik agreement to remove restrictions imposed after March 1, 1948 leaves trade without other controls. On this point we have very considerable reservations. As to this I had understood and Bob<sup>3</sup> confirms this, that interzonal trade has always been conducted under supervision and subject to the exercise of control of appropriate Military Government or Bipartite authorities and trade agreement of 1948 was approved by military authorities. I would suggest therefore that it would be better not to make any statement indicating that trade is free of all controls because of Jessup-Malik statement.

In summary, our present thinking runs along the following lines as being best practical means of dealing with complex situation confronting our government and particularly will affect military security:

(1) It is our understanding that prior to March 1, 1948, Military Government in each of the zones controlled exports; therefore the continuance of controls is not of itself a violation.

(2) In our judgement, the 1948 trade agreement has lapsed and it is necessary to negotiate a new agreement. The non-reinstatement of 1948 agreement is in full consonance with Malik-Jessup talks.

<sup>1</sup> A memorandum of the Four-Power conversation in New York, May 4, from which this is an extract is in file 740.00119 Control (Germany)/3-1549.

<sup>2</sup> Under reference here is the November 25, 1947 Trade Agreement between Bizone and the Soviet Zone of Germany. For an extract from this agreement, see *Germany 1947-1949*, pp. 483-485.

<sup>3</sup> Robert D. Murphy.

(3) In the negotiation of any new trade agreement precautions must be taken in order to insure that 1-A and 1-B items are excluded or controlled and that we retain adequate procedures to police such an agreement.

On the other hand and consistent with the above, we believe that we should initiate and prosecute vigorously, efforts to resume trade with emphasis of course on items not on 1-A and 1-B lists and make, if necessary, interim arrangements immediately operative so that there can be no basis for charge that we are deliberately preventing trade.

(4) Shipments of goods under particular contracts made prior to expiration of 1948 trade agreement will no doubt require examination as to the facts and as to the legal considerations applicable. It is desirable to know what is involved, how much and especially whether deliveries will be made both ways and how payments will be made; that is East-West and West-East. Are Russians doing what they asked us to do?

We therefore would like to have you obtain as rapidly as possible data as to items and quantities remaining undelivered under existing contracts made pursuant to 1948 trade agreement. This might have an important bearing on policy if it confirms General Clay's impression given this morning that quantities of 1-A items were very limited and if 1-B items were not too large.

I want to make clear that this problem is one which I believe was inherent in the situation and could not have been avoided under any circumstances if we were to get blockade lifted. Our present job is to get together on the soundest and best US position to deal with a dangerous situation. We are trying to give you every possible assistance and we, of course rely implicitly upon the effective cooperation which we know we will receive from you.

State would appreciate it if you would immediately inform your French colleague that this entire matter is under urgent review and that his government will be informed of the US position via our embassy in Paris.

*(End DA-1)*

BERLIN:

*DH-4*

Reur DA-1 Para 4.

Re undelivered SovZone contracts Russians today showed us a list literally hundreds of pages long. If we are to screen these items against 1-A and 1-B lists it must be done by allied agency such as JEIA. We had originally planned to require each request for an export license to SovZone to be cleared by JEIA in this fashion. I still think this is most effective method rather than having Soviet authorities give us their total list and have us cross off the 1-A items.

While I believe Gen Clay's estimate of number of 1-A contracts is correct, we can't prove it, and will have to rely on Russian's list if we are to give you an overall evaluation. Our procedures never provided for any compilation of details of interzonal contracts and the only way we would get them would be by scrutinizing export license applications which will later be made one by one. This won't help you, so we'll try to get Russian list.

*(End RH-4)*

*DH-8*

Reur DA-1, Para (4).

Russian order 56 states goods will be shipped against trade agreements. Therefore assume they will issue no export licenses if we refuse acknowledge existence agreement. They were relying on revival old trade agreement to provide clearing payments mechanism. We know of no goods shipments from SovZone to Bizone since end blockade.

*(End DH-8)*

*DH-1*

Russian position statement given us today follows:

The Soviet expert stated that in actual fact no measures have yet been taken on the part of the Western Occupation authorities in regard to the lifting of restrictions imposed by them on trade between the Western Zones and Eastern Germany and between Berlin and the Eastern Zone.

The Soviet Occupation authorities have already carried out such lifting by issuing the order of 9 May 1949 No. 56. The trade turnover has so far not been resumed although it is known that the main restrictions have been imposed by the Western Occupation authorities particularly in regard to trade. The Soviet expert considers this situation abnormal. In order to re-establish the trade between the Western Zones and the Eastern Zone as well as between Berlin and the Eastern Zone immediately, to which the Western Occupation authorities are bound by the obligations assumed by their governments, it is necessary to revive the validity of the Berlin agreement on trade turnover between the Soviet and US/British Zones, concluded in November 1947, but not carried out completely, and of other trade agreements the implementation of which was interrupted by imposed restrictions. In this connection the Soviet authorities do not demand a confirmation of all types of goods listed in the agreements. They propose that each party should submit its considerations in regard to those points in the agreement which are still of interest to them. The carrying out of obligations in accordance with such points must be guaranteed by military administrations who had accepted the former agreement and,



in doing so, assumed the responsibility for their implementation. All restrictions imposed by the Western Occupation authorities on deliveries to the Soviet Zone of equipment manufactured in accordance with former agreements, as for example rolling mills, partially paid for on orders placed on 1 December 1947 and 5 December 1947 with the firms "Schleman" and "Demag," electrical equipment for them on orders placed on 9 February 1948 etc., must be lifted immediately. Moreover, deliveries have not been completed of rolled metal, dyes, rubber goods etc., ordered on the basis of the Berlin agreement of November 1947. The Soviet Zone is still interested in a part of these deliveries. The Soviet expert entertains no doubts that there are goods ordered on the basis of the former agreement which could possibly interest the British and US Zones.

The Soviet expert proposes the following wording for a statement in respect of settlement of accounts based on former trade agreements, the validity of which should be revived ;

"The Soviet expert proposes that the settlement of accounts on trade between the Soviet and Western Zones, pending the settlement of the currency problems by the Council of Foreign Ministers, should be carried out by way of including into a clearing account sums due to various parties, in prices specified in former trade agreements and contracts, or in prices changed by mutual consent. The final settlement of accounts will be made after the currency problem has been settled by the Council of Foreign Ministers. Settlement of accounts on trade between the Soviet and Western Sectors of Berlin to be made under the same conditions."

The Soviet authorities accept with satisfaction the proposal made by the Western experts in regard to new trade agreements and the conclusion of new transactions. In this connection restrictions should be lifted in respect of transactions to be concluded between individual firms.

*(End DH-1)*

*DH-2*

Following is statement British propose to make at tomorrow's meeting with Russians:

"We have carefully considered Mr. Vassilieffs' proposals regarding the reestablishment of the interzonal trade agreement for 1948 which was concluded between the two German bodies. This trade agreement has been overtaken by time and events. By common consent it requires revision in order to take account of the passage of time. The changes in requirements in the two areas and the inescapable fact that there are now two different currencies.

There is nothing in the agreement reached between our govts as a result of the NY decisions which calls for the reestablishment of an

agreement essential parts of which are by common consent unsuited to the existing conditions. The agreement calls for the lifting of restrictions imposed since 1 Mar 48. These restrictions have been lifted and there is no obstacle to the delivery to the Soviet Zone of items which were being purchased by that zone prior to 1 Mar 48, under the same procedures for interzonal permits which applied at that time. We appreciate that the Sov Zone authorities are desirous that the list of goods, materials and equipment which appeared on the agreement for 1948 should be reaffirmed as valid for trade exchange today and we are ready to inform the Germans specifically that this is the case, and that contracts made for these goods, materials and equipment will be furnished with interzonal trade permits at least to the extent of the quantities contemplated in the 1948 agreement. Provided of course that acceptable payments arrangements are made between the individual or firms concerned in the contract. We will also ask the German authorities in the Western Zones to get together immediately with the German authorities of the Soviet Zone to work out revisions of the old agreement on the basis of a new one which will operate to the mutual satisfaction of both areas.

As regards the establishment of a clearing agreement, we feel that this also is a matter which in the first case should be discussed between the German authorities of the two areas in order that payment arrangements should be facilitated to the maximum extent possible."

Foreign Office is supporting British MG in this position.

(End DH-2)

WASHINGTON :

DA-2

Mr Murphy requests us to ask :

Can you give us an estimate of the tonnage of freight that has entered Berlin from the West Zones by German carriers (trucks, barges and railroad) since the lifting of blockade up to Thursday evening Berlin time?

(End DA-2)

BERLIN :

DH-3

Reur DA-2

Will cable estimate tomorrow. I don't have it

(End DH-3)

WASHINGTON :

DA-3

We assume that British are proposing their statement as a joint position of 3 Western Powers. What are your views on British statement in light of Mr. Voorhees' statement in DA-1?

(End DA-3)

BERLIN:

*DH-5*

Reur DA-3

Correct. British statement was for all three powers, but it won't do in light of your remarks.

I shall recommend to Gen Clay that all export license applications for the SovZone be referred to JEIA for screening against 1-A and 1-B lists, and that they be automatically approved if not on such lists. As far as financial arrangements are concerned, we would leave it to West German seller to obtain what he considered satisfactory payment, with no stipulation regarding clearing account on other offset arrangements.

At same time we will notify Germans that they are to get in touch with SovZone Germans and work out new trade agreement, but with final approval of items to be included, reserved to MG. Terms of financial settlement, clearing account etc. to be held in suspense, as foreseen by Jessup-Malik talks.

You will of course recognize that we have now gone so far with Russians and public announcements that our reversal of form will really cause a furor. We'll do our best to reverse gracefully.

Does above meet your views?

(*End DH-5*)

*DH-6*

Assume you are discussing this situation with British Embassy, since British authorities here will not be happy at reversal of form and may hold up agreement on common front.

(*End DH-6*)

WASHINGTON:

*DA-5*

We feel that proposal made by you is a form of procedure which meets point made in Voorhees' message. Understand that this particular form of procedure was rejected by Clay at Frankfurt and that you feel it would have results then anticipated by Clay. Do you feel that taking aspects of Russian proposal as point of departure we could nevertheless get to it gracefully?

(*End DA-5*)

BERLIN:

*DH-9*

Reur DA-5

Gen Clay felt this procedure violated N.Y. agreement by changing the Mar 1 procedure. Since 1 Mar procedure will not enable us handle

1-A and 1-B problem, and this problem now has priority. We'll have to violate it and we might as well do it one way as another.

What do you mean, "Taking aspects of Russian proposal"?  
(End DH-9)

WASHINGTON:

DA-6

Reur DH-9

We refer to the following excerpt from your statement of the Soviet proposal:

"In this connection the Soviet authorities do not demand a confirmation of all types of goods listed in the agreements. They propose that each party should submit its considerations in regard to those points in the agreement which are still of interest to them."  
(End DA-6)

BERLIN:

DH-10

Reur DA-6

Russian remarks are all based on recognition that old trade agreement is still in force.

Since we won't agree to this, we can't go on to the point quoted in DA-6. We'll just have to work it out here as best we can. Gen Clay ought to be up in a couple of hours and I'll discuss with him. Have you anything more?

(End DH-10)

WASHINGTON:

DA-7

Further ref your DH-9

The Secretary of State does not consider that procedural controls over exports capable of being used to control 1-A and 1-B lists and to implement the provisions of an equitable new trade and payments agreement would violate the New York agreement.

(End DA-7)

[Here follows material on administration of the 1A and 1B lists.]

WASHINGTON:

DA-8

In light of necessity for revision in British proposal and question on part of Army as to use of particular JEIA procedure we believe that after some exploratory discussion of Russian proposal and financial aspects and expression of desire and confidence in ability to ex-

pedite resumption of trade you should state that you have not yet had an opportunity to receive an expression of your government's views and adjourn further discussion until Saturday night or Sunday morning. Voorhees desires Draper's views tomorrow morning and will then advise.

(End DA-8)

BERLIN :

DH-11

Reur DA-8

Adjournment would have to be until Wednesday. Russian delegate going to Prague Saturday afternoon and Sunday. All of us will be in Frankfurt Monday and Tuesday.

(End DH-11)

WASHINGTON :

DA-9

Suggest rearrange schedule to proceed on Monday if Russians desire.

(End DA-9)

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740.00119 Control (Germany)/5-1449 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET      US URGENT

BERLIN, May 14, 1949—7 p. m.

732. Bohlen telephoned me last night to express his apprehension at manner in which revived trade arrangements between East and West zones Germany were being dealt with by OMGUS. He implied that in raising trade restrictions that OMGUS had failed to take into account over-all world trade policies of US and further that I should remind OMGUS of the Jessup-Malik interpretation of paragraph 2 of agreement. At that time, of course, I had no knowledge of Jessup's observations on resumption of commercial relations as this information was only received during the OMGUS Army Telecon of last night.<sup>1</sup> I told Bohlen that all of us here were trying to carry out what we believe to be the intent of agreement and that we had received no interpretation on paragraph 2 which states clearly that all the restrictions imposed since March 1, 1948 on trade between East and West zones of Germany will be removed. I reminded Bohlen that I had

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<sup>1</sup> *Supra.*

raised the problem he mentioned in mytel 628 April 30<sup>2</sup> from Frankfurt in which I had concluded by stating that we would probably need a clear position for immediate application if blockade is lifted. No reply was received to this message.

I note from Paris' 1976 May 13<sup>3</sup> the assurance given by Jessup to Schuman and further re Department's position as expressed in second paragraph of its 1586 May 13<sup>4</sup> to Paris. I think Department should realize that these decisions may place OMGUS in the dilemma foreseen in my 628. Wilkinson cabled Army just before Allied meeting with Soviet representatives asking for clear instructions on application of 1A and 1B lists. He is telegraphing this afternoon the experts report which resulted from the meeting and which in my opinion offers some possibility for a solution.<sup>5</sup> However, it cannot be pretended that no 1A or 1B items would move under the proposal which is being cabled. Furthermore, Soviet ideas on financing may likewise be unacceptable. Next meeting of economic experts has been fixed for Wednesday May 18, which will allow several days for consultation.

As my advice is constantly being sought on interpretation of the New York agreement of May 5, I should very much appreciate parallel instructions plus any background of the Jessup-Malik conversations which may be pertinent. I should assure Department that in this unfortunate misunderstanding the intent of OMGUS was to apply what we thought was the meaning of 4 power agreement. As no answer had been received to either mytel 628 from Frankfurt or to a corresponding OMGUS telegram a few days later, we naturally assumed that paragraph 2 of agreement was to be interpreted literally as otherwise OMGUS could have been accused of failing to carry out an agreement entered into by the US Government.<sup>6</sup>

Sent Department 732, repeated London 263, Paris for Jessup and Bohlen.

RIDDLEBERGER

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<sup>2</sup> Not printed; in it Riddleberger noted that some of the restrictions on trade to the Soviet Union and satellites had been imposed subsequent to the imposition of the blockade. A return to the *status quo ante* would force the United States to forego restrictions on such trade or breach the Jessup-Malik agreement. (740.00119 Control (Germany)/4-3049)

<sup>3</sup> Not printed.

<sup>4</sup> Not printed; in it the Department of State agreed with a French interpretation of the Jessup-Malik agreement that physical barriers would be removed but trade controls would still be necessary. (740.00119 Control (Germany)/5-1249)

<sup>5</sup> Wilkinson's telegram is printed *infra*.

<sup>6</sup> In reply to this cable the Department of State stated that WARX 88559, (p. 751 and WAR 88649 (p. 769) provided instructions with respect to the problem of materials on the 1A and 1B lists. Riddleberger was informed that nothing in the Jessup-Malik conversations should be construed as abandoning the policy of controls on shipments of these items. (Telegram 571, May 15, to Berlin, not printed, 740.00119 Control (Germany)/5-1549)

Department of Defense Files

*The Acting United States Military Governor for Germany (Hays) to  
the Department of the Army*

TOP SECRET      PRIORITY

BERLIN, 14 May, 1949.

CC 8599. From Wilkinson for Voorhees personal. At Quadripartite Trade Meeting 14 May, US representative stated that Russian position paper presented previous day (sent Army Dept 1 TT 2225<sup>1</sup>) had raised several points of basic principle which went beyond his instructions and which he had therefore referred to this government. He expected to have additional instructions promptly. Russian representative took this calmly and said he was not pressing on his position paper but on the contrary had brought in a list of simple practical measures which would be agreed upon without delay. He then read following proposals:

"Having considered at meetings on 12th, 13th and 14th May, 1949<sup>2</sup> the statements made by the various sides on the question of the abolition of restrictions, the experts have come to the following agreement:

"1. To put into force again the incompletely implemented Berlin Agreement of November, 1947, on the exchange of goods between the Soviet Zone and the Anglo-American Zones, as well as other trade agreements the implementation of which was stopped by the introduction of restrictions.

"To permit amendments on [or?] alterations, to be agreed with the appropriate German organizations, in the description of categories of good provided for by this agreement.

"2. The British and American authorities of Western Zones of Germany will immediately give instructions to German organizations and firms of the Western Zones to dispatch to the Soviet Zone equipment, finished goods, materials and goods which were being manufactured in accordance with the Berlin Agreements, and the manufacture of which has been completed.

"3. The British and American authorities will immediately give instructions to the German organizations and firms of the Western Zones to start the production on such orders from the Soviet Zone the execution of which has not yet begun upon receipt of appropriate confirmation from the Soviet Zone.

"4. The British and American authorities will take immediate measures for the return of all goods, freights and other material values belonging to the Soviet authorities and the Soviet Zone which were held up or blocked after 1st March 1948 owing to the introduction of restriction.

"5. To re-establish the right of German firms in the Western Zones and in the Western sectors of Berlin to carry out commercial transactions within the framework of the Berlin Agreement of November, 1947, as well as other commercial transactions with firms in the Soviet

<sup>1</sup> *Ante*, p. 756.

<sup>2</sup> No record of these meetings has been found in Department of State files.

Zone. Both parties to issue relevant instruction to the German trade organizations of their zones to start immediately the execution of trade agreements and to conclude new agreements and new transactions when necessary.

"6. Prior to the solution of the currency question by the Council of Foreign Ministers, settlements of accounts for goods between the Soviet Zone and the Western Zones will be affected by entries of sums due to the parties in a clearing account at prices provided for in former trade agreements and transactions, or altered by mutual consent. Final settlements will be effected after the Council of Foreign Ministers solves the currency question.

"The German Bank of Emission and the banks of the federal lands will immediately proceed to conclude a technical agreement on the clearing settlements, based on the above principles.

"Settlements between the Soviet Sector of Berlin and the Soviet Zone, and the Western sectors, including settlement for the supply of electric power, and other public utilities, must be carried out on the same basis but in separate clearing account. The clearing agreement to be concluded between the Berlin Municipal Office (*Stadtkontor*) and the central banks of the Western sectors of Berlin.

"7. The parties will immediately issue instruction to start on the practical implementation of the present agreement."

Then there followed considerable discussion of the precise meaning of the proposals, which led to the following amendments and addition being put forward by various representatives:

"1. To agree that the uncompleted portions of the Berlin Trade Agreement for 1948, the completion of which was interrupted, shall be brought into force again to the extent that the buyers in one or other area still wish to procure the items listed in that agreement.

"To permit amendments and alterations to be agreed between the appropriate German organizations in the description of categories of goods provided for by this agreement.

"To review and revise the coal and power agreement concluded between British and Soviet Military Governments on 1st December 1947. (It was agreed on this occasion that representatives of all three Western occupation authorities should participate in the making of the new agreement.)

"2. The British and American authorities of the Western Zones of Germany will invite the German organizations and firms in the Western Zones to dispatch to the Soviet Zone equipment, finished goods, materials and goods which were being manufactured in accordance with Berlin and other agreements and the manufacture of which has been completed and which have been paid for, or which payment conditions have been agreed. The Soviet Zone authorities will take similar action.

"3. The British, American and French authorities will invite the German economic authorities in Western Germany to give instructions to the German organizations and firms of the Western Zones which will enable them to start the carrying out of such orders from the Soviet Zone, the execution of which has not yet begun, upon receipt



of appropriate confirmation from the Soviet Zone. The Soviet Zone authorities will take similar action.

"4. The British, American and French authorities will take measures as rapidly as practicable for the release and dispatch of all goods in transit, and other material values belonging to Soviet Union and the Soviet Zone which were held up or blocked after 1st March 1948 owing to the introduction of restrictions. The Soviet Zone authorities will take similar action in the Soviet Zone. This does not refer to reparations but includes restitution.

"5. To re-establish the right of German firms in both areas to carry out commercial transactions within the framework of the Berlin Agreement of November 1947 as well as other commercial transactions with firms in both areas. Both parties to issue relevant instructions to the German trade organizations of their zones to start immediately the execution of trade agreements and to conclude new agreements and new transactions when necessary.

"6. Either to accept the Soviet wording if approved by the financial advisers of the western military governors or to substitute the following:

"The German organizations will be asked to make proposals for the establishment of satisfactory clearing arrangements to take account of the present position of two currencies and in order to facilitate payments arrangements between the two currency areas."

"7. No change.

"8. References to the Berlin Agreement for 1948 apply only to the United States, Soviet and British Zones of Occupation, the French Zone not having been a party to that agreement."

While everyone indicated these amendments might be desirable as elucidations, no one accepted the Russian proposals, even by implication. British representative (Chairman) expressed view, which was generally shared, that progress could be made along above line, and at his suggestion it was agreed that meeting would reconvene at 1100 hours 18 May for further discussions, at which time it could be expected the U.S. representative would have had his new instructions.

Russian stated he was particularly interested in certain specific items on 48 Trade Agreement:

(a) Metal rolling equipment, castings and manufactured steel, 30 orders valued at 77 million marks;

(b) Organic dyestuffs, 4 million;

(c) Rubber goods, value not specified but with specific reference to tires and conveyor belting. Also anxious to reinstate hard coal-brown coal exchange.

British representative offered, pending next meeting, to urge the Germans to expedite deliveries to Soviet Zone of any items on order insofar as there are no payment difficulties still to be settled between the contracting parties. Instruction to this effect are being issued to all *Laender* of Bizone.

Of Russian proposals we take particular exception to clearing account. Which would in effect mean Bizone financing Soviet Zone purchases. We expect payment to be on a strictly buyer-seller basis with no clearing until CFM work out currency problem.

Believe you can see from foregoing how very upsetting it would be for us to flatly introduce 1A and 1B restrictions into this situation it would result in freezing of at least some goods which have already been paid for. Recommend you consider effectively suspending 1A and 1B application to goods already on order and to quantities of goods which are listed on old 1948 Trade Agreement. Thereafter we can less obviously, but probably not without notice being taken, see that 1A goods do not get on any new trade agreement and that new orders are in some way screened to kill 1A or large 1B items. But for the present we reiterate that imposition these restrictions can have most serious repercussions and since quantities of 1A or 1B items likely to move are insignificant we hope you will see your way to avoid their imposition now, just as CFM gets underway.

[HAYS]

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Department of Defense Files

*The Department of the Army to the United States Military Governor  
for Germany (Clay)*

TOP SECRET      PRIORITY

WASHINGTON, 14 May, 1949.

WARX 88649. To Clay for Wilkinson from SAOAS. Following cable was prepared prior to your CC 8599<sup>1</sup> and we believe coincides in general with recommendations made at the end of your cable. You will see that you are given discretion to include 1A and 1B items with respect to goods already on order and to uncontracted goods within quantities listed in old 1948 agreement but not yet contracted for, although we express the hope that you can keep these to a minimum. Out [our] thinking here has been largely influenced by your and Gen Clay's statements now confirmed in your reference cable that the total quantities of 1A and 1B items which are likely to move under 1948 agreement under this discretion would not be substantial. It is not intended in the following cable to try to direct your negotiations in detail, but is rather given as detailed account of our thinking for your guidance and help:

After thorough canvassing of the situation with Murphy and Draper and with approval of Sec Acheson and Acting Sec Gray<sup>2</sup> as well as ECA, we agree with you that the 1948 agreement legally has

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<sup>1</sup> *Supra.*

<sup>2</sup> Gordon Gray became Acting Secretary of the Army April 27, 1949.

lapsed, and give below our views as to the desirable course of negotiations on trade resumption:

(1) Open with the part of the British proposed statement reading as follows:

"The trade agreement has been overtaken by time and events; by common consent it requires revision in order to take account of the passage of time; the changes in requirements in the two areas and the inescapable fact that there are now two currencies. There is nothing in the agreement reached between our governments as a result of the New York decisions which calls for the reestablishment of an agreement, the essential parts of which are, by common consent, unsuited to the existing conditions. The agreement calls for lifting of restrictions imposed since 1 March 1948. These restrictions have been lifted."

(2) Emphasize the recognized importance of getting the flow of trade going in things now mutually needed and available without waiting to complete the survey of the whole situation. Then suggest that the first thing to do (without the necessity of arguing about or of reaching agreement either denying or affirming the validity of the 1948 trade agreement), is to survey the trade list under the 1948 agreement as to items which each side still want under unfulfilled contracts, and to determine what items and quantities are now available toward meeting the same. As such items are found, the respective military governments (directly or through German organizations) should make efforts to create working arrangements for facilitating the prompt movement of such shipments and for interim payment arrangements where possible. The Western Zones would be willing to expedite all such efforts if the Soviet administration would do likewise. As to other items which appeared in the agreement for 1948 and within the quantities provided therein (after excluding the quantities already contracted for), you might propose that a similar survey and study of availability be made with a view to similar interim working arrangements. Consideration should also be given to developing similar interim working arrangements for additional available items which either the West or East particularly need, which are not covered by the 1948 agreement, which ought not to wait for the negotiation of a new general trade and payments agreement, and which are acceptable to the respective military governors (but which you will see from later discussion herein should include no 1A items).

The foregoing steps should not be delayed for the completion of a new general trade and payments agreement although exploratory work covering the future respective needs and availability should be begun as soon as possible looking toward the ultimate formulation and approval of such an agreement.

For your own guidance in executing such a program, if found acceptable to the British and French, it would be hoped here that the contemplated interim shipments under the unfulfilled contracts and shipments of uncontracted items and quantities provided for in the

1948 agreement, would if practicable not include items on the 1A and 1B list. However, it is recognized that complete screening of 1A and 1B items would be impracticable and that it may not be possible for other reasons to avoid the inclusion of some such items. In view of the reported unsubstantial amounts of such items, particularly 1A, which appear likely to be involved you are authorized to use your discretion as to inclusion of 1A and 1B items when arranging for such shipments. This discretion is given on our understanding that the total shipments of such items will not be too substantial.

However, under new trade, either of individual items or under the proposed new trade agreement, no arrangements or authorization should be made which would require the inclusion of 1A items, and 1B items must be subject to the quantitative tests already provided under existing instructions. In other words, we are giving you discretion because of the present critical state of negotiation to include 1A and 1B items in reestablished trade which arises out of the lapsed 1948 trade agreement. On the other hand it is necessary as a broad principle and for the future in view of both national policy and statutory requirements that 1A items be excluded and 1B items be quantitatively tested in all other trade arrangements made.

You should therefore be careful in negotiating such other arrangements not to foreclose the exercise of your military government authority (by disapproval or otherwise) to exclude A and B items and to adopt such procedures as found appropriate to make this effective; or which would impair the ability of either the Trizone or a future German government to qualify for aid under the Economic Cooperation program in view of the statutory and policy conditions relating thereto. It should be made clear to the British and French that the exception giving you discretion as outlined above does not change the basic policy generally involved. Procedure suggested above does not in our opinion run contrary to New York agreement. Prior to March 1, 1948, trade took place under Berlin Trade Agreement approved by military governments and interzonal trade permits were issued only to cover transactions contemplated by that agreement. There therefore existed a clear pattern of a trade agreement approved by military governments on both sides and systems of control on either side as considered desirable by the respective military authorities. We do not consider that the New York agreement freezes either the content of a new trade and payments agreement, the old one having expired, or the details of the controls which either side considers necessary to implement it. The suggestion of the Russians that we guarantee performance under new trade arrangements (which we agree with you would be unacceptable) indicates that they do not consider that control arrangements on our side are unchangeable.

With respect to interim arrangements no precedent exists and the main thing is a cooperative effort to get trade flowing again on a mutually acceptable basis. State is discussing this whole approach with British and French which you are authorized to do in Berlin in order quickly to arrive at Tripartite approach to the trade problem.

(State is repeating this msg to London and Paris.)

[VOORHEES]

740.00119 Control (Germany)/5-1649: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, May 16, 1949—10 p. m.

740. Mytel 721, May 13, repeated Paris (for Jessup) 248, London 257, Moscow 76.<sup>1</sup> OMGUS transport officials meeting with British and French today to review transport situation and agree report and recommendations for action. Crux of matter is that Soviets instituting direct operational control over transport movements which they did not have March 1, 1948.

Before blockade Western Allies dealt directly with Soviet Zone German rail authorities and worked out schedules and movements directly with them. Now Soviets impose schedules and conditions of movement and have liaison officers in Western Section rail yards for purpose. They have now placed Soviet Military guards in the yards.

Soviet refusal permit entry into their zone of Western Zone locomotive engineers and train crews, necessitating switch to Soviet Zone locomotives and crews at border also serves assure their direct control over movements. Although regular passenger train scheduling was promised for May 15, OMGUS states no improvement yet observable schedules offered appearing have been chosen for maximum inconvenience (although can well be unintentional and transitory) and delays still characterizing movements.

Department appreciates that Soviets justifying these measures on bases other than return to status quo March 1, 1948. (Chuikov's letter mentioned mytel 702 May 12, repeated Paris 231, London 250, Moscow 75.<sup>2</sup>) Relative restriction to 16-train paths, for instance, they refer to actual practical needs as they unilaterally view them and cite esti-

<sup>1</sup> Not printed; it reported on the railroad situation in Berlin and the presence of Soviet personnel in the British railroad yard office. (740.00119 Control (Germany)/5-1349)

<sup>2</sup> Not printed; Chuikov had referred to the Control Council agreement of September 10, 1945 that permitted sixteen train paths west to east. Riddleberger disputed this interpretation of the September 10 agreement, saying that sixteen train paths was only an estimate and that the average in early 1948 had reached twenty-one paths. (740.00119 Control (Germany)/5-1249)

mate agreed quadripartitely in 1945 rather than tacit acceptance at least 20-train paths prevailing in 1948. Although OMGUS informants unable cite any specific agreements relative use Western Zone train crews in relation interjection Soviet liaison between Allied and German transport authorities in Berlin, present Soviet measures clearly constitute restriction on freedom movement not prevailing before blockade.

Foregoing concerns operational transport restrictions which must be considered together with restrictions on trade and movement goods to see full picture. Latest report is that no German freight has as yet moved West from Berlin by rail, although attempts being made to make up train. Some scrap on non-German account stated have been permitted exit Soviet Zone by truck but truck carrying radio equipment from Western Sectors for Western German firms was turned back because lacking Soviet permit. Announced in Berlin press that such permits required for articles on restricted (Soviet) list and it appears Soviet will prevent as before export all articles they consider at all useful not covered specifically by trade agreement. Will be recalled that, although restrictions were quadripartitely approved before March 1, 1948, Soviets added unilaterally to their list after that date to effectively bar export most articles which would make up Berlin's natural trade with West. Reported that East West barge traffic resumed with entry Soviet Zone yesterday of one British-licensed craft destined for Berlin.<sup>3</sup>

Sent Department 740; repeated London 266, Moscow 81, Paris for Jessup 263.

RIDDLEBERGER

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<sup>3</sup> In telegram 750, May 18, from Berlin, not printed, Riddleberger reported the departure of the first freight train carrying goods from Berlin and indicated that the United States authorities in Berlin were maintaining that there was no necessity for SMA permits on such goods. OMGUS intended to load individual trucks and freight cars with goods of one particular type to determine what items the Soviets would refuse to pass through to the West. (740.00119 Control (Germany)/5-1849)

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740.00119 Control (Germany)/5-1749: Telegram

*The Secretary of State to the Acting United States Political Adviser  
for Germany (Riddleberger)*

TOP SECRET      PRIORITY  
NIACT

WASHINGTON, May 17, 1949—7 p. m.

580.<sup>1</sup> For Riddleberger from Murphy. We are repeating to you separately text of urgent telegram we have sent Wilkinson through

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<sup>1</sup> Repeated to Paris for Jessup and the Ambassador as 1642, to London for the Ambassador as 1702.

Army re trade negots.<sup>2</sup> Understand Army is sending follow up indicating they also consider our comments and questions important.

We are seriously concerned over general approach being taken by Western reps, particularly US, in negots and fear there is basic misunderstanding between us and Berlin re subject. Main points we have in mind are following:

(1) We doubt this CFM meeting can resolve currency issue regardless of how meeting goes in general and that split will in fact continue for some time. Pattern for interzonal trade arrangements now being worked out may, therefore, last some time and in any event be important precedent in further negots.

(2) We deem it most essential that supervision and control be maintained over trade and payments arrangements to ensure

(a) that we get countervalue for what we supply Soviet Zone;

(b) application of 1A and 1B lists, as provided in WARX 88649;<sup>3</sup>

(c) that Sov buying does not cut into availabilities to meet Western Zone's requirements or ERP programmed exports;

(d) that Berlin does not become an open conduit for escape from controls in West Zones.

(3) We have not wanted to give detailed instructions, recognizing that we do not have adequate info. However, it seems to us that Sov proposals, as amended by West Reps, at last meeting are extremely dangerous.<sup>4</sup> Furthermore, we believe that some kind of clearing or compensation system, operated in D-marks, is necessary to make certain we get goods for goods. In order to avoid an uncompensated drain on West Ger supplies, except for initial pump priming, no credit, neither bank nor commercial, shld be granted East Zone or East Zone firms.

(4) We do not think we need be worried about having controls on our side. Sovs will have them on theirs.

(5) We believe Brit thinking along same lines.

(6) We appreciate that Wilkinson is in midst of difficult negotiation and these not intended as back seat driving but merely as expression our views for whatever help you can be.

ACHESON

<sup>2</sup> See telegram 581, *infra*.

<sup>3</sup> *Ante*, p. 769.

<sup>4</sup> For the text of the Soviet proposals at the Quadripartite Trade Meeting May 14, and the amendments of the Western representatives thereto, see CC 8599, p. 766.

740.00119 Control (Germany)/5-1749: Telegram

*The Secretary of State to the Acting United States Political Adviser  
for Germany (Riddleberger)*

TOP SECRET      PRIORITY  
NIACT

WASHINGTON, May 17, 1949—7 p. m.

581.<sup>1</sup> From Murphy to Riddleberger. For your information subsequently the following message was transmitted today by Army to OMGUS for Wilkinson:

"Reference your CC 8599 <sup>2</sup> for Voorhees from OMGUS signed Hays.

Following are additional comments and questions which occur to State for your consideration and on which they would like your views.

1. We would expect that any solution to currency problem that might be worked out at CFM would at best take many months to implement. We are therefore distrustful of Soviet proposition for trading on "open account" during interim period and believe it necessary to establish for this period a clearing and payments arrangement which would adequately protect the economy of the Trizone against uncompensated drains to the Soviet Zone. German proposals contained in USPolAd telegram No. 709 of May 12 to State Department <sup>3</sup> very close to our thinking here except that (1) Soviet sector and zone blocked accounts in West Berlin and West Germany should not be unblocked (purpose is to prevent uncompensated drains but excuse might be unsolved problems of blocked Western accounts in Soviet sector and zone); and (2) it should be specifically stated that A and B accounts could not be replenished from deposits of West Mark currency not representing proceeds of Eastern deliveries to West Berlin and Western Zones. We would regard it as reasonable for initial "pump priming" clearing credits to be extended on both A and B accounts.

In view proposed absence border controls between Western Berlin and Eastern Berlin and Eastern Zone, would call your attention to fact that uncompensated drain from Western Berlin paid for e.g. with existing Soviet West Mark holdings could be held in check only by such administrative controls as direct distribution of rationed goods and allocation of manufactured goods at the source (i.e., supervision of deliveries by individual factories).

2. We are also concerned that the military government authorities retain adequate *de facto* control over the volume and nature of trade taking place not only to protect against undesirable exports (list 1A and 1B) but also to ensure that trade aids and does not inhibit Trizone recovery and Trizone contribution to European recovery. It appears to us that these objectives should be kept in mind in establishing trade arrangements (refer WARX 88649 <sup>4</sup>). Some central supervision will

<sup>1</sup> Repeated to Paris for Jessup and Caffery as 1643, to London for Douglas as 1703.

<sup>2</sup> Ante, p. 766.

<sup>3</sup> Ante, p. 754.

<sup>4</sup> Ante, p. 769.



be needed with respect to the type and quantity of goods exported. This would be presumably coordinated with payment procedure perhaps as outlined by the Germans (USPolAd tel 709 May 12).

3. It is assumed that you have reexamined the Soviet's proposal as amended in discussions in light of WARX 88649. Following comments on these proposals may be of assistance to you in further clarification of our thinking. Numbers referred to paras. amended proposal refer CC 8599.

1. Is it not dangerous to agree to bring into force again any portion of the 1948 agreement? See WARX 88649.

2. Unless payment already made to West suppliers new sales and payment conditions will have to be agreed in view of currency changeover and very much changed circumstances.

3. Would it not be better to invite the German economic authorities to authorize German organizations and firms, etc., rather than to invite them to give instructions. We have no desire to enter into commitments on deliveries to Soviet Zone. In addition, don't we need confirmation that supplier on our side still desires to supply as well as confirmation that Soviet Zone buyer still wishes to buy?

4. We assume in case of restitution this covers only adjudicated Soviet claims from which 1A and 1B items, Baltic property, etc., have been excluded.

5. This para seems to us dangerous from a number of viewpoints and inconsistent with our position on payments. Can it not be dropped?

8. Would be unnecessary if Berlin Agreement is not brought into force again, even partially."

ACHESON

Department of Defense Files

*The Acting United States Military Governor for Germany (Hays)  
to the Department of the Army*

TOP SECRET      PRIORITY

BERLIN, 18 May 1949.

CC 8633. Personal for Voorhees info: USMA Paris for Jessup. Very unsatisfactory 6 hour meeting today on lifting trade restrictions. We went over amended Russian proposals given in CC 8599.<sup>1</sup> Wilkinson insisted on rephrasing paragraph 1 to eliminate any implied recognition of validity of 1948 Trade Agreement, by beginning: "To agree that goods listed in the Berlin Trade Agreement for 1948 which have not already been shipped, shall be licensed for shipment to the extent that the buyers, et cetera." Russian Delegate emphatically declared this complete repudiation NY agreement.<sup>2</sup> since it did not

<sup>1</sup> May 14, p. 766.

<sup>2</sup> For the text of the communiqué issued at New York on May 5, 1949, see editorial note, p. 750.

recognize continued existence of 48 Trade Agreement. Wilkinson then stated that his government had informed him there was nothing in the NY agreement which calls for reestablishment of agreement, using language from 3d paragraph W[ARX?] 88649.<sup>3</sup> British, who had similar instructions, supported position. French also agreed. Russian then disgustedly went on to succeeding paragraphs.

Paragraphs 2 and 3 were agreed. If you will examine language of paragraph 3 you will see operative words are "enable them". There is no implication that MG assumes any responsibility for execution contracts.

Paragraph 4 was amended to read "British, American and French authorities will take practical measures for the return or replacement in cash or kind, as rapidly as possible, having the intention to complete the operation by the 1st of June 1949 of all goods", et cetera. Minutes are to reflect (a) This paragraph does not refer to commercial transactions. It has to do with Soviet stocks which we seized (and vice versa) during blockade, and with restitution items; (b) British and Americans expressed doubt as to realism of 1 June date and said they would do their best but would not consider selves in default if this date not met; (c) Both sides to assist in this matter by providing lists of goods claimed; (d) It is understood paragraph applies to all sectors of Berlin as well as to all zones; (e) It refers to physical release of only those restitution items which have already been approved for release to USSR by competent Western Allied Restitution authorities.

Wilkinson asked for deletion paragraph 5 as being vague and unnecessary as to first sentence, since Western Zones had never denied right of German firms to carry out such commercial transactions, and therefore this could not properly be included in a paper dealing with lifting of restrictions. As regards second sentence, Germans are already meeting, so this provision unnecessary. Wilkinson proposed substitute paragraph: "German firms in both areas are authorized to carry out all commercial transactions necessary to the implementation of the present agreement." Russians insisted on their language so paragraph passed over.

Paragraph 6 caused final blow-up. British Delegate, under instructions, said no clearing on their financial agreement necessary, and that trade could be handled by buyer and seller on basis mutually agreeable. Wilkinson said he considered this solution the best, but did not exclude the possibility of some type of clearing arrangement. Russians stated that this proved neither we nor our governments were sincere in carrying out NY agreement since obviously trade could not be restored without some mechanism for financial settlement, and that our posi-

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<sup>3</sup> May 14, p. 769.

tion on this point, added to refusal to recognize 48 Trade Agreement, made further conversation useless. Wilkinson rejected this statement and pointed out Transport Meeting going on at same time in same building was dealing with Western Powers claims that Soviets were not lifting transport restrictions. Obviously, in such complicated matters, there was room for 2 points of view, and it was our job to attempt to close the gap and not merely to accuse anyone who differed from us of acting in bad faith. British Representative summarized extent of agreement already reached, and suggested deferring further action on clearing account until we had report from East-West German meetings, possible in 2 or 3 days, from which we might be able to get basis for clearing mechanism.

Russian refused to leave initiative to Germans and emphasized that since before 1 March 48 there had been a bank clearing system in effect, and that this had been vital to flow of trade, they were entitled to demand equivalent clearing arrangements now, on grounds lack of one restricts trade. Wilkinson pointed out that NY discussions had recognized difficulties arising from 2 currencies and left them for CFM discussion. It had been recognized that these difficulties could not be overcome easily nor had it been intended that local measures attendant upon lifting of Blockade should be more than stop-gaps. We felt trade could and would flow on basis direct buyer-seller arrangements.<sup>4</sup>

Finally, Russian suggested meeting of financial experts Friday to discuss clearing account further, and this was agreed. However, there is little likelihood any agreement on terms acceptable to us.

All during the day reports, in from Helmstedt, of hundreds of East-bound trucks held up, and finally trains of food as well. Russians disclaimed all knowledge and said it was transport matter, but when we referred to Soviet Transport Chief in nearby meeting, he said it was foreign trade matter. Finally, Vassilieff agreed to look into the matter. When it was suggested that failure Sovzone to receive goods from Bizone was due to this restriction on traffic, Russian slipped by saying "No. Those (restrictions) have only to do with Berlin".

Later, Russian officer at Helmstedt said he could not pass any commercial goods for Berlin unless, in addition to Eastern Zone Warenbegleitschein, they also had evidence of formal approval of Deutsche Wirtschaftskommission for the import into Berlin. This measure of course give Soviet complete control of all commercial goods going into Berlin, and since they have so far refused to approve any exports from Berlin, the situation is very unsatisfactory. It is likely that these

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<sup>4</sup> In telegram WARX 88904, May 19, to Berlin, not printed, the Department of the Army informed Hays that the idea of a clearing agreement appeared reasonable and recommended that the financial advisers work out a temporary agreement on May 20. (Department of Defense files)

nuisance tactics are directed at our Quadripartite Trade Talks to impress upon us that if we don't give way on our alleged restrictions, Russians will not effectively lift Blockade.

We cannot see any advantage in modifying our present position, even if Russians get tougher. We have fully met our obligation under NY agreement, and we do not feel it would be sound local or international tactics to meet their unreasonable demands.

Will discuss with British tomorrow joint position on clearing account following lines paragraph 1, WX 88726,<sup>5</sup> and paragraph 3, Murphy's cable of 17 May.<sup>6</sup>

Transport meeting discussed:

(1) Use of Sovzone locomotives on Berlin trains. Russian adamant. We object on principle rather practice.

(2) Road transport. Russian disclaimed all responsibility and said this matter for economic authorities.

(3) Passenger train schedules. Russian admitted service had been poor and promised correct at once.

(4) Number of trains. Russian said we only entitled to 16 trains of 10 September 45 Agreement, and that any additional trains running at 1 March 48 were due to his good will and not to any rights of ours. We demand 20 trains. Russian said he would discuss with his superiors. If he considers there is any point, he may agree further meeting Friday.

(5) IWT. Russian said he would license craft if we sent him necessary applications. We will send application for over 1000 barges, and see what happens.

[HAYS]

<sup>5</sup> Not printed; the text of this cable was transmitted to Berlin in telegram 581, May 17, p. 775.

<sup>6</sup> The reference here is to telegram 580, to Berlin, p. 773.

740.00119 Control (Germany)/5-1949: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

SECRET PRIORITY

BERLIN, May 19, 1949—9 p. m.

763. After one week of experience in the application of the New York agreement of May 5<sup>1</sup> on raising of blockade and counter blockade restrictions, we describe below the factual situation on restrictions as it exists today and the negotiating positions developed in conferences with the Soviets during the past few days. Our estimate of Soviet intentions is appended to the conclusion of this telegram.

<sup>1</sup> For the text of the Four-Power communiqué, May 5, which lifted the restrictions on trade and communication with Berlin, see editorial note, p. 750.

*Status removal restrictions on transport.*

Following is review situation re transport operations and controls over movement vehicles, persons and goods, and communications.

Quadripartite conference was held May 18 re transport on technical level, western allied transport officials meeting with General Kvashnin, Chief Transport SMA. Results will be indicated below under subject. (mytel 756, May 18<sup>2</sup> on transport situation.)

1. New controls over rail operations. Soviets have instituted direct control of all rail movements, including military, (a) by placing Soviet liaison officers in rail yard offices West Berlin between allied authorities and German rail authorities through whom all schedules and equipment must be channeled and (b) by requiring that Soviet Zone locomotives, as well as engineers and train crews, be used within Soviet Zone. These restrictions make possible for Soviets to implement trade controls or other economic controls and at least make allies subject to any administrative lack of interest or incompetence in transport and movements between Berlin and West. Formerly, although Soviets exercised overall control, allies worked out specific movements directly with German rail authorities (Soviet Zone) and because operating with own engines and crews were able retain cars and locomotives needed. Although Soviets objected, they were at beginning unable supply necessary locomotives and, in any event, allies then discovered this was only way to assure West Zone/Berlin traffic.

2. Operational difficulties resulting from Soviet control. Chief difficulty at present time is controversy over number of train paths, which Soviet claim are limited in accordance with fundamental quadripartite agreement based on Soviet paramountcy in its zone. Soviets have granted 16 freight train paths (freight train speed and treatment) and one passenger and have now specifically agreed, in reference conference, to change two freight to two passenger train paths (to total three of latter). Presently only the British train enjoys regular passenger train schedule (presumably because it was first to enter after blockade), traversing Soviet Zone around three and one-half to four hours, while US takes around seven hours (averaging about 15 miles per hour). German train takes about four and one-half hours (but is not charged against allied train paths). All find impossible keep to schedules. Kvashnin said schedules were German matter but also objected allied going direct to Germans (rather than through Soviet liaison). In reference conference, allied transport authorities pressed Soviet to permit 20 train paths but Kvashnin insisted that terms New York agreement being complied with and gave no assurance request would be considered (reftel 756, May 18). Kvashnin maintains

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\* Not printed.

16 train paths should be accepted because that was number officially agreed at Control Council level, while allied position is that since 21 paths later agreed on quadripartite technical level and actually in use prior to 1 March 1948, limitation to 16 is violation of New York agreement.

Two effects of failure to restore pre-blockade conditions on incoming movements (other than taking advantage pre-blockade overall control to reduce number train paths) are reduction from freight capacity of 12,000 metric tons to maximum of 7500 and elimination of US military train Berlin/Munich through refusal by "German rail authorities" supply locomotive therefor (train not considered important by US Military Government, however).

As for outgoing freight, new Soviet control over operations makes possible refuse locomotives and cars as Soviet desires, with specific reference to German goods whose export not approved by Soviet. Cars are being withheld for shipment scrap lacking Soviet permit (see 756, May 18).

Debt 1300 freight cars mentioned reference telegram not considered serious by BICO transport chief, since cars being returned and normal "pipeline" before blockade was 3000 cars. Situation must be watched, however. Kvashnin, on being questioned re 5000 car debt from pre-blockade stated he had no authority to discuss.

Final operational difficulty with rail is closing all crossing points for Berlin/West Germany traffic except Helmstedt. This does not mean Helmstedt only crossing point for East/West traffic of which at least six. Allied officials point to firm agreements on technical level which opened for use up to 1 March 1948 crossing points which have been closed, but Kvashnin refused recognize as agreements since not on Control Council level.

No operational difficulties reported as yet re highway and barge movements similar to rail outlined above except closing certain border crossing points for highway.

### 3. Interference through documentation requirements.

#### A. *Personnel.*

(1) Allied and allied-sponsored travel (carrying travel orders). Documentation and control procedures applying now as before blockade with no increased demands.

(2) German. OMGUS officials state interzonal passes and personal identification being accepted by Soviets as before blockade. Too early yet to judge whether Soviets will intensify controls beyond previous practice although they have let be known will be easier for travelers showing written evidence they engaged in business transactions to

obtain entry and exit re Soviet Zone. Informed requests for interzonal passes to leave Berlin beginning assume large proportions.

*B. Freight.*

(1) Allied official. Controls same as before blockade; that is, freedom movement without inspection if covered by proper allied documents.

(2) German

(a) Berlin/West. Soviet border control officials have announced will permit no goods leave Berlin for West that appear on their restricted list unless bill of lading contains Soviet approval stamp. Allies taking position this demand illegal. Only one freight train has left Berlin for West, carrying goods other than restricted list. Intended second train not permitted depart because carrying scrap for which no Soviet permit. Machine tools and radio parts also turned back. Apparently Soviets covering 90 percent Berlin production in restricted list and West Berlin economy may have yet depend on airlift.

(b) West/Berlin.

(1-1) German highway freight for Berlin. By seven this morning, around 400 trucks loaded with fish, fresh vegetables and miscellaneous items for Berlin economy had collected at Helmstedt control point on autobahn as result Soviet refusal permit entry into their zone.

Reason given by Soviet official there to transport chief, US Berlin sector military government, was that merchandise must be covered by German economic commission (Soviet Zone) stamp on purchase contract. Berlin importer would mail stamped copy to exporter in West zones, who would have to send it with goods. Stoppage trucks was effected from 11:20 p. m. May 17, Soviet border control official stating regulation existed from time blockade opened and only failed be implemented through ignorance former official.

SMA economic official has just informed OMGUS that trucks now waiting at Helmstedt will be permitted proceed to Berlin—without SMA stamp—but that henceforth they must have SMA stamp. In meantime, Soviet official at Helmstedt had informed truck drivers they could enter at border crossing point north of Helmstedt—without SMA stamp—and some had done so. Kvashnin had stated in conference he had no authority over matter, as it was trade and not transport matter.

(2-2) Entry German freight trains. As of 11 a. m. May 19 there had been no interference with incoming German trains on basis documentation, although considerable number of cars had been refused entry and sent back on basis alleged technical defects. This being investigated. German freight trains continuing enter Soviet Zone for Berlin, however, at normal rate 12 or 13 per day.

(3-3) Barges. According latest report, being reactivated without undue difficulty, allies agreeing with Soviet contention new crew lists required, obtention of which causing some delay but expected have all barges properly documented two or three days. Several barges have entered Soviet Zone, and 11 have set off from Hamburg loaded with rye.

#### 4. Communications.

##### A. *Mail and parcels.*

OMGUS reports shipment mail (including parcels, which were not permitted during blockade) up 1000 percent between West and Berlin; 16,600 parcels having been dispatched from West to Berlin since lifting; 13,500 other direction. Protest just received from Soviet re carrying mail cars on military trains. This was practice on March 1, 1948 although no agreement.

OMGUS officials fear Soviets may impose controls over incoming and outgoing parcels but to date have been able unload incoming in Western sectors and to date Soviets have not required inspection and stamping individual outgoing parcels although do require "warenbegleitschein" from SMA to cover carloads.

##### \*B. *Telecommunications.*

Only restriction reported that did not obtain March 1, 1948 is necessity place long distance calls between Berlin and Soviet Zone through Soviet sector facilities. This not considered breach New York agreement, however, since agreement did not include Soviet restrictions on Soviet Zone/West Berlin communications (nor trade and transport).

Status removal restrictions on trade :

*Laender* and sector military governors US, French and British areas of control instructed May 10 that all restrictions imposed by MG's on trade, transport and communications on or since March 1, 1948, be removed and that goods moving from West zones to Soviet Zone and all sectors of Berlin be permitted to cross interzonal borders if accompanied by warenbegleitschein (shipment approval certificate) duly issued by LWA's (*Laender* economic offices) under procedures prevailing in West zones prior to March 1, 1948 even though no interzonal trade agreement in force. Special emphasis placed in instructions issued May 16 that any goods destined for Soviet Zone and properly paid for should be allowed to move and that any previous restrictions on their movement should be removed.

*Laender* government economic offices instructed on May 13 by Bi-zone economic department (VFW) that until offset account established, warenbegleitschein should be approved only for fully paid deliveries and for goods not enumerated in JEIA restricted lists B and C. Restricted also would be materials of precious metals, semi-finished materials of non ferrous metals, precious stones, semi-precious stones, jewelry diamonds, pearls, controlled soaps, soap products and washing agents, shoes of all kinds except clogs; applications for warenbegleitscheine for these items to be submitted to functional sections of VFW. [*Comment*: *Laender* economic offices thus competent to approve only warenbegleitscheine for non restricted items; procedure was in effect 1 March 1948 and designed to restrict issuance of warenbegleitscheine when item in short supply in *Land*.<sup>3</sup>] Above VFW instructions

<sup>3</sup> Brackets in the source text.



amended subsequently to remove as pre-condition for issuance of warenbegleitscheine the requirement of full payment for deliveries of goods. Instructions of BICO to VFW stated "bizonal suppliers shall be free to negotiate sale of goods in interzonal trade on such terms as may be desired by them."

Representatives Bizone economic administration (VFW) have held several conferences with representatives Soviet Zone economic commission (DWK), coming to tentative agreement to regard 1948 trade agreement invalid, to establish new trade agreement, including West Berlin with West Germany, to list in trade agreement items promised in restricted amounts, to establish clearing account "A" in Bank Deutscher Laender with restricted total value for essential items of trade, and clearing account "B" for all other items. Agreed clearing accounts to be based on shipments and 10 million dm initial "pump priming" credit, clearance to be effected every four months. Representatives of VFW will use JEIA "B" and "C" lists, plus items added by MG's to protect economy, as West zones restricted list for limited trade; DWK representatives expected to propose lengthy restricted list.

Meanwhile in quadripartite economic advisers meeting May 18 re Soviet proposals reported in CC 8599<sup>4</sup> Soviets declared as repudiation of New York agreement proposal by US (Wilkinson), supported by British and French, that all implication recognition of validity of 1948 trade agreement be eliminated. Impasse reached also when Soviets insisted re paragraph six Soviet proposals on establishment clearance agreement, rejecting British suggestion that no clearing or other financial agreement necessary and that trade should be handled by buyer and seller on mutually agreeable basis; and US position that while British proposal best, some type clearing arrangement possible. Soviets rejected further proposal initiative be left to Germans. Soviets position that bank clearing system had been in effect before 1 March 1948 vital to trade and entitled to demand equivalent clearing arrangements now, on grounds lack of one restricts trade. Full report of May 18 meeting of economic advisers sent by OMGUS in CC 8633<sup>5</sup> repeated to Paris for Jessup.

At reparations meeting on technical level May 12 Soviets offered resume reciprocal deliveries at early date under second consignment of reciprocal deliveries program and OMGUS acceptance (CC 8582, relayed Paris for Jessup in ourtel 261, May 16<sup>6</sup>). Also offered additional list to be applied against outstanding balance of account and these items now being considered by IARA.

#### Status of publications distribution:

No Western-licensed publications at present being distributed in Soviet sector or Soviet Zone with single exception of 300 copies of *Neue Zeitung*, recently ordered by Liberal Democratic Party office in Dresden, which were sent from Munich and which crossed Soviet Zone border. Unknown whether shipment reached final destination. *Neue*

<sup>4</sup> Ante, p. 766.

<sup>5</sup> Supra.

<sup>6</sup> Not printed.

*Zeitung* sent 20 telegrams to former dealers in Soviet Zone and received identical answers from former dealers saying that they could not contract for Western-licensed papers unless contract was made through monopoly distribution agency set up in SMA order number 105. All Berlin West-licensed press refuses to deal with Soviet distribution monopoly. Still unknown to US authorities whether US zonal papers have contacted distribution monopoly, but possibility exists.

There is no ban on distribution of Soviet-licensed publications in any sector of West Berlin. Distribution Soviet-licensed press effectively blocked, however, by fact that SMA licensed press refuses to sell for West marks. West Berlin news dealers will sell only for West marks. Attempts have been made to sell Soviet-licensed press through unlicensed dealers, all of whom have been arrested by West-sector police upon apprehension, for being unlicensed.

Soviet-licensed newspapers, books and other publications coming into US Zone unhindered, selling for West marks. Prices are substantially lower than Western-licensed publications. Same situation is true of French Zone where ban has never existed. All Soviet-licensed publications continue to be banned in British Zone. British are disturbed by fact Soviet-licensed publications trickling into British Zone via US Zone.

*Concluding comment.*

From the foregoing description of the present situation it is fair to state that whatever the terms of the New York agreement, Berlin remains today in a state of semi-blockade. As has so often been the case with agreements drafted in general terms which do not stipulate specifically what detailed measures are to be taken, the Soviets have now returned to their well-known tactics of slanted interpretation. In this regard the situation is somewhat similar to that which existed in the Berlin negotiations of last summer on the Moscow directive, with the exception that the blockade has been partially lifted in this instance.

Wilkinson had received Army Department instructions and Department instructions as set forth in its 580, May 17<sup>7</sup> before he went into the meeting with the Soviets on trade yesterday and was guided by them. It should be explained re possible clearing agreement that Weir's instructions did not permit him yesterday to agree to a clearing agreement. Wilkinson therefore supported Weir but made it clear that the US did not exclude the possibility of some type of clearing agreement. Wilkinson and Weir, who now is empowered to discuss clearing agreement, are conferring today for the purpose of concerting their views on a clearing arrangement (see CC 8651<sup>8</sup>). Both are dubious as to what progress can be made with the Soviets who in yesterday's meet-

<sup>7</sup> *Ante*, p. 773.

<sup>8</sup> Not printed.

ing remained adamant on two points, i.e., the continued existence of the 1948 trade agreement and the necessity for some mechanism for financial settlement as otherwise trade could not be restored. It is clear that the Soviet interpretation of the New York agreement places great emphasis on these two points.

With respect to Soviet intentions in this negotiation, it may well be that the rapidity of developments making possible the establishment of a Western German Government in the near future have caused the Soviets to have second thoughts on the raising of the blockade. They may now think that sufficient advantage to them to warrant the lifting of the blockade is unlikely to result from any agreements which they may obtain at this CFM. A corollary to this could be a Soviet desire raise the blockade only to the minimum necessary to ensure the convening of the CFM, particularly if there is no overall settlement on Germany at this meeting and it may be desirable to work out some provisional arrangement for Berlin. In the latter case, the Soviets would not want to be committed to any great relaxation of the controls they can exercise over Berlin trade. A second possibility is that the Soviets hoped for a crack in the overall trade policy vis-à-vis the Soviet Union and the satellite states and are disappointed that the New York agreement has not automatically guaranteed this development. A third possibility is that the Soviet hoped to obtain simultaneously with the lifting of the counterblockade a flow of goods from the Western zones essential to the economy of the Soviet Zone and to the continuance of Soviet reparations policy. In any case the attitude they are taking here on the trade agreement and clearing arrangements is not such as to indicate any immediate solution of this problem. It therefore seems to us that the Department will have to decide within the next few days whether it considers the Soviet fulfillment of the New York agreement to be sufficient to warrant the convening of the CFM. Certainly there is little evidence of Soviet willingness to approach a solution of the practical problems raised by the New York agreement in a conciliatory spirit, in spite of the tenor of the Jessup-Malik conversations.

There is also the distinct probability that we shall face an opening blast in the CFM consisting of Soviet charges that the Western allies have repudiated the New York agreement. Soviet controlled press accusations already made, point in this direction. The Soviet delegation may attempt to justify its restrictions on transport and trade as being the result of failure on the Western allied side to agree with the

Soviet interpretation of removal of restrictions on trade. We believe this possibility should be taken into account in the present tripartite discussions in Paris.

This message has been read by General Hays and Wilkinson who consider it the best forecast that can be made on the basis of present information.

Sent Department 763, repeated London 274, Paris for Jessup 279. Please pass to Army Department.

RIDDLEBERGER

Department of Defense Files

*The Department of the Army to the Acting United States Military Governor for Germany (Hays)*

TOP SECRET      PRIORITY

WASHINGTON, 21 May 1949.

WAR 89009. Personal Eyes Only for Hays from Voorhees. It is most important that differences with Soviet over trade and removal of blockade restrictions be minimized until pattern of CFM conference is established and particularly that if differences need to be emphasized, it be done here and not in Berlin. The removal of blockade restrictions imposed after 1 March does lead to interpretations by both sides as the conditions of 1 March are no longer the same. Thus, we have interpreted the agreement as not continuing the trade agreements in effect 1 March because of expiration date of 31 Dec. Also, it would seem some documentation of truck cargo is necessary as long as it is not designed for control purposes since a free movement of truck cargo into Berlin would probably result in large volume from East Germany seeking sound West mark.<sup>1</sup>

This is not intended in any way to indicate you should accept unsatisfactory Soviet demands. However, it is hoped that you can keep the ball in the air and publicly minimize difficulties in opening days of CFM meeting and until the way ahead becomes clearer.

[VOORHEES]

<sup>1</sup> In CC 8673, May 22, from Berlin, not printed, Hays replied that this directive exactly confirmed the policy laid down by General Clay and carried out by the Acting Military Governor and his staff. He stated further that the difficulties over the restrictions imposed by the Soviet Military Administration appeared to be on the way to solution as a result of the financial talks on May 20 which paved the way toward an interim trade agreement. (Department of Defense files)

740.00119 Control (Germany)/5-2149

*Memorandum of Meetings of the Secretary of State With Members of the United States Delegation to the Council of Foreign Ministers*<sup>1</sup>

TOP SECRET

[PARIS,] May 21, 1949.

## BERLIN BLOCKADE

It was reported that trade negotiations in Berlin are proceeding satisfactorily. A clearing agreement has been provisionally approved by Soviets at technical level but not yet confirmed by higher Soviet authorities. The principal remaining bone of contention is that Soviets insist we recognize that 1948 trade agreement remains in effect. We are unwilling to do so though [we] are willing in practice to permit implementation of that portion of the agreement in which Soviets are principally interested, that is, full delivery of orders placed before imposition of the blockade.

On transport and movement of goods the situation is not so satisfactory as the Soviets continue to enforce certain restrictions which were not in effect in March 1948 or which, if in effect, were not at that time enforced.

The Secretary outlined the basic United States position as follows:

1. That the Soviets are free to control shipments into the Western sectors of Berlin from the Eastern sectors or the Eastern Zone.
2. That they must permit free export from Western Berlin to West Germany, though they may for *pro forma* purposes require that Soviet stamps be placed on bills of lading for such shipments.
3. They must permit substantially the same movement of goods into Western Berlin from West Germany as was taking place on March 1, 1948.

The Secretary felt we should stand firmly on this position and should refuse to accept any restrictions which remain counter to the above principles. If it should appear on Monday that such restrictions were being enforced in substantial volume, we may wish to refuse to proceed with the CFM until they had been removed.

[Here follows a review of the tripartite preliminary conversations which took place in Paris May 14-20. For documentation relating to these talks, see pages 856 ff.]

<sup>1</sup>The memorandum was prepared by Charles W. Yost, the Special Assistant to the Ambassador at Large, Jessup, and a member of the United States Delegation to the Council. For documentation relating to the United States participation in the Sixth Session of the Council of Foreign Ministers, May 23-June 20, see pp. 913 ff.

740.00119 Control (Germany)/5-2249 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

TOP SECRET

BERLIN, May 22, 1949—midnight.

787. Remytel 785, repeated Paris 297 London 282 May 22.<sup>1</sup> Following is text of OMGUS Telecon material re access to Berlin sent Paris for USDel this afternoon CIC.

*"Rail:*

1. Up to seven military trains per day to move via Hegustedt [*Helmstedt?*] Gerstungen, Probstzella, and Buchen, as required. Of these, up to four may be passenger trains, each of which may carry twelve cars, and up to three freight trains, carrying supplies for support of occupation forces, of 800 tons each.

2. Unlimited commercial traffic to move over shortest and most practical routes to Berlin, and from Berlin to Bizone.

3. Western Allies will agree that passengers on military trains—military, civilian, German, and other nationalities—shall consist only of persons whose travel is necessary in the administration and proper transaction of governmental business, and who are travelling under official orders. Based on such assurances, no Soviet inspection will be made of military trains.

4. Baggage of passengers on military trains, and military freight travelling under military warrant, not to be subject to inspection.

5. Commercial freight between Berlin and Bizone, and Bizone and Berlin, will be covered by official movement permits of Western Zone, and Western Sector authorities. Soviet border authorities will not inspect railway wagons whose contents are covered by such permits, but may require special seals to be affixed for passage through Soviet Zone.

6. Military passenger train schedules to be established in reasonable accordance with requirement of Western Allies and not to be changed without agreement Western Allies.

7. Special diesel trains of high-ranking officers to be scheduled in reasonable conformity with requests submitted 24 hours in advance.

8. A pool of 3,000 Western Zone wagons shall be provided from wagon debt now owed Bizone by Soviet Zone to fill the Berlin pipeline. Soviet Zone shall return West Zone wagons above this figure without delay.

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<sup>1</sup>Not printed; it reported that OMGUS would send its views on access to Berlin, approved by Hays, Wilkinson, and Riddleberger, to the United States delegation at the Council of Foreign Ministers and that Riddleberger would repeat the text to Washington. (740.00119 Control (Germany)/5-2249)

9. Western Allies to undertake that wagons from their zones consigned to Berlin shall conform to RIV standards. Soviet Zone to agree that no wagon meeting RIV standards will be refused. Soviet Zone shall make running repairs as provided by RIV. Similar treatment will be accorded Soviet Zone wagon in Bizone.

10. Reichsbahn telephone and telegraph cables from Bizone to Berlin shall be maintained in good condition for operational purposes.

11. Soviet Zone motive power and crews to be available to move trains to and from Berlin without delay and on established schedules. In case of repeated failure to provide such facilities, Bizone locomotives and crews may be used. Equivalent right to be conceded Soviet Zone as regards their traffic into Bizone.

12. Wagons to be provided by Reichsbahn to West Sector shippers within eight hours of request.

13. Reichsbahn to provide full and prompt shuntage and distribution service in Berlin.

14. Normal unloading time (24 hours) to be established for incoming wagons in West Sectors, and normal demurrage to accrue thereafter.

15. If West Zone train or engine crews are used on trains transiting Soviet Zone, no special permits or documentation to be required.

*Road:*

1. Military traffic to move freely via Helmstedt and Munich autobahns, including Eisenach cutoff of latter.

2. Commercial traffic to move over shortest routes to Berlin, and from Berlin to Bizone. Border crossing points to be established by mutual agreement and not to be changed by unilateral action.

3. Soviets to accept official documentation of West Zone and West Sector authorities covering road freight shipments, but may check contents of trucks against such documents and require sealing of vans during transit through Soviet Zone.

4. No documentation other than normal registration certificate of West Zones or West Sectors to be required for road vehicles.

5. No special permits, other than West Zone or West Sector operators license to be required of truck crews.

6. No speed limits under 50 mph for passenger cars and 40 mph for trucks to be established on autobahns.

7. Western Allies to be permitted to establish and maintain motor vehicle service stations for occupation vehicles at 50 mile intervals on autobahns.

*Water:*

1. All waterways in Soviet Zone and Berlin to be freely available for traffic to and from Berlin. Similar freedom of movement for Soviet Zone craft in Bizonal waterways.

2. Soviets to accept official documentation of West Zone and West Sector authorities covering water shipments without inspection of craft, but may require locking or sealing of holds during transit through Soviet Zone.

3. No documentation other than normal registration certificate of West Zones or West Sectors to be required for IWT craft.

4. No special permits, other than West Zone or West Sector certificates of professional capacity, to be required of barge masters and crews.

*Communications:*

1. Full use of cable FK-41, without compensation to be confirmed to US Military Government. (Similar assurances for British cable.)

2. US maintenance crews to be permitted free movement necessary to inspect and maintain cable FK-41.

3. US may remove any monitoring devices on FK-41.

4. Soviets undertake that they will not jam radio telephone circuits between West Sectors and West Zone, and will not interfere with Air Force radar system.

*Documentation:**Personnel:*

1. Occupation personnel and their baggage will require only travel orders with Russian translation.

2. German personnel and their baggage will require only valid interzonal passes (except on military passenger trains, which see).

3. Other nationals will require such passports and visas as Soviets may require (except on military passenger trains, which see).

*Goods:*

1. Goods consigned to Berlin will require only export permit from appropriate authorities of West Zones, either civil or military.

2. Goods from Berlin to West Zones will require only export permit from Magistrat of West Sectors, or military warrants.

*General:*

1. All traffic routes to be open every day, 24 hours per day.

2. Soviets shall keep rail routes and autobahns in good repair without closing same, unless reasonably direct and adequate substitute routes are provided.



3. Normally, goods, vehicles, IWT craft, and personnel will be checked only at points of ingress and egress of Soviet Zone.

4. Soviet will establish sufficient inspection facilities at points of ingress and egress so that traffic can move without delay.

5. Personnel and baggage of military units in formation will not be subject to inspection of documents, or to any delays beyond identification by officer in charge.[""]

Sent Department 787. Repeated London 284.

RIDDLEBERGER

Department of Defense Files

*The United States Delegation at the Council of Foreign Ministers to the Department of the Army*

TOP SECRET      PRIORITY

PARIS, 23 May 1949.

CFM 24. For Voorhees from Dorr and Magruder. Difficult situation developed here yesterday with tripartite direction to UK, French and US in Berlin "that Soviets should be informed that signatures to trade agreement conditional upon a satisfactory statement in writing from the Soviets regarding traffic including licenses."

We felt that this so broad that would throw whole negotiations of a new access Berlin agreement into Berlin with danger that it might narrow our ultimate rights or precipitate a holding up on present transport arrangements pending working out of such a formal agreement both as to traffic and trade.

We transmitted this to Hays with request as to his opinion as to advisability and probable results, and received violent reaction we expected. Hays feels that we will need in the future heavier shipments into Berlin than before the blockade, that therefore the restoration of the pre-blockade traffic movement in terms of tonnage would be inadequate but that we should devote our efforts to the establishment of the broad principles of our rights of access. As result after conference American delegation were able to send following which now cleared with British and French :

"In light of your comment, Secretary of State agreeable your proceeding substantially as you had already planned should indicate to the Soviets that effort we are making to get interzonal trade going again are necessarily dependent on reciprocal approach on the part of Soviets to Berlin transport and trade problems."

Hays by telephone says this is very satisfactory.

Department of Defense Files

*The Acting United States Military Governor for Germany (Hays)  
to the Military Attaché in France. (O'Hare)*

TOP SECRET

BERLIN, 24 May 1949.

OPERATIONAL IMMEDIATE

CC 8694. For Dorr and Magruder info Dept of Army for Voorhees Washington D.C. from Wilkinson. Quadripartite meeting held at OMGUS 1500 hours 24th May to discuss tentatively agreed clearing account arrangement prepared at 20th May meeting. British had received instructions to stall because of London's fear that clearing arrangement proposed would constitute *de facto* recognition of principle of parity between East and West marks. OMGUS was sent instructions in WX 89077<sup>1</sup> (info to you) to support British to extent feasible.

This poses difficult problem since we had been in such good general agreement on 20th May that there could be no very good reason for stalling. On other hand, to come out flatly for recognition of Deutsche mark as currency to be used for all accounting and invoicing purposes would be entirely unacceptable to Soviets and if insisted upon would break up meeting with charges of bad faith directed at us. We finally agreed British would be called on to speak first; since they had expressed "reserve" at last meeting. British opened by pointing out that at previous meetings all delegations had agreed no rate of exchange could be established since this would prejudice CFM consideration. They felt draft of 20th May was ingenious effort evade this problem, but that it had not succeeded, and that 1-to-1 rate of exchange was inherent in language of draft. They had therefore studied minimum modifications required in 20th May draft to eliminate implicit rate of exchange. Problem revolved about level of prices, which it was understood would be that of West zones; and therefore to get away from rate of exchange, they considered all invoices should be expressed not merely in West zone prices but in actual West mark.

Russian immediately answered that this entirely unacceptable. They have always insisted that both East and West currencies are equal. We have 2 currencies, therefore any agreement must take account of these 2 currencies. He did not agree that the 20th May draft established a rate of exchange, but merely a balance of goods and considered that it offered real chance to get trade moving.

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<sup>1</sup> Not printed.

French said they had considered draft acceptable, and that it did not prejudice decisions of CFM. Suggested possibility of special account in neutral money of account. US recognized logic of British argument, and asked whether others prepared explore possibility of using third currency. British willing to consider, and reverted to possibility of accounting in "marks" without East or West designation. (This had been our original concept from which finance experts deviated in completing 20th May draft.)

Soviet argued this would merely confuse the issue and was unnecessary. It should be clearly apparent to everyone that the settlement was essentially in goods, priced at West zone levels, and that no rate of exchange was involved. They agreed to include statement that "nothing in this agreement shall be construed as establishing a rate of exchange between East marks and West marks," and this was accepted by all. Finally, British and Soviets undertook to review their positions overnight to see whether one could accept "mark" accounting or other could drop objection to accounts being kept in 2 currencies.

US objected to wording of Paragraph 5 on grounds it might imply MG was agreeing that it would be obligatory to fulfill old contracts at old prices. Soviets stated there was no such intent, but agreed to consider new wording which would make it clear that decision as to whether old or new prices were to be used was to be made by Germans.

Soviets then asked whether if we met tomorrow we would bring up new points, and we all agreed that if we could find satisfactory answer to points discussed today, the clearing account was in order. Soviets then asked if we would be prepared sign clearing agreement tomorrow. British and US replied that clearing agreement was only 1 of several points still outstanding in connection restoration of trade, and could not be approved except as part of general agreement. We still had to resolve the dispute over the continued validity of the 48 trade agreement, the language of Paragraph 5 of the Soviet proposal (see CC 8599<sup>2</sup>), and a satisfactory method of handling the documentation of goods into and out of Berlin must be found. We therefore urged Soviets to come to tomorrow's meeting prepared to deal finally with these open problems.

British stated that if all round agreement reached, it would be signed in form of agreed minutes and sent to German trade authorities of both East and West zones as basis on which interzonal trade would be re-established. Soviets concurred.

We meet tomorrow at French Headquarters at 1530.

My personal impression is that British have gone considerably beyond the instructions given them by London, but I feel they are

<sup>2</sup> *Ante*, p. 766.

quite right in their views and that if they obtain the points they have asked, there need be no fear that a rate of exchange has been established by implication.

Following is text of draft clearing agreement of 20th May:

"Interim agreement regarding method of settlement for trading operations between Western and Eastern zones of Germany, including special conditions for Berlin.

1. For the settlement of accounts with respect to the trade between the Western and Eastern zones of Germany, 2 accounts shall be opened, namely, an account of the Deutsche Noten Bank with the Bank Deutscher Laender in Deutsche marks, and an account of the Bank Deutscher Laender with the Deutsche Noten Bank in East marks.

2. The bank of the exporting zone will charge the account of the bank of the importing zone on the basis of evidence that the goods have passed the border and on the basis of invoices accompanying the goods.

3. Payments by the bank in the exporting zone will take place on receipt of confirmation from the bank of the importing zone that the importer has accepted the goods. Any necessary adjustment in the amount originally entered to the account will be effected by mutual agreement.

4. The balance of an account shall not exceed 10 million marks. Balancing of the liabilities of the 2 banks will be made at the end of each calendar month or at any time when the balance of either account reaches the limit of 10 million marks.

5. Accounting between seller and buyer takes place on the basis of prices, which may be either previously agreed or will be newly agreed between the seller and the buyer.

6. Special accounting conditions for Berlin:

Settlement of accounts for trade between the Western sectors and the East Sector, between the Western sectors and the East Zone, and between the East Sector and the Western zone will take place on the basis of accounts to be opened, i.e., (1) an account of the Berlin Stadtkontor (Kursstrasse) with the Berliner Zentral Bank (Charlottenburg), and (2) an account of the Berliner Zentral Bank (Charlottenburg) with the Berlin Stadtkontor (Kursstrasse).

Accounting for shipments to the West Sectors from the East Sector and East Zone, and to the Western Zones from the East Sector, will take place over the account of the Berliner Zentral Bank (Charlottenburg) with the Berlin Stadtkontor (Kursstrasse), and accounting for shipments to the East Sector from the Western Sectors and Western Zones, and to the East Zone from the West Sectors, will take place over the account of the Berlin Stadtkontor (Kursstrasse) with the Berliner Zentral Bank (Charlottenburg) in the manner already set forth above.

Balancing of the liabilities on these two accounts will be made on the 25th day of each calendar month, or at any time when such a balancing is made necessary by the limit to which reference

is made above. The resulting net liability, if any, coming from this balancing, if the liability is that of the Berliner Zentral Bank (Charlottenburg), will be transferred to the account of the Bank Deutscher Laender with the Deutsche Noten Bank, or if the liability is that of the Berlin Stadtkontor (Kurstasse), will be transferred to the account of the Deutsche Noten Bank with the Bank Deutscher Laender.

7. This interim agreement will remain in force for six months, unless sooner terminated as a result of decisions of CFM.

8. If this agreement terminates without being replaced by any other agreement, a net balance due shall be established, and this net balance shall be covered within a period of 30 days by shipment of goods."

[HAYS]

740.00119 Control (Germany)/5-2249: Telegram

*The Acting Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger)*

TOP SECRET

WASHINGTON, May 24, 1949—6 p. m.

612. Reurtel 787, May 22.<sup>1</sup> Fol for USPolAd and OMGUS. Dept cabling main points preliminary position paper access Berlin which has been modified after receiving OMGUS material.<sup>2</sup> Fol for clarification on unclear points or on points on which further exchange OMGUS and Dept's views desirable.

1. Dept favors unrestricted access as original position with minimum position insistence upon 24 trains Western sponsored movements on assumption that, if necessary, Ger traffic could be so documented and moved. In USPolAd 784, May 22<sup>3</sup> you state that prior to 3/1/48 Sov had agreed to 24 freight plus 7 passenger paths into Berlin. You state further that, including all gateways, Allied plus Ger traffic averaged 20 to 21 freight trains per day and had reached over 30 per day (urtel 756, May 18<sup>3</sup>). As Dept figure wld include passenger as well as freight it appears considerably smaller than past movements. Dept calculated on basis 700 to 1200 tons per train or a total cargo of over 12,000 tons per day by 18 freight trains under any weather conditions. Is a total of 12,000 tons sufficient to handle basic needs of Western powers and population and industry Western sectors Berlin? Do you

<sup>1</sup> Ante, p. 789.

<sup>2</sup> Under reference here are CFMP D-4/10, "Access to and from Berlin", May 19, and its modification CFMP D-4/10a, May 24, 1949, neither printed. (CFM Files: Lot M-88: Box 178: CFMP Documents) The CFMP series of documents was prepared by various members of the Department of State to provide information and guidance to the United States Delegation to the Council of Foreign Ministers, May 23-June 20, 1949. Other papers in the series are printed on pp. 895 ff.

<sup>3</sup> Not printed.

or OMGUS have any other comments on the minimum number of trains required? Can Helmstedt route carry 25 or more incoming Allied trains efficiently or shld USDel request other entry points (possibly Oebisfelde) if the US minimum position of the 25 or more train paths is proposed?

2. OMGUS Point 5 under Rail states that Ger commercial freight between Berlin and Bizone will not be inspected when covered by movement permits of authorities in Western Zones or Western Sectors. Point 3 under Road states Sovs shld accept official documentation of Western zones and Western sectors but "may check contents against such documentation" and for Water (Point 2) that Sovs must accept Western documentation "without inspection." Dept agrees with provision for sealing vehicles or craft but does not understand reasoning which could be advanced in denying Sov right to inspect Ger traffic to assure contents in accord with documentation. Pls comment.

3. Point 11 under Rail provides for use Sov motive power in Eastern zone and use of Western motive power only in case "repeated failure" of Sovs to provide facilities. In view apparent intention Sovs, since lifting blockade, to delay and obstruct travel through use of Eastern motive power, Dept has modified its original paper to obtain agreement for use of Western locomotives and crews in Sov zone for Western and Western power sponsored movements. Request you and OMGUS reconsider this matter.

4. Under Documentation, OMGUS provides that Ger personnel and baggage require only "interzonal passes" except on military trains. Dept understands such passes can be vetoed by any one occupying power. Given the conditions of a split Ger and an internatl Berlin, Dept wld not favor veto right for any one zonal authority in terms of travel between Berlin and zones of other powers. Accordingly Dept has rewritten this provision to allow movement Gers between Western zones and Western sectors of Berlin under documentation by appropriate authorities in Western sectors or Western zones and not subject to Sov restrictions.

5. Dept has considered advisability establishing joint border control posts with provision that traffic cld only be rejected in event agreement between Sov and Western power official at post. However, as minimum position Dept wld agree Sov posts as accepted by OMGUS provided firm agreement is obtained that Western power documentation will be used to cover all movements between Western sectors of Berlin and Western zones. In this connection Dept and OMGUS must first agree on nature of inspection to be allowed Sov on shipments covered by Western documentation including both Western power

traffic, Western power sponsored traffic and Ger commercial traffic all of which include both persons and cargo.

6. In Point 3 under General OMGUS states that traffic will "normally" be checked only at points of ingress and egress of Sov zone. Dept prefers agreement that inspections be limited to border posts thus eliminating any other inspections on traffic through Sov zone. Pls comment.

WEBB

740.00119 Control (Germany)/5-2549: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

TOP SECRET

BERLIN, May 25, 1949—8 p. m.

819. ReDeptel 612, May 24,<sup>1</sup> your paragraph 1.

1. OMGUS agrees unrestricted access as original position with minimum position 24 trains from West zones to Berlin. This figure somewhat larger than pre-blockade normal traffic, since 20-21 daily average given you included passenger as well as freight. We would normally expect run only five passenger trains which, under your demand, would leave 19 freight trains each carrying 800 tons, or total of 15,200 tons daily. This tonnage, added to very considerable IWT potential for coal and other bulky cargoes, and 1000/2000 tons daily by road, would meet any prospective tonnage demands of Western sectors.

Capacity of Helmstedt route is reduced by amount of outbound traffic over single track, plus amount of intra-Soviet Zone traffic. Since last two are variables, impossible gauge actual potential of Helmstedt but would be inclined rate it at not more than 20-21. Therefore believe we should insist upon access via Gerstungen, Probstzella, Buchen and Oebisfelde.

2. Detailed inspection of rail and water freight could be carried to extreme of forcing unloading of cargoes to see if anything hidden underneath. OMGUS considers that Soviet Zone interest should properly be limited to ensuring that goods do in fact transit the zone and are not unloaded there. Sealing wagons and holds accomplishes this. But it is not feasible to seal many of the trucks and trailers, therefore Soviet Zone entitled to check contents to prevent smuggling.

3. We, of course, prefer use Western locomotives and crews and agree this position. Since it is contrary to normal international usage, we had felt it was weak point to insist upon. If we take this attitude

<sup>1</sup> *Supra.*

we should also obtain right to control shuntage and distribution of cars in West sectors, and recommend you so amend our rail point 13.

ACA directive 43, as amended by directive 49,<sup>2</sup> is now being generally observed by Soviets. It provides that interzonal passes issued to Germans by commander of zone in which he resides will permit free passage into any other zone. This is same arrangement as you propose.

5. Do not consider idea of joint agreement of Soviet and Western power border control officials on rejection of traffic is likely to get far, and recommend against asking for it. No matter what the border inspection setup, all OMGUS points under heading "documentation" are essential and should suffice to cover considerations raised by Depitel.

6. Your wording preferable. We used "normally" because we could not imagine sovereign power abdicating its right to call for emergency inspection of suspicious vehicles, shipments or persons in its territory. We doubt you can get your stipulation, but it isn't so outrageous as make it inadvisable to try.

Repeated Paris 325 for USDel.

RIDDLEBERGER

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<sup>2</sup> For the texts of Directives 43 (October 30, 1946) and 49 (April 23, 1947), see the *Official Gazette of the Control Council for Germany*, October 31, 1946, pp. 215-220, and May 31, 1947, p. 274.

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740.00119 Control (Germany)/5-2649: Telegram

*The Acting Secretary of State to the Acting United States Political Adviser for Germany (Riddleberger)*

TOP SECRET

WASHINGTON, May 26, 1949—7 p. m.

624.<sup>1</sup> Reurtel 819 May 25 rptd Paris as 325.<sup>2</sup>

1. Dept's position paper<sup>3</sup> states minimum position 25 trains from West zones to Berlin. It recognizes impracticability of attempting minimum figure for road and water and possibility that Sovs might hamper road and water traffic to point of eliminating or greatly reducing usefulness. Accordingly, Dept's dependence upon rail based on possible need to carry all cargo and passengers to and from Berlin by rail plus air.

Dept modifying position paper to provide additional rail access via Gerstungen, Probstzella, Buchen, and Oebisfelde. Paris pls note on position paper.

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<sup>1</sup> Repeated to Paris as Secdel 1606.

<sup>2</sup> *Supra*.

<sup>3</sup> Not printed.



2. Dept agrees that original position shld be based upon denial of Sovs rights to inspect rail and water freight on basis that Sov interest limited to ensuring goods in transit are not diverted en route and that sealing of cargoes wld accomplish that objective. In view of your observations, Dept's position paper shld not be explicit on roads and if question raised, USDel shld agree Sovs right to check unsealed trucks to verify cargoes in accord with documentation. (Trucks could then be sealed wherever feasible.)

Dept not convinced however that USDel could maintain an absolute minimum position that Sovs could not inspect cargoes of Ger traffic to ensure in accord with documentation. Minimum position therefore shld state that inspections shld be such as not unduly to delay traffic concerned. Dept recognizes possible dangers this position but would not like to have position paper so rigid as to rule out possibility. Paris pls note on position paper.

3. Dept feels that history of problems on access to Berlin justifies its insistence on use of Western locomotives and crews regardless of normal internatl usage and agrees with your recommendation on obtaining right to control shuntage and distribution of cars in West sectors and requests Paris to add this to original and minimum positions.

4. Note your comments on ACA directive 43 as amended, and directive 49 as being "generally observed" by Sovs.<sup>4</sup> These directives relate to 15 day passes subject to 15 day extension which, as you state, can be issued to Gers by Allied Commander of zone of residence. If Western powers are to depend upon this provision it wld probably be better not to raise matter at CFM. However, Dept doubts desirability dependence upon ACA directive of 1946, as amended, 1947 and believes special problems of Western Berlin justify USDel asking specific provisions for Gers from Western zones and Western sectors without reference to Sov zone or Sov sector Berlin. Recognize that raising this issue in this manner wld be further indication lack of confidence in past agreements. Accordingly Dept prefers leave matter up to USDel, in light of negots, whether strict agreement as favored by Dept shld be insisted upon or whether matter shld not be raised thus placing dependence on earlier quadripartite agreements. Paris pls note on position paper.

5. Dept strongly feels "normally" shld not be stated. If Sov del raises issue of emergency inspections of suspicious vehicles it is suggested that USDel ask Sov for suggested wording which wld allow

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<sup>4</sup> For the texts of ACA Directives 43 (October 30, 1946) and 49 (April 23, 1947), see the *Official Gazette of the Control Council for Germany*, October 31, 1946, pp. 215-220, and May 31, 1947, p. 274.

such emergency inspections without opening door to delaying tactics, special inspections, etc. throughout Sov zone. In any event, agreement shld make clear that development of frequent delaying inspections throughout Sov zone wld be violation of agreement.

WEBB

Department of Defense Files

*The Acting United States Military Governor for Germany (Hays) to the Military Attaché in Paris (O'Hare)*

TOP SECRET      PRIORITY

FRANKFURT, 31 May 1949.

FMPC 1070. For Dorr and Magruder info CSUSA for Voorhees. This is MFC 7. Quadripartite meeting lasting five hours on trade held at French Hq 1330 hours 30th May. Discussed elimination of reference to East and West marks and rewording of "safeguarding clause" to read "nothing in this agreement shall be construed as establishing parity or a rate of exchange between East marks and West marks."<sup>1</sup> This wording was agreed by British and US as achieving objective of our instructions while avoiding giving unnecessary offense to Soviets.

Prolonged debate occurred over para 5 clearing agreement (see CC 8694<sup>2</sup>) with Soviets willing accept our rewording "accounting between seller and buyer takes place on the basis of prices, which may be either as previously agreed, or as newly agreed, whichever the seller and buyer may determine," provided we added "in the case of goods fully or more than fifty percent paid for, there should be no change in the price of the contract." We were willing to take this as a statement of principle, which we explained we could in no way enforce, minus "or more than fifty percent," and explained that the conditions governing each contract were so variable that it would be impossible to prejudge, even in principle, whether the old or a new price should apply, if full payment had not been made.

British had been authorized to drop insistence on inclusion of statement that invoicing should be done in West marks, and since we had been informed by Murphy that we might follow British lead, this point was not stressed by either of us.

Soviets then demanded to know whether, if we reconciled our points of view on above differences, we could sign clearing agreement. We reiterated statement made in last meeting that clearing agreement only one part of general problem which must be solved as a whole. Soviets asked what further issues we had in mind, and US Delegate presented

<sup>1</sup> The document under discussion by the four occupying powers is the Soviet proposal of May 14, transmitted in CC 8599, May 14, p. 766.

<sup>2</sup> *Ante*, p. 793.

following paper which had been agreed with UK and French: "Minutes relating to the removal by the SMA of restrictions on transport, trade and communications.

"1. Goods consigned to the Western sectors of Berlin from the Western zones will require only interzonal trade permits (Warenbegleitscheine) from the appropriate authorities of the Western zones, or in the case of occupation traffic, military warrant or such other documentation as may be established by the Western authorities concerned.

"2. Goods consigned to the Western zones from the Western sectors of Berlin will require only an interzonal trade permit (Warenbegleitschein) from the magistrat in the Western sectors, or in case of allied freight, the normal documentation of the allied authorities of the Western sectors.

"3. The documentation provided in accordance with paras 1 and 2 shall be accepted by the competent Soviet zone authorities at all border crossing points between the Soviet zone and the US/UK zones and between the Soviet zone and the Western sectors of Berlin as full authorization for the free passage of the goods so documented.

"4. Rail traffic to and from Berlin may pass the Soviet zone border at Helmstedt, Buchen, Oebisfelde, Hof and Probstzella as was the case before 1st March 48, and at such other points as may become available.

"5. In accordance with practice prevailing before 1st March 48, the number of allied military and Kommandatura trains to Berlin, which may pass daily through the Soviet zone over the above crossing points, shall be not less than 25, of which 5 will be accommodated on passenger schedules. These trains are in addition to normal German commercial rail traffic between the Western zones and Berlin, which is not limited.

"6. The Western occupying powers shall be responsible for the provision of locomotives and crews to haul the trains for allied and occupational traffic through the Soviet zone. Locomotives and crews of the Soviet zone will not be used for this purpose.

"7. The directions of the Western occupying powers to the Reichsbahn regarding the handling of their rail traffic within the Western sectors shall be given directly to the Reichsbahn and not through intermediaries of the SMA or other authority, and shall be carried out by the Reichsbahn.

"8. Railway wagons requested by shippers of Western sectors of Berlin for outgoing shipment of goods to the Western zones shall be provided to the shippers immediately and in any case within 24 hours after submission of request to Reichsbahn.

"9. Certificates authorizing the operation in the Soviet zone IWT craft from the Western zones shall be issued on the same basis as on 1st March 48. The submission of crew lists in connection with the issuance of such certificates is therefore not necessary. Applications for such certificates shall be finally acted upon by the Soviet authorities within seven days of their submission to the Soviet authorities. All waterways in the Soviet zone will be open to IWT craft carrying these documents.

"10. The above arrangements are subject to modifications arising from decisions of the CFM."

British asked broadening of para 7 of clearing agreement and after some discussion it was agreed to insert "amended or" before "terminated."

Soviets were obviously taken aback and argued strongly that we were arbitrarily injecting new points which had nothing to do with interzonal trade, merely to confuse the main issue of restoring trade. UK Delegate then spoke at length including in his remarks substance of following previously prepared statement:

"British representatives wish to make it clear that the removal without conditions of restrictions on transport, trade and communications in accordance with the New York agreement<sup>3</sup> is a necessary pre-condition of any agreement relating to the basis of interzonal trade (including interzonal trade settlements), and in particular they consider it necessary to have an assurance in respect of the arrangements provided for in the draft which has been circulated.

Questions of road traffic have been under discussion in correspondence between the British Chief of Staff and Deputy Military Governor and General Dratvin. The British representatives therefore wish it to be recorded that in respect of road traffic, the Autobahn Helmstedt-Berlin and all other highways will be available as before 1st March 1948."

After more argument, French Delegate stated that New York agreement called for lifting of both blockade and counter-blockade restrictions, that two were inseparable, and that Soviets were ingenuous to believe we would meet all their points unless we were satisfied on our own. Soviet protested that more tonnage than ever before had been moving into Berlin since end of blockade and that we must admit we were better off than before blockade, whereas they were receiving nothing but a trickle in trade from Western zones which proved we had really not lifted restrictions. In any case, points raised by US were for decision by other and higher authority. US, British and French at once stated they were competent to deal with these questions.

Soviets then suggested we skip this list for present and examine our differences on their amended proposals (see CC 8599<sup>4</sup>). It soon developed neither side had changed their attitude as to whether 1948 agreement was still in force, and after hearing anew all the old Soviet contentions we adjourned until noon Thursday at which time Soviets are to be prepared to discuss (1) clearing agreement (2) Soviet amended proposals (3) US ten points on transport.

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<sup>3</sup> For the text of the communiqué issued at New York on May 5, 1949, see editorial note, p. 750.

<sup>4</sup> *Ante*, p. 766.

Soviets very irritated at inability to argue or force Western powers into giving them immediate satisfaction on interzonal trade. They have so long been used to having their own way by vetoing quadripartite agreements that they seem perplexed at difficulties besetting them when they want something positive and we won't give way except on terms acceptable to us. Degree of frustration they showed in this meeting would in past usually have resulted in anger and breaking off negotiations, but they quite meekly agreed to continue discussions Thursday.

Reur CFM 38,<sup>5</sup> we fully understand instructions not to sign anything until after clearance with and specific authorization from you.

Interesting isolated restriction confirmed today British zone barge, loaded with grain and other cargo, all properly documented with Warenbegleitscheine, was stopped at Soviet zone border and turned back because it had aboard 15 tons of newsprint consigned to British sector newspaper "Teegraf." Soviet zone border guard stated this commodity could not pass without SMA authorization. There seems little doubt this was his own idea, and not an SMA order.

Report on strike situation sent you 30th May by US Political Adviser.<sup>6</sup>

We are all in Frankfurt for 31st May and 1st June. Request all messages be addressed here, info to Berlin, for these two days.

[Hays]

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<sup>5</sup> Not printed; in it Magruder reported that both Paris and Berlin felt serious embarrassment over the long suspension of the talks with the Soviet Union because of the internal differences within the British Government over the clearing agreement. Efforts were being made in Paris to get the British to resolve their differences and accept the American and French view with regard to the negotiations. (Department of Defense files)

<sup>6</sup> A reference to telegram 855, May 30, from Berlin, not printed (862.5045/5-3049). For documentation relating to the Berlin railroad strike, see pp. 840 ff.

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Department of Defense Files

*The Acting United States Military Governor for Germany (Hays) to the United States Military Attaché in France (O'Hare)*

TOP SECRET      PRIORITY

BERLIN, 8 June 1949.

CC 8824. From Wilkinson for Magruder and Dorr. Info Dept of the Army for Voorhees. This is MFC 14. Seven and one half hour quadripartite meeting held at Karlshorst, discussing transport matters, with much spirited argument, general good will, and no progress whatever.

Soviets displayed attitude of high school debaters, who found argument intellectually stimulating but had no interest whatever in reconciling opposed points of view.

First point discussed was our No. 9, dealing with documents of IWT craft.<sup>1</sup> Soviets insist that present procedures, which require submission of full crew list before issuance of certificate to barge, are same as prevailed on 1 March 48. Actually, on 1 March 48, they issued barge certificates on submission of crew list, which showed only name of captain, and permitted Western zones to fill in names of crew when recruited. Soviets claim that as special favor they had allowed documentation of some 50 barges to be approved prior to 1 March 48 without presentation of full crew list, but that accepted and normal procedure required SMA approval of complete crew list before issuance of barge certificate. Soviets argued that we were laboring an invalid technicality and that actually we had no right to claim that any restrictions had been imposed, since they had already issued new certificates for 373 barges with capacity of 151,000 tons, and that barge traffic was now moving at greater rate than before blockade.

We insisted that Soviet requirements that (a) New certificates be obtained, (b) Complete crew list be submitted, and (c) Delay in issuing new certificates, all constituted new restrictions on transport between Western zones and Berlin.

Having reached no meeting of the minds on this point, we reverted to paragraphs 1, 2, and 3 of our demands, dealing with documentation of shipments to and from Berlin. Soviet Transport Chief obviously had very close instructions on these issues and stated that, by Soviet Commander-in-Chief's instructions, all restrictions imposed since 1 March 48 had been lifted, that this obviously meant that restrictions on documentation had been lifted, and that as far as transport was concerned, he could certify that all goods documented as of 1 March 48 were being permitted to cross the interzonal frontier. Soviet representative therefore saw no need of including our stipulations in any current agreement. We stated that we needed assurance as to terms on which documentation would be handled and goods allowed to cross the interzonal border in the future, that we had foreseen lack of competence of transport expert to give us assurances on these points, and that we would therefore raise them again in course of next discussions with Soviet Interzonal Trade Officials.

Soviets then insisted upon discussing transport problems which they claimed constituted restrictions imposed by Western powers, and made

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<sup>1</sup> The reference here is to point nine of the agreed Western paper on the removal by the Soviet Military Administration of restrictions on transport, trade, and communications, transmitted in FMPC 1070, *supra*. The numbered paragraph references elsewhere in this cable also refer to this paper.

particular reference to need for uniform shipping documents, uniform rates, and method of settling transport accounts. They took position that 40 C/O [%?] increase in freight rates in Western zones in itself constituted a restriction on interzonal trade, since it increased cost of Western zone goods to Eastern zone buyer and made it impossible for buyer to calculate true freight rate applicable to goods passing from Western to Eastern zone. We pointed out that all of problems cited arose from existence of two currencies and that it had been understood in the course of New York conversations<sup>2</sup> that commitments to lift restrictions would naturally have to take into account necessity of making arrangement to deal with dual currency situation.

We emphasized that in interzonal trade talks, Soviets had readily accepted fact that Western zone prices were higher and would have to be met, due to increases in cost of raw materials, labor, plant maintenance, etc. It therefore did not seem reasonable to claim that increase in cost of Western zone goods caused by higher freight rates should be considered a restriction, when it was recognized that higher costs generally were to be expected and were not objectionable. Soviets responded that they were transport people and could only consider the transport angle, and that from their standpoint we had imposed new restrictions.

On uniform documentations which Soviets intended to mean uniform tariffs applied to through shipments from point in Western zones to point in Eastern zone, we stated that it was not possible to apply a single rate when two currencies were involved. They then accused us of charging high short-haul rate on portion of travel within Western zones instead of low long-haul rate which had previously applied to shipments from point of origin in Western zones to point of destination in Eastern zone. We immediately stated we were prepared to apply low long-haul charge for movement within our own zones, i.e., on shipments from Hamburg through border crossing point to Buchen to Leipzig, we would take distance from Hamburg to Leipzig, determine what rate for such length haul in Western zones would be, and apply such rate to distance between Hamburg and Buchen. Soviets did not consider that this gave them satisfaction and demanded that pre-blockade rates be applied for all interzonal shipments.

Soviets then raised point of real substance, which we must deal with. They stated that quite apart from interzonal shipments, they must be paid for shipments from Western zones to Berlin and that no provi-

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<sup>2</sup> For documentation relating to the conversations in New York between Ambassador Jessup and the Soviet representative to the United Nations, Yakov Malik, during the spring of 1949, see pp. 694 ff.

sion had been made for such payment. Since there is no offsetting movement of goods to be paid by Soviets in Western marks, we must find some means of giving them satisfaction. We are considering this point and would welcome any suggestions from you.

We suggested joint meeting of transport and economic experts at any convenient time in next few days, to attempt to bring all competent authorities into same room, but Soviets insisted that transport problems were separate and could not advantageously be discussed with economic problems. We will write Soviet economic experts tomorrow, stating that transport meetings have been concluded without reaching any satisfactory decisions and that we will await notification from Soviets as to where and when they would like to have further meetings on points still undecided.

Judging from atmosphere in recent meetings, Soviets may be content to sit back and wait. Early eagerness to obtain agreement on interzonal trade seems to have faded. Prospects for agreement here on terms acceptable to us appear dim.

Following special intelligence report is considered sound and of value in appraising Soviets blockade intentions:

"On 30 April, reports indicated that the Russians were making the necessary organizational and railroad traffic arrangements to maintain control of the movement of goods into the Western sectors of Berlin, and that the Soviets would continue to be as adamant in regard to the inaccessibility of the Eastern zone to Western Germany as they had been in the past. Since then additional reports have been received that tend to confirm our original estimate of the Soviet's intentions.

"Major General Tulpanov, Chief of the Information Division of the SMA, at a meeting of East Zone *Land* Ministers President in Dresden on 6 May, stressed the need of taking the utmost advantage of the lifting of the counter-blockade in case of re-imposition later if the Foreign Ministers' conference took an unfavorable turn. Maximum road and rail transport were to be ready by May 12, and lists of urgent demands of materials wanted from the West were to be in the hands of Rau, First Chairman of the German Economic Commission, by May 9. Heavy industries, particularly mining, were to have precedence.

"A meeting of the department heads in the German Economic Commission and German Trade Company (*Deutsche Handelsgesellschaft*) held on May 15 was told by Makower, Deputy Head of the Department of Interzonal and Foreign Trade, that the blockade was being raised largely because of bottle-necks in the Eastern zone economy. The Eastern zone intended to contract for imports on both a barter and purchase basis from the Western zones and Western countries, which would be designed to cover speedily not only shortages of the Eastern zone but also certain priority requirements of Poland and Czechoslovakia. Makower is further reported to have stated that when the deficiencies have been overcome the blockade would be re-imposed, provided that Berlin has not entirely fallen by the autumn."



Negative report on new restrictions and strike.  
Last of this material this date.

[HAYS]

Department of Defense Files

*The Acting United States Military Governor for Germany (Hays) to  
the Military Attaché in France (O'Hare)*

TOP SECRET

BERLIN, 12 June 1949.

OPERATIONAL IMMEDIATE

CC 8869. From Wilkinson for Magruder. Info Dept of Army for Voorhees. This is MFC 18. Our CC 8864<sup>1</sup> was MFC 17. Quadripartite meeting convened at French Headquarters at 1200 hours and lasted six and one half hours. French chairman summarized position reached night before, that both sides wished written assurances, but that no agreement could be obtained as to terms of such assurances. He suggested as solution that we note that both sides consider they have lifted restrictions, and that we note the verbal assurances given in connection with present discussions, including the assurance that both sides are prepared to enter into a clearing agreement. British representative pointed out that such clearing arrangement would be concluded by Germans and that military government would only give guidance. Soviets replied that we were to inform CFM of our agreements and disagreements. We stated our instructions were only to conclude our negotiations, and Soviets agreed that this was more accurate. US representative then repeated general terms of French suggestions, that we accept mutual verbal assurances given, assume that all is well, and go about the business of restoring normal conditions without further talk. Soviets preferred to discuss individual items, so considerable time spent on our first two documentation items.<sup>2</sup> Soviets then suggested we accept their language, to effect that as regards documentation of goods moving to and from Berlin, 1 March 48 procedures would apply. US pointed out that if assurances were to be given in such general form, we could simplify our task by agreeing on following statement:

"The Soviet delegation stated: The movement and documentation of goods to and from Berlin is handled in accordance with the procedures in effect on 1 March 48.

The US, UK and French delegations stated: Germans of the Soviet and of the Western zones are free to purchase and sell goods in inter-zonal trade, as was the case on 1 March 1948.[""]

<sup>1</sup> Not printed; in it Wilkinson had reported briefly on the June 12 meeting in Berlin. (Department of Defense Files)

<sup>2</sup> Under reference here are the first two points of the agreed Western paper concerning restrictions on trade, transport, and communication with Berlin, which was transmitted in FMPC 1070, May 31, p. 801.

Each delegation believed that its own assurances were sufficient, without further elaboration. However, each delegation felt that such elaboration of the other delegations' [assurances was necessary and this held up the?] show for several minutes. When Soviets began to talk they seemed uncertain and ill at ease. They asked whether this meant that 1948 trade agreement would be revived. We replied it meant just what it said, and that since they insisted we be content with their statement regarding documentation with no elaboration as to its meaning, they must not ask us to be specific about ours. They did not appreciate the application of their own tactics, and said we were wasting time. We spent quite a long time with the Soviets asking us to make our statement read the same as theirs, namely, that the conditions and procedures in effect on 1 March 48 would apply. We denied their right to criticize our statement or to ask for elucidation, since they refused us such rights in regard to their statement. Soviets claimed our unwillingness to use their wording was evidence of our determination to avoid returning to conditions which governed trade on 1 March 48, i.e. those of the 48 Trade Agreement, and that we were thereby violating the provisions of the New York Agreement.<sup>3</sup> We rejected this thesis, stating that any impartial person reading our statement would be forced to admit that it effectively lifted all restrictions imposed since 1 March 48, Soviets insistently pressed for elucidation of what we meant, saying that without further explanation our statement was not satisfactory. We replied that our proposed three paragraph agreed statement made it plain that no one was satisfied with what the other fellow had said but that it did accurately reflect the status of our negotiations, and this was all it was intended to do. Soviets then insisted on return to individual detailed points. British representative emphasized importance we attached to satisfaction on our second documentation point—export from Berlin—and said that if we could settle that, we might be able to reach satisfactory agreement all around. He admitted right of Soviets to feel concern about possible drain of Sovzone resources through Western sectors, but said their method of dealing with this problem was all wrong. They should either impose internal zonal controls, or set up method of joint control of specific items. US did not think much of this latter idea, since Soviet veto would be sure to appear, but did not voice dissent, since other stipulations suggested by British made proposed procedure too offensive to Soviets for them to accept. However, British text was taken by Soviets for study tonight. It reads:

“In respect of goods and [products?] which the Soviet authorities determine are in short supply in their zone, a common procedure will

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<sup>3</sup> See editorial note, p. 750.

be agreed upon between the Soviet and the Western authorities for the licensing of such goods or products for export from the Soviet zone and sector and for export from the Western sectors of Berlin. The procedure will be operated by the Soviet authorities in their zone and sector; and by the Western Authorities in the Western sectors."

US then asked what approach seemed most likely to succeed, (1) List of detailed assurance on both sides, (2) US proposed general statement, (3) Specific agreement regarding Berlin exports, in return for specific clearing agreement. Soviets objected to using clearing agreement as bargaining point, claiming that there could be no pretense of compliance with New York agreement without one. US pointed out this was obvious fallacy, that proceeds of Sovzone sales in Western zones could be used to buy West zone goods, and vice versa. Soviets said maybe so, but it would be unhealthy trade and would hurt chances of general German economic recovery. We said this was hardly the issue, the Soviets had claimed we had violated NY agreement because trade would not flow without clearing arrangement, and now they admitted this was not so, but wanted us to help protect their currency, which was hardly a part of the NY agreement. Meeting ended on this note, and will reconvene at British Headquarters at noon 13 June, with stipulation we must agree or disagree within 4 or 5 hours. Soviets have been jolted out of their fixed positions, and previous carefree, disputatious attitude, which we believe stemmed from instructions to sit tight and concede nothing, has disappeared.

Have seen your CFM 9 [59?] of 12 June [and] Telecon <sup>4</sup> with Dorr. Can assure you that there is no chance that Soviets will comment one way or another on our summary of their position. Therefore plan to press for agreement along lines of alternatives (2) and (3) of second paragraph above, and in default thereof, to despatch to you summary of points put forward on each side, and respective positions taken. While no grounds for optimism, situation is considerably more fluid than yesterday.

[HAYS]

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<sup>4</sup> Neither found in the Department of State files, but see CFM 60, *infra*.

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740.00119 Council/6-1349: Telegram

*The United States Delegation at the Council of Foreign Ministers to the Department of the Army*

SECRET      PRIORITY

PARIS, [June 13, 1949.]

CFM 60. Action to SAOUS for Voorhees from USDel sixth CFM from Magruder. (Please pass copy to State.) In order to keep you informed on present negotiations going on in Berlin and Paris there

follows extracts from a teleconference and two radios sent yesterday and today. They have been revised and combined for clarity:

"To OMGUS for Dorr and Wilkinson from DelSec signed Magruder.

The procedure proposed in today's telecon has been agreed by British and French. It reads as follows:

'Since signed agreement with Soviets clearly impossible at this stage, we envisage procedure would be somewhat as follows: at appropriate stage in discussions, statement agreed by the Western powers, preferably along lines of attached draft, would be handed Soviet representative as factual record of statements and positions resulting from discussions on implementation of New York agreement.<sup>1</sup> Paper in such form would not require signatures of Western commanders. Soviet representative would be asked to examine paper perhaps in a brief recess and let Western representatives know whether portions recording Soviet statements were accurate. If Soviet representative considers statements inaccurate amendments could be discussed. Paper would in any case be transmitted in its final form to their ministers by three Western commanders. Soviet commander, of course, free to send whatever report he desires'.

#### Agreed draft follows:

1. Effective on the 12th May, the authorities of France, the United Kingdom and the United States issued instructions to lift restrictions imposed since March 1, 1948, and referred to in the New York agreement. The authorities of the USSR issued instructions which we understand were designed to give effect to that agreement.

2. Since that time there have been discussions as to details of practice as to communications, transport and trade, as well as about a new method of clearing payments on trade designed to mitigate problems arising because of the different currencies now prevailing in the Eastern and Western zones.

3. It has not proved practicable to formulate the terms of agreement on these matters and there have been some differences of opinion as to what restrictions have, or have not, in fact, been imposed since 1 March, 1948, but all concerned have expressed the determination to live up to the New York agreement and to facilitate communications, transport and trade.

4. All restrictions imposed since 1 March, 1948, by France, the United Kingdom and the United States on communications, transport and trade between the Western zones and the Eastern zone and Berlin have been lifted.

5. It is understood, on the basis of oral statements made by the Soviet representatives in Berlin, that the USSR will maintain in effect its general instructions as to restrictions imposed since March 1, 1948, on communications, transport and trade, referred to in the New York agreement, and secure compliance thereof. It appears from recent discussions in Berlin that as to the following matters the USSR will pursue the following course:

(Here take in our understanding as to what the USSR have said they are doing, or are willing to do, in respect of certain communication and transport matters.)

<sup>1</sup> For the text of the Four-Power communiqué which lifted the restrictions on trade and communication with Berlin and convoked the Sixth Session of the Council of Foreign Ministers, see editorial note, p. 750.

There are, however, other points falling within the purview of the New York agreement as to which no satisfactory oral assurances have been received, e.g.

(Here list matters of which the Soviet have not given oral assurances or those assurances have been inadequate, for example, water transport, removal of road traffic restrictions imposed since 12 May 1949, train paths and routes, and locomotives.)

6. In order further to facilitate trade in the new circumstances which have arisen since 1 March, 1948, discussions have also been held on trade and payment arrangements. In the absence of a general agreement covering these matters at which it has not so far been possible to arrive, France, the United Kingdom and the United States believe that it may be helpful to outline what they expect to do as to trade and clearing arrangements. Their action in the field of trade and clearing will depend on the future course of action by the USSR in the field of communications and transport matters.

(Here take in our position on trade and clearing in a form which given commitments during recent negotiations is most nearly palatable to the Western allies, for example, purely token references to the 1948 agreement. No commitments on contracts or pre-currency reform prices; no provision for part payment at old rate; no reference to instructions re execution of trade agreements.)

7. The action of France, the United Kingdom and the United States in setting up a clearing arrangement is a positive measure for facilitating communications, transport and trade and is not in the nature of lifting a restriction imposed after March 1, 1948 but goes beyond lifting a restriction. France, the United Kingdom and the United States believe that a lifting of documentation requirement of the USSR on exports from the Western sectors of Berlin to the Western zones is one of a number of comparable actions which should be taken."

[MAGRUDER]

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CFM Files: Lot M-88: Box 143: Berlin—Access to

*The Acting United States Military Governor for Germany (Hays) to the Military Attaché in France (O'Hare)*

SECRET

[FRANKFURT,] 14 June 1949.

FMPC 1146. To USMA Paris for Magruder Info Army Dept for Voorhees. From OMGUS signed Hays. This is MFC-20.

Quadripartite meetings concluded 13 June 1700 hours after 5 hour session. British and Soviet representatives discussed at length British proposal for common procedure, to regulate export from West Sectors of goods in short supply in SovZone (See MFC 19<sup>1</sup>). Soviets showed real interest in finding out how these procedures would actually work. They admitted 1 March 48 controls not ideal, and were willing consider

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<sup>1</sup> Not found in Department of State files.

any alternatives which promised protection of economic interests of SovZone, but emphasized this was pure good will on their part, and in no way required by New York Agreement.<sup>2</sup>

Soviets complained about Voice of America description of our meetings as being designed "to lift blockade." They cited facts and statistics at length to prove they had restored conditions which were permitting greater shipments to Berlin than before blockade, and said they considered they had gone much farther than we to live up to letter and spirit of New York Agreement.

Soviets again asked exactly how we would work common controls of Berlin exports. We admitted it would take experts some time to develop details, but asked their agreement to following statement of principle, to be added to our record point on documentation

"However, in respect of goods and products which the Soviet authorities determine are in short supply in their zone, a common licensing procedure will be developed by the SMA and the Western occupation authorities to prevent the unauthorized export of such products to the Western Zones and abroad through the Western Sectors of Berlin."

Soviets asked why we emphasized this new proposal at this late date, since old procedures had caused no practical difficulties, and new proposal had nothing to do with New York Agreement. US representative cited numerous difficulties both in practice and principle resulting from SMA control of West Sector exports and said we felt that if they could meet US on this very important issue we could agree to clearing arrangement, and we would have achieved concrete results in our present talks. Soviets said we had no right to try to bargain clearing arrangement which was necessary under New York Agreement, for change in Berlin export procedures which were not affected by NY Agreements.

We replied they no more entitled to clearing than we to new export controls neither derived automatically from NY Agreement. Soviets then said perhaps they weren't entitled to new clearing, but in that case they could demand restoration of currency clearing arrangements in effect 1 March 48, which had been integral part of interzonal trade procedures. We rejected this as irrelevant since it was simply a bank clearing arrangement which couldn't be used with two currencies.

British Chairman then urged we not dispute longer over minor points but decide whether we wished to agree on clearing and export control, or whether we should admit defeat and put in unilateral statements stating our disagreements. During lunch US representative tried to persuade Soviet to see that our proposed language on

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<sup>2</sup> See editorial note, p. 750.

Berlin export controls protected his position and afforded basis for agreement. He was sympathetic but obviously too far beyond his instructions to take a chance, and reiterated that when we had a definite scheme he would look at it.

After lunch Soviets asked for detailed discussion of existing disagreements on their trade points, with specific reference to our unwillingness to reaffirm officially validity of old contracts. During this discussion we received telephone message that USDel did not want limited agreement and wished US to put forward unilateral statement summarizing failure to agree. We stopped agreement by saying it was obvious Soviets were unwilling to try to come to broad agreement we had suggested, and we might as well discuss what we were going to say to describe the present position. US representative said he had prepared report to be sent to Sec of State<sup>3</sup> on which he would like comments of his colleagues. As had been foreseen, Soviet properly replied he had no interest in what we might report, since it was our business and he would make up report of his own. British delegate tried second time to persuade Soviets to listen to our statement and they politely refused, but said if we were so anxious to have them know what our report said they would be glad to have a copy. This maneuver resulted in our appearing rather silly and giving them an opportunity to improve and sharpen their report by reference to ours.

Soviets wound up on most conciliatory note, stating that if we hadn't been unreasonable in our demands on documentation we would certainly have been able to reach agreement, since only a few small points were between us on the trade arrangements. Even so, Soviets were still prepared to talk when we had specific proposals, about improvement of Berlin export controls, even though this had nothing to do with NY Agreement.

After meeting, US representative remarked to Soviet Chief Delegate that it was too bad the talks had ended without agreement. Soviet replied amiably that it wasn't so tragic, that he felt we had made a great deal of progress and that we could hope for better results later. This was astounding until we received tonight USDel cable, outlining proposals made to Vishinsky,<sup>4</sup> and we then realized Soviets here obviously had known of these and therefore know this wasn't the end of the ninth inning as we had thought, but only the end of the first.

Our unilateral report was worked out on your instructions with slight modifications, after consultation with Gen Robertson and Dorr. It has been sent to Paris by telecon, and copy forwarded to Soviets

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<sup>3</sup> *Infra.*

<sup>4</sup> Regarding Secretary Acheson's proposals to Vyshinsky at the 19th Session of Council of Foreign Ministers, see pp. 985 ff.

with explanation it is tripartitely agreed but to be remitted individually to respective Foreign Ministers.

[HAYS]

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CFM Files: Lot M-88: Box 143: USDel Working Papers

*Report by Representatives of the Western Occupation Authorities in Germany to the Western Delegations at the Council of Foreign Ministers in Paris*<sup>1</sup>

SECRET

[BERLIN,] June 13, 1949.

1. Effective on the 12th May, the authorities of France, the UK and the US issued instructions to lift restrictions imposed since March 1st, 1948 and referred to in the New York Agreement. The authorities of the USSR issued instructions which we understand were designed to give effect to that agreement.

2. Since that time, there have been discussions as to details of practice as to communications, transport and trade, as well as about the new clearing arrangements for trade proposed by the Soviet authorities.

3. It has not proved practicable to formulate the terms of agreement on these matters and there have been some differences of opinion as to what restrictions have, or have not, in fact been imposed since the 1st March 1948, but all concerned have expressed the determination to live up to the New York Agreement and to facilitate communications, transport and trade.

4. All restrictions imposed since the 1st March 1948 by France, the UK and the US on communications, transport and trade between the Western Zones and the Eastern Zone and Berlin have been lifted.

5. It is understood on the basis of oral statements made by the Soviet representatives, that the SMA will continue to secure compliance with its general instructions as to the lifting of restrictions imposed since the 1st March 1948 on communications, transport and trade, referred to in the New York Agreement. It appears from these discussions that as to the following matters the SMA will pursue the following courses:

a. Rail traffic to and from Berlin will be handled via Helmstedt, but authorization for the use of other crossing points for specific movements may be given.

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<sup>1</sup> The title in the source text includes the following phrase: "Reflecting Their View of the Conclusion of the Negotiations in Berlin on 13 June 1949." This report was transmitted to the Western Delegations at the Council of Foreign Ministers in Paris and was designated USDel Working Paper/41 in the records of the United States Delegation. The source text is from those records.



b. Nineteen trains will be scheduled for daily operation via Helmstedt into Berlin from the Western Zones.

c. Locomotives and crews for the movement of these trains through the Soviet Zone will be provided by the Reichsbahn of the Soviet Zone following usual railway operating procedures.

d. Requests of the Western Occupying Powers regarding the handling of their railway traffic within the Western Sectors will be made to the Reichsbahn representatives with simultaneous notification to the SMA rail representative.

e. Railway wagons for shipments out of Berlin will be provided promptly by the Reichsbahn. The SMA has issued instructions that wagons sent to Berlin from the Western Zones shall be returned promptly and will not be diverted for use in the Soviet Zone.

f. Certificates permitting the operation of IWT craft of the Western Zones in the Soviet Zone will be issued promptly by the SMA. The SMA will require the submission of full crew lists before issuing such certificates, but will recognize later amendments to such crew lists, as authorized by the Western Occupying Powers.

g. Road traffic will be authorized to move in accordance with practices in effect on 1st March, 1948.

6. France, UK and the US have further pointed out that the following matters are inherent in the fulfillment by the USSR of the New York Agreement in letter and spirit.

(I) Goods exported from the Western Sectors of Berlin and the Western Zones and vice versa shall be permitted to pass promptly through the Soviet Zone on the basis of documents issued by the responsible German authorities in the Western Sectors of Berlin and the Western Zones respectively. France, the US and the UK are, however, prepared to enter into an agreement with the USSR for a special licensing procedure to control the export to the Western Zones of a limited range of goods derived from the Soviet Zone which the Soviet deem are in short supply in the Soviet Zone.

(II) While Western Occupying Powers accept for the present the arrangements outlined in "c" above, they would have the right to provide their own locomotives and crews to work such traffic in the event that satisfactory service is not provided.

7. In order further to facilitate trade in the new circumstances which have arisen [since?] the 1st March, 1948, discussions have also been held on trade and payment arrangements. In the absence of a general agreement covering these matters at which it has not so far been possible to arrive, France, the UK and the US believe that it may be helpful to outline what they expect to do as to trade and clearing arrangements. Such outline is as follows:

a. Germans of the Soviet and of the Western Zones are free to purchase and sell goods in interzonal trade, as was the case on 1st March 1948.

b. To the extent that buyers and sellers desire, contracts entered into under the Berlin trade agreement for 1948 may be completed.

c. The coal and power agreement concluded between the British and Soviet Military Governments on 1st December 1947 would be reviewed and, if found desirable, revised by mutual agreement of all four occupation authorities.

d. In the absence of a rate of exchange between the West Mark and the East Mark, and without stipulating parity or a rate of exchange between the two currencies, an account in Marks may be opened in the Bank Deutscher Laender of the Western Zones, to become operative when a similar account is opened in the Deutsche Noten Bank, for the settlement of accounts with respect to interzonal trade in goods.

Charges to the accounts so established will be made on the basis of evidence that goods have crossed the interzonal border, and on the basis of invoices in Marks accompanying the goods. The balance of the accounts shall not exceed 10,000,000 Marks, as determined by periodic or special balancing of the liabilities of the two accounts.

e. Similar arrangements may be effected with respect to settlement of accounts for trade between the Western Sectors and the Eastern Zone, and between the Eastern Sector and the Western Zones, utilizing the facilities of the Berliner Stadtkontor (Kurstrasse) and the Berliner Zentral Bank (Charlottenburg).

f. Appropriate arrangements will be established for the prompt liquidation of outstanding balances under this system of clearing by delivery of goods; in the event of its termination. (A more detailed draft of the trade and clearing procedures was discussed in Berlin during the meetings.)

8. The action of France, the UK and the US in setting up a clearing arrangement is a step which is not required by the New York Agreement, which referred only to the lifting of restrictions imposed since the 1st March, 1948. They have expressed readiness to take this additional step as a gesture of good will and to facilitate communication, transport and trade between Western and Eastern Germany. France, the UK and the US believe that a lifting of documentation requirements of the SMA on exports from the Western Sectors of Berlin to the Western Zones is one of a number of comparable actions which should be taken.

The action of the French, the UK and the US authorities in the fields of transportation, communications and trade (including clearing) will depend on the future course of action by the USSR in these fields of communications, transportation (including documentation) and trade.

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#### *Editorial Note*

With the transmission of the report of the Western occupation authorities to Paris, the negotiations for an agreement on access and communications with Berlin passed to the Sixth Session of the Council

of Foreign Ministers. For documentation relating to these negotiations, see pages 913 ff.

#### D. UNITED STATES POLICY IN THE EVENT OF THE REIMPOSITION OF THE BERLIN BLOCKADE

740.00119 Council/5-2249 : Telegram

*The United States Delegation at the Council of Foreign Ministers to the Acting Secretary of State*

TOP SECRET

PARIS, May 22, 1949—11 a. m.

Delsec 1784. Personal for Webb from the Secretary. At our recent NSC meeting,<sup>1</sup> there was a discussion of the question as to what we should do in the event the Russians reimpose the restrictions on Berlin traffic. At that time I expressed the view that three alternative courses of action would be open to us:

- (1) To revert to the airlift, thus reestablishing the status quo;
- (2) To use surface routes with the employment of whatever military means might be required; or
- (3) To probe the use of highway, rail and waterways for the purpose of ascertaining whether the Russians will use force to restrain our movements. That use of force if it occurs might be useful as a demonstration of Soviet intentions and in future treatment of this subject.

At the meeting Voorhees rather discarded (3) as impractical. It might be well, however, for me to examine such an eventuality as a method of testing out Soviet intentions. Will you please ask Voorhees to have a study made of alternative (3) as soon as convenient and let me know results.

ACHESON

<sup>1</sup> May 17. At this meeting the National Security Council discussed the United States position with respect to Germany and agreed that the Secretary of Defense in coordination with the Secretary of State would prepare a study of possible courses of action if no agreement were reached on Germany at the Council of Foreign Ministers and the Soviet Union subsequently reimposed the blockade of Berlin. (NSC Action 215b, 740.00119 Control (Germany)/5-2049)

740.00119 Council/5-2249 : Telegram

*The Acting Secretary of State to the Secretary of State at Paris*<sup>1</sup>

TOP SECRET

US URGENT

WASHINGTON, May 26, 1949—8 p. m.

Secdel 1610. Personal for the Secretary from Webb. The Joint Chiefs of Staff have considered your alternative number three of

<sup>1</sup> Mr. Acheson was attending a meeting of the Council of Foreign Ministers, at Paris. For documentation, see pp. 913 ff.

Delsec 1784<sup>2</sup> as a separate problem from overall study you suggested in order to provide you with an early answer. Begin quote of JCS views:

"With reference to alternative number three as contained in Delsec 1784 of 22 May 1949, the Joint Chiefs of Staff believe there would be nothing gained by such a plan. In the first place any reinstitution of the Berlin blockade would now in the view of the Joint Chiefs of Staff be dangerously close to an act of war, and, if the "probing" were then to follow there would be likelihood that the incidence of the war would be laid at the door of the United States. Consequently, they believe that by so-called "probing" much would be risked extending from serious loss of prestige to the distinct possibility of involvement in hostilities even though they assume that the plan is not intended to include the use of force. The Joint Chiefs of Staff are considering the whole problem of possible U.S. courses of action in the event the USSR reimposes the Berlin blockade and their views will be available for forwarding to you at an early date."<sup>3</sup>

The Dept supports the above views of the JCS on the isolated issue of probing tactics. Our general feeling is that half-way measures in a matter of this type with the Soviets are likely to be unsuccessful and are, in some respects, even more dangerous than more deliberate courses of action.

WEBB

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<sup>2</sup> *Supra.*

<sup>3</sup> For the text of the Joint Chiefs of Staff study on the courses of action in the event of the reimposition of the Berlin blockade by the Soviet Union, see NSC 24/2, June 1, Appendix A, p. 821.

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740.00119 Control (Germany)/5-3149

*Memorandum by the Acting Secretary of State*

TOP SECRET

WASHINGTON, May 31, 1949.

MEETING WITH PRESIDENT, TUESDAY, MAY 31, 1949

POSSIBLE COURSES OF ACTION IN EVENT BERLIN BLOCKADE IS RENEWED

The President informed me that he had read the Joint Chiefs of Staff paper on possible courses of action in event the Berlin blockade is reimposed,<sup>1</sup> and that he had no particular comment on this paper. I judge from his discussion that although he agrees that the reinstitution of the air lift is probably the only answer, he would like for someone to come up with a better answer, and would not be averse to reconsidering the possibility of breaking the blockade if some means of surface

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<sup>1</sup> The paper President Truman was referring to is printed as Appendix A to NSC 24/2, *infra*.

transportation showing reasonable possibilities of success could be found.

JAMES E. WEBB

Executive Secretariat Files

*Report to the National Security Council by the Acting Secretary of Defense*<sup>1</sup>

TOP SECRET  
NSC 24/2<sup>2</sup>

WASHINGTON, June 1, 1949.

POSSIBLE U.S. COURSES OF ACTION IN THE EVENT THE USSR  
REIMPOSES THE BERLIN BLOCKADE

1. This report is submitted in accordance with the Council's direction of May 17, 1949 (NSC Action No. 215-b<sup>3</sup>). It has been prepared in conjunction with the Department of State, which concurs in it.

2. Alternative U.S. courses of action have been studied, based upon the views of the Joint Chiefs of Staff, attached as Appendix "A".

3. It is recommended, in the event that the U.S.S.R. reimposes the blockade of Berlin, that:

- a. The airlift be continued at full operational capacity.
- b. The counter-blockade be reimposed.
- c. No attempt be made to establish a land supply route to Berlin by the use of armed motor convoys or otherwise.
- d. No attempt to "probe" the blockade to determine Soviet intentions be made. This is considered to be impracticable, to risk a serious loss of prestige and involvement in hostilities.

4. As interim measures, while the Council of Foreign Ministers is in session and thereafter unless a clear written agreement is reached providing definitive arrangements for adequate rail, road and water access to Berlin, it is recommended that:

- a. All efforts, including the airlift, be made to increase the reserve stocks of supplies in Berlin.

<sup>1</sup> Attached to the source text was a note to the National Security Council by its Executive Secretary, Sidney W. Souers, stating that this report was submitted by the Acting Secretary of Defense to the 41st meeting of the Council, June 2, 1949, as item one on the agenda. The note further recommended "... that, if the Council concurs in the enclosed report, it be transmitted to the President with the recommendation that he approve the recommendations in paragraphs 3, 4 and 5 ..."

<sup>2</sup> The first paper in this series, NSC 24, was prepared by the Secretary of Defense July 28, 1948; for a summary of its contents, see Secretary Forrestal's letter to Secretary Marshall, July 28, in *Foreign Relations*, 1948, vol. II, p. 994. A second paper in the series, NSC 24/1, was prepared by the Secretary of State on November 17, 1948, not printed. It consisted of a reference note by the Executive Secretary, Souers, to the National Security Council and the text of telegram Delga 503, October 27, from Paris, which is printed, *ibid.*, p. 1236.

<sup>3</sup> Not printed.

b. The airlift system be kept in a state of readiness for full operation.

c. All measures requisite for the reinstitution of the counter-blockade be kept in readiness.

5. If a satisfactory agreement for access to Berlin is not reached at the Council of Foreign Ministers, it is recommended that the Soviets be informed that any reimposition of the blockade of Berlin will be considered to be a matter of the gravest concern to the United States; further, that the United Kingdom and France be urged to join in a similar warning.<sup>4</sup>

#### Appendix A

#### STUDY ON THE POSSIBLE UNITED STATES COURSES OF ACTION IN THE EVENT THE USSR REIMPOSES THE BERLIN BLOCKADE

1. In considering the possible United States courses of action in the event the USSR reimposes the Berlin blockade, the Joint Chiefs of Staff have necessarily taken account of the fact that conditions attending the assumed reimposition of the Berlin blockade cannot be accurately known in advance. Since it is manifest that the seriousness of disagreement at the Council of Foreign Ministers, prior to reimposition of the blockade, can only be conjectured, the conclusions and recommendations contained herein should be subject to later re-examination based on all of the circumstances during and at the conclusion of the meeting of the Council of Foreign Ministers and on such indications as there may then be as to the probable motives and intentions of the USSR in reimposing the blockade.

2. If the Council of Foreign Ministers fails to reach agreement, and the Soviets reimpose the Berlin blockade, it follows that their decision to take this step would have very serious implications. It is, therefore, essential from the standpoint of national security to give full consideration to these implications. Thus, we should not assume that the next blockade would be intended only to resume the same nuisance position as has existed for the last ten months. We should realize, rather, that the new blockade may be more severe and that its basis might be a determination to force us out of Berlin by taking any

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<sup>4</sup> At its forty-first meeting, June 2, 1949, the National Security Council considered NSC 24/2 and amended this paragraph to read:

"If a satisfactory agreement for access to Berlin is not reached at the Council of Foreign Ministers, it is recommended that the three western representatives should make it plain to Vyshinski that any reimposition of the blockade would re-create a dangerous situation which would constitute a threat to international peace and security and that we would have to reserve to ourselves full rights to take such measures as might be necessary to maintain in these circumstances our situation in Berlin."

NSC Action 219a (Executive Secretariat files).

steps necessary to make the airlift abortive or, perhaps, to bring about a major war issue.

3. If the Soviets do have in mind, in resuming the Berlin blockade, the creation of a really critical major issue, the Joint Chiefs of Staff believe that they would hope to cause the situation to develop in such a manner as to place upon the United States the responsibility for the initiation of any actual hostilities. If this is the case, then our continuation of the airlift would impose that responsibility upon the Soviets. On the other hand, our resorting to steps involving force would risk our falling in with their plans.

4. While the Joint Chiefs of Staff are aware that the diplomatic field is not within their purview, the possible implications of the reimposition of the Berlin blockade are so serious and potentially far-reaching that they believe that every practicable effort should be made to forestall such a situation. One approach might be to formalize at the Council of Foreign Ministers our right for access to Berlin. It might be said that this would not be worth trying because such formalization will not be needed if the Council of Foreign Ministers reaches satisfactory over-all conclusions while, if not, the effort would naturally fail. It may, nevertheless, be worth undertaking if handled as a point at issue in the early sessions and, in any case, to probe diplomatically the Soviet intentions. It might also be worth-while, if there are indications that the Soviets intend to resume the blockade, to take strong prior diplomatic action, extending even, if attendant circumstances warrant, to a warning that blockade resumption would be considered an unfriendly act.

5. Returning, however, to the basic assumption that the Soviets have reimposed the Berlin blockade, the Joint Chiefs of Staff strongly recommend that the airlift be continued or, if at that time it has been discontinued, that it be resumed and that our own blockade be reimposed. (Present plans call for continuation of the Berlin airlift until stockpiles in Berlin reach the level of 1 March 1948. The present airlift should not be discontinued unless and until there is satisfactory indication that possibility of blockade resumption is remote.) The airlift is neither a sole nor a final action with respect to solution of a new Berlin blockade problem. It is, however, an essential immediate step and, in fact, it is the only practicable step short of great risk of hostilities or decision to leave Berlin.

6. There is now no question as to the practicability of the airlift provided Soviet action does not seriously interfere. The Acting Secretary of the Army's study for the Secretary of Defense, dated 18 May 1949, on the "Support of Berlin Throughout Indefinite Period of

Blockade”<sup>5</sup> concludes essentially that the Berlin airlift can be continued indefinitely provided that adequate funds are made available upon request. The study further concludes that the cost will be high and that the “Military Implications Involved in Continuing and Augmenting the Operation of the Airlift” will become more pronounced in proportion to the additional concentration of effort towards maintenance of our position in Berlin. Airlift, however, is the best solution of the problem as long as airlift remains practicable.

7. An alternative solution, not recommended, might be to attempt to establish a land supply route by the use of armed motor convoys. This was thoroughly considered by the Joint Chiefs of Staff shortly after the Berlin blockade was first imposed and the conclusion then reached is still considered sound, that such an attempt would be fraught with the gravest military implications, including the risk of war, and would probably prove ineffective even if faced only with passive interference.

8. The Joint Chiefs of Staff at that time further concluded that to attempt to supply Berlin by force would be justifiable only if:

- a. Every other solution had first failed or been discarded;
- b. Current evaluation indicated that the effort would be likely to succeed;
- c. The United States had first determined that risk of war in the near future and for the Berlin cause was acceptable; and
- d. All possible time had first been gained and used for adequate preparation for the attempt to supply by force and for full-out major war action in support thereof if war resulted.

9. In view of the implications as to Soviet determination and intentions implicit in a reimposition of the Berlin blockade, the conclusions in paragraphs 7 and 8 above are believed to be even more valid now than when they were first reached. In simplest terms it cannot, from the military viewpoint, be justifiable to place dependence on any assumption that the Soviets in resuming the Berlin blockade would merely be bluffing. Further, even a bluff should be called only if we are prepared for a showdown.

10. With reference to alternative number three as contained in Delsec 1784 of 22 May 1949,<sup>6</sup> the Joint Chiefs of Staff believe there would be nothing gained by such a plan. In the first place any re-institution of the Berlin blockade would now in the view of the Joint Chiefs of Staff be dangerously close to an act of war, and, if the “prob-

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<sup>5</sup> Not found in Department of State files.

<sup>6</sup> *Ante*, p. 818.



ing" were then to follow there would be likelihood that the incidence of the war would be laid at the door of the United States. Consequently, they believe that by so-called "probing" much would be risked extending from serious loss of prestige to the distinct possibility of involvement in hostilities even though they assume that the plan is not intended to include the use of force. If it is intended to involve even minor use of force, their comments in paragraphs 7, 8 and 9 above regarding the armed convoy proposal are fully applicable. Otherwise, probing could be expected to prove only the already known fact that the Soviets had reimposed the blockade. A demonstration of Soviet intentions would thus not be accomplished, while our prestige would suffer and needless risk of minor incidents, susceptible of development into actual hostilities, would be the only result.

11. The only other possible alternative, if the Berlin blockade is reimposed, would be to yield our position there. Based on present circumstances and future probabilities, the Joint Chiefs of Staff do not now recommend such a step. The National Security Council on 22 July 1948, reiterated the determination of the United States to remain in Berlin in any event.<sup>7</sup> Developments since that date have fully justified this determination. If, however, it becomes evident that the supply of Berlin can only be continued by the use of force, serious consideration should then be given as to whether to risk war by resort to force or whether to evacuate U.S. forces from Berlin. At such time the effects of evacuating Berlin should be carefully reconsidered in the light of the adverse military situation. The improvement which a withdrawal from Berlin would make in our immediate military position is obvious, but there is no assurance that the effects of such a move in reducing the threat of war would be lasting.

12. The overriding point that becomes manifest from consideration of the foregoing study as a whole is that blockade reimposition would raise anew, and perhaps more forcibly, all the military questions with respect to war imminence and war readiness that arose with the first blockade. In summary, the Joint Chiefs of Staff consider that in the event the Soviets reimpose the blockade of Berlin the airlift should be reinstituted or continued. Further serious consideration should be given at that time to the application of additional economic sanctions, over and above the counter-blockade, and the taking of the strongest diplomatic action.<sup>8</sup>

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<sup>7</sup> At this point in the source text there was a footnote to NSC Action No. 84, which is not printed.

<sup>8</sup> The text of Appendix A was sent to Secretary Acheson in Paris in Telac 24, May 27, not printed. (740.00119 Control (Germany)/5-2749)

740.00119 Control (Germany)/6-149

*Memorandum by Mr. Robert D. Murphy of the United States  
Delegation at the Council of Foreign Ministers*

TOP SECRET

[PARIS,] June 1, 1949.

COMMENTS ON JCS ANALYSIS<sup>1</sup>

The fact that the United States has both rights and obligations in Berlin seems to be overlooked in the JCS analysis of the question of access to Berlin. There is evident an easy assumption that the USSR is prepared to use military force merely because in 1948 the SMA announced a series of restrictions and controls on traffic. Fearful then of a supposed danger of war, the US did not accompany its statement of its rights and obligations by an indication of an intention to enforce its rights if resort to negotiation failed. This has always seemed to me an error and weakness. It is, in a way, equivalent to a plaintiff with a good case failing to prosecute his rights because the defendant might attack him. Instead we resorted to the expedient of the airlift in the hope of arriving at a peaceful arrangement. The USSR, comprehending that it ran no risk of forceful reaction on our part to this invasion of our rights and interference with the performance of our obligations, felt itself at liberty with impunity to impose its restrictions on surface movement of goods and persons between Berlin and Western Germany.

Fear can be useful as an element of policy. In the Berlin case it was used by the USSR and it affected the Western powers. The latter, on the other hand, never gave the slightest indication to the USSR that it had any cause to fear an eventual violent reaction to this flagrant violation of Western rights. Had the Soviet Union believed that the West would go to war to protect these rights, it would not have dared, in my opinion, to indulge in its recent manifestations of arrogance.

It would seem that a similar situation would prevail in case of reimposition of traffic restrictions by the Soviet authorities. A test should, in that case, be made to determine whether the USSR will resort to force in furtherance of its policy. If so, its position in public opinion will be worsened. If not, we will have succeeded in enforcing our right to a surface route to Berlin, and we would effect at least an important economy in the air lift.

If an unfortunate incident should occur, there would be no good reason to regard it as more than local and not a *casus belli*. In Berlin

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<sup>1</sup> The JCS Analysis under reference here is printed as Appendix A to NSC 24/2, *supra*.

there have been many cases of the shooting of Soviet and American soldiers without grave complications.

At an appropriate moment, if restrictions are reimposed, the Soviet authorities should be notified a reasonable time in advance of the arrival of an armed convoy composed of US/UK/French elements at the Soviet check point at Helmstedt and that the Western powers intend to exercise our right of passage over the highway. The convoy would be supported by such technical personnel and equipment as might be necessary if obstruction to passage—such as damage to the Elbe river bridge—had to be removed or repaired.

This would imply that the Western powers take over the patrol and maintenance of the highway as a corridor which they control and respect.

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740.00119 Control (Germany)/6-549: Telegram

*The Secretary of State to the Acting Secretary of State*

TOP SECRET

PARIS, June 5, 1949—3 p. m.

Actel 41. For Webb Eyes Only. With further reference my Actel 31 of June 2,<sup>1</sup> I think following considerations ought be kept in mind in JCS consideration of policy to be followed in case of Soviet reimposition of blockade.<sup>2</sup>

The most likely Soviet move is reimposition of the blockade by the same creeping tactics used before. They would begin by alleging technical difficulties, repair of bridges, et cetera, and then perhaps cause further difficulty with documentation. This kind of Soviet maneuver is hard to meet through use of armed convoys. Much depends upon way in which it develops.

The other and less likely possibility is that Soviets would make some announcement or take other clear overt act reimposing blockade.

When blockade was first imposed, situation was confused in public mind by disputes over currency and Soviet allegations of justification. No slightest justification would exist at this time for reimposition and I think this would be perfectly clear to public opinion everywhere. In such an eventuality, I think we should take position that Soviet action was very close to act of war against US and that we should im-

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<sup>1</sup> Not printed; in it Secretary Acheson stated that he would send some general views on the policy to be followed in case of the reimposition of the Berlin blockade and that he would make every effort to secure from the Soviet Union an agreement clearly defining and reaffirming the right of the United States of access to Berlin. (740.00119 Control (Germany)/6-249)

<sup>2</sup> Under reference here is the JCS study on the possible courses of action by the United States in the event of the reimposition of the Berlin blockade, p. 821.

mediately inform Soviet Government that we considered it hostile act. In such a serious situation, we would be squarely faced with issue whether we would break the blockade even at risk of war. This is an issue JCS should consider now.

Difficulty is that, if the Soviets have already acted, it would hardly be consonant with their character to back down and lift blockade immediately in face of statement we considered it hostile act. On other hand, if they knew in advance how we would regard such an act and if we made it sufficiently clear and definite, it might very well act as deterrent. I should, therefore, welcome your thought and that of NSC regarding desirability my making some statement either in CFM or privately to Vishinsky to effect we would consider reimposition blockade very close to act of war and definitely hostile act and that we reserve our right to take whatever steps seem to us necessary to preserve our rights and interests. I would not contemplate making such declaration unless situation in CFM and situation regarding lifting blockade under NY agreement <sup>a</sup> seemed to indicate that it was appropriate and necessary.

If Soviet moves in direction of reimposition blockade were not sufficiently definite to make clear issue but if they did definitely restrict our right of surface access to Berlin, I still can see considerable advantage in testing Soviet intentions by presenting an armed convoy on highway. I have never had in mind that such a convoy should shoot it out with Russians and force its way through to Berlin even if opposed by substantial armed forces. What I have had in mind is possibility that such an armed convoy on being stopped by Soviet guards at road block would push ahead unless and until met by substantial force or actually fired upon. I recognize, however, that there are numerous ways in which Soviets could block such a convoy and make us appear foolish. I do think JCS should study this matter further in light of above comments.

I do not disagree in the slightest with JCS estimate of seriousness of situation which would be created by reimposition blockade and certainly have no thought of proposing action which they consider would be provocative of war or which would cause us to lose prestige. I am fully in agreement with idea of continuing policy of keeping airlift in condition to resume full operations at least until we are assured of more stable situation in Berlin.

ACHESON

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<sup>a</sup> For the text of the communiqué of May 5, see p. 751.

740.00119 Control (Germany)/6-549 : Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

TOP SECRET

WASHINGTON, June 6, 1949—9 p. m.

Telac 60. Eyes Only for the Secretary. Preliminary reply urActel 41.<sup>1</sup> UrActel 31<sup>2</sup> indicating that you would send later your general views as regards action to be taken in event of reimposition of the blockade arrived just prior to NSC consideration of problem on Thursday. The following paper had been prepared jointly by State and Army for consideration by the NSC.

[Here follows the five paragraph text of the Report of the Acting Secretary of Defense to the National Security Council, June 1, as amended by the Council at its forty-first meeting, June 2, page 820.]

While the above NSC paper represents our views here Webb explained to NSC that he desired to withhold formal approval pending receipt of your comments. The paper was therefore approved subject to such reconsideration as we might desire after receipt of your views.

You will note that above NSC action indicates desirability of warning to Soviets of seriousness with which we would view any reimposition of the blockade, which seems to correspond to thinking urActel 41. It was the intention of the NSC to allow you flexibility as to method, timing, and textual content of warning to Soviets.

In NSC discussion of this paper concern was expressed as to the security aspects of disclosing its contents to the Brit and French at Paris. While we leave this matter to your discretion, it was consensus that it would be preferable not to indicate that a US governmental decision had been made that resort to the airlift was the only practical means of meeting a reimposition of the blockade.<sup>3</sup>

Your message indicates that the JCS should reconsider (1) whether we should break the blockade even at risk of war and (2) the question of probing tactics.

As to (1), we consider JCS has presented us with their considered views as to practicability of breaking blockade by forceful means.<sup>4</sup>

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<sup>1</sup> *Supra.*

<sup>2</sup> Not printed, but see footnote 1 to Actel 41, *supra*.

<sup>3</sup> In Telac 62, June 7, to Paris, not printed, Webb amplified the problem of security in handling the United States position in the event of a reimposition of the blockade, stating that the military expressed the fear that should the United States position become known it might influence the Soviet willingness to reimpose the blockade. Both the NSC and the JCS felt that in exploring any counter action it was preferable not to indicate that the United States had taken any decision on its course of action. (740.00119 Control (Germany)/6-749)

<sup>4</sup> Under reference here is Appendix A of NSC 24/2, June 1, p. 821, in which the JCS considered the possible United States courses of action in the event that the Soviet Union reimposed the Berlin blockade.

Beyond that point we seriously doubt that JCS is proper body to recommend whether US should undertake course that might lead to war. This issue seems to us to be one for the NSC and the President, and we believe that this issue, now in the NSC, should not be referred again to a subordinate body.

In regard to point (2) above, interpretation of your description of probing tactics as contained Actel 41 is same as that considered by the JCS in furnishing their previous comments. Consider therefore that this issue as well is now properly in NSC and that we can expect no change in further JCS consideration unless we inject new elements.

You will note that while the NSC paper rules out a probe by armored column or other show of US force, it does not imply that we should submit voluntarily to a gradual reimposition of the blockade by simple orders on the part of Soviet, or Soviet controlled German authorities. It is Department view that we should not do this, any more than we have allowed ourselves to be deterred in operation in the air corridors by Soviet notices of maneuvers, etc. We feel the same principle should be applied to ground operations and that if attempts are made to reimpose the blockade piecemeal, we should not accede just to written notices or dicta of subordinate officials but should continue normal movements of land traffic until confronted either with armed opposition or with real and effective physical barriers. We think there is always the possibility, as has proved to be the case in the air corridors, that there might be an area of divergence between Russian readiness to issue warnings or orders and Russian readiness to oppose us by physical force at the risk of loss of life and serious complications.

Subject to further JCS consideration and concurrence, Dept would favor regarding thrown switch on the railroads or a closed lock on canals as an effective physical barrier; but not a mere order of a German station master or lock keeper, and on highways, any firing on vehicles, blowing [up] of bridges or erection of real physical obstacles as admissible deterrents, but not the symbolic pole and flag barrier and certainly not a note from a Soviet official saying that we should no longer use the highway. In all of this, it should be thoroughly understood that if confronted with effective physical or military barriers, our people would then make it plain that they were yielding to force, on their particular level, and reporting to their higher authority. They would not conduct themselves provocatively or persist in further attempts to movement of traffic.

If you concur with the above thinking and consider it desirable to do so, we can request the NSC to make appropriate revision and ex-

pansion to present para 3*d*. It is assumed the NSC would desire to check this revision with the JCS.

Weighing all the facts, which would of course have to be reconsidered in the light of circumstances at the time, we are inclined to believe the present NSC paper, with the possible exception of suggested amplification of para 3*d*, recommends the only courses of action that can be definitely determined at this time. It is assumed, of course, that reimposition of blockade would be taken up immediately in SC for maximum effort mobilization US and world public opinion.

Will withhold final approval of NSC paper quoted above pending further word from you after consideration of its text in light of these comments.<sup>5</sup>

WEBB

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<sup>5</sup> In Telac 67, June 8, to Paris, not printed, the Department of State indicated that it had nothing to add to these preliminary views. (740.00119 Control (Germany)/6-549)

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740.00119 Control (Germany)/6-749

*Memorandum by the Acting Secretary of State*

TOP SECRET

WASHINGTON, June 7, 1949.

MEETING WITH PRESIDENT, JUNE 7, 1949

POSSIBLE ACTION IN EVENT OF REIMPOSITION OF BLOCKADE BY USSR

The President approved the line of action recommended in our cable to Secretary Acheson<sup>1</sup> but was glad to know I had reiterated by a second cable<sup>2</sup> the security requirements suggested by the JCS.

The President expressed himself as being more nearly in accord with the views expressed by Secretary Acheson<sup>3</sup> than with the line of action we were recommending. He asked again that we consider every possible means of taking action that would be costly to the Russians and provide them with difficulties if they make any move to reimpose the blockade.

He is beginning to feel that the Russians are confronted with a serious internal situation as well as our own increasing power together with that of our allies.

JAMES E. WEBB

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<sup>1</sup> Telac 60, *supra*.

<sup>2</sup> President Truman was referring to Telac 62, June 7, not printed; but see footnote 3 to Telac 60, *supra*.

<sup>3</sup> Secretary Acheson's views were transmitted in Actel 41, June 5, p. 826.

740.00119 Control (Germany)/6-1149: Telegram

*The Secretary of State to the Acting Secretary of State*

TOP SECRET

PARIS, June 11, 1949—11 p. m.

Actel 59. Eyes Only for Webb from Secretary. Reference your Telac 60.<sup>1</sup> I concur in the views contained in the NSC report.<sup>2</sup> I would ask that attention be given to the two following points:

1st. Reimposition of blockade would create situation even more serious than its original imposition because it would be without any basis except hostility, and after nine months experience we all know how serious the blockade situation is. Therefore, believe we should stress to NSC and President how perilously close to war such a situation would be. I hope the military authorities will have this in mind and will make it clear to commanders in the field.

2nd. Because of the considerations just stated, in addition to airlift and reimposition of counter measures previously used in Germany, thorough study should be made of all other counter measures, not merely in Germany, which might be used and for which we should be ready.

Regarding the possible warning mentioned in paragraph 5 of NSC report, I understand from your comment that I have discretion to determine whether this is desirable in the light of the situation as it develops here.<sup>3</sup>

ACHESON

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<sup>1</sup> *Ante*, p. 828.

<sup>2</sup> Dated June 1, p. 820.

<sup>3</sup> On June 10, Bohlen had addressed a memorandum (not printed) to Secretary Acheson in which he developed points along the same lines as those transmitted in this telegram. (740.00119 Control (Germany)/6-1049)

740.00119 Control (Germany)/6-1149: Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

TOP SECRET

NIACT

WASHINGTON, June 12, 1949—1 a. m.

Telac 77. Eyes Only for the Secretary. We assume from your Actel 59<sup>1</sup> that you have given your approval to NSC paper<sup>2</sup> as now written and are not asking that NSC amend para 3d along lines of Telac 60.<sup>3</sup> Request reply to reach Dept not later than early Monday morning, if possible, to meet appointment with President.

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<sup>1</sup> *Supra*.

<sup>2</sup> Dated June 1, p. 820.

<sup>3</sup> June 6, p. 828.



Will inform NSC and President of two points covered your Actel 59 and intensify efforts to determine all feasible counter-measures.

Will attempt to obtain modification of NSC paper to make unmistakably clear your discretion re: warning to Soviets on imposition of blockade. Have in mind an additional sentence in para five reading approximately as follows: "It is considered however that the desirability of making such a declaration in connection with the present meeting of the CFM as well as its textual content and manner of presentation should be left to the discretion of the Secretary of State in the light of the situation as it develops at the current meeting of the CFM."<sup>4</sup>

WEBB

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<sup>4</sup> In Actel 62, June 12, from Paris, not printed, Secretary Acheson confirmed his approval of NSC 24/2, but stated that Webb's proposed additional sentence would be desirable. (740.00119 Control (Germany)/6-1249)

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740.00119 Control (Germany)/6-1349

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

VERY CONFIDENTIAL AND PERSONAL

PARIS, 13th June 1949.

MY DEAR DEAN: You will remember that I mentioned to you the other day the importance of the building up of Berlin's stocks, irrespective of what might be decided at this Conference about the transport problem.

I have given very careful thought to this matter, and I am convinced that it is absolutely essential, in our mutual interest, that between now and the 31st October we should try to build up at least four to five months' stocks in Berlin. It would prove of great negotiating value to us at the next meeting of the Council of Foreign Ministers if the Russians knew that we were well prepared; and in addition I am convinced that it would remove any temptation to them to interfere with the transport programme.

I have looked into the figures, and I am afraid they are not very conclusive; but as far as I can ascertain we ought to accumulate a net surplus of at least 1,112,966/[metric tons?]

I should be glad if you would give this matter your earnest consideration, and before we leave Paris I would like to have a word with you about it.

Yours sincerely,

ERNEST BEVIN

740.00119 Control (Germany)/6-549: Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

TOP SECRET

WASHINGTON, June 15, 1949—5 p. m.

Telac 87. For Secretary Acheson from Webb. President has this date approved recommendations in paras 3, 4, and 5 of NSC paper relayed to you in Telac 60,<sup>1</sup> without addition proposed sentence in para 5,<sup>2</sup> and directs their implementation by all appropriate executive Depts and agencies U.S. Govt under coordination of Secy of State.

President has authorized me to inform you he considers that the implementation of para 5 must be carefully weighed in light of situation as it develops at CFM and wishes to leave decision as to its implementation during course CFM to your discretion and judgment.

WEBB

<sup>1</sup> Ante, p. 828.

<sup>2</sup> Webb was referring here to the sentence transmitted to the Secretary in Telac 77, June 12, p. 831.

740.00119 Control (Germany)/6-1649: Telegram

*The Acting United States Military Governor for Germany (Hays) to the Military Attaché in France (O'Hare)*

TOP SECRET

BERLIN, June 15, 1949.

CC 8885. For Magruder info EUCOM CINCEUR for Huebner USAFE for Cannon Dept of Army for Voorhees Dept of Air for Norstad. Reur CFM 62.<sup>1</sup> Agree that it is extremely desirable to build a stockpile of 1,100,000 metric tons by October 31, Practical considerations of storage make stockpiling of additional amounts difficult. Wish to point out that a stockpile of this size would not be adequate for 4 or 5 months as Mr. Bevin has estimated unless present summer curtailed consumption of 6,000 tons per day were maintained. Uncurtailed consumption during winter months would amount to over 12,000 tons per day which would mean that if consumption were not curtailed this would be a reserve for less than 3 months.

Agree that approximately 1,550,000 tons could be brought in by normal surface transport if blockade were completely lifted and strike were ended. This would amount to 13,000 tons per day made up of 10,000 tons by rail, 2,000 by road and 1,000 by barge.

Agree with estimate that stockpile will be about 382,000 on 1 July at present rate of stockpiling. As already pointed out present rate of

<sup>1</sup> Not found in Department of State files. Apparently it transmitted the text of Bevin's letter to Acheson June 13 (p. 832) since at this point in the source text was written in parentheses: "Quote of Bevins ltr to Acheson re airlift."

stockpiling is accomplished by curtailing consumption. Demand would call for 8,000 tons daily summer consumption but it is being restricted to 6,000 tons per day for stockpiling purpose.

The figure of 1,068,661 metric tons consumption is based on daily average of 8,685 tons per day which is the estimate daily average consumption over years period on curtailed basis. Actual present consumption during summer months is nearer six thousand tons per day of materials being brought from the West. Thus, if present curtailed rate of consumption is maintained for stockpiling purposes consumption from 1 July to 31 October would be approximately 750,000 tons. Thus on 31 October the supplies accumulated would be about 1,200,000 tons without any airlift if we continued at our present curtailed rate of consumption and if we were getting 10,000 tons per day of rail traffic. Under these conditions any contribution received by a continuation of the airlift would be used to reduce the degree of curtailment of consumption which is presently required to accomplish adequate stockpiling. As this curtailment amounts to about 2,000 tons per day, the airlift could under ideal circumstances be reduced to two thousand tons per day until 31 October.

The actual situation is very different. At the present time Berlin's receipts from the West are substantially 2,500 tons by road, 1,000 tons by barge and nothing by rail. This means that even at the present curtailed rate of summer consumption it would require 9,500 tons per day by airlift in order to reach the desirable level of reserves on 31 October. The present rate of airlift deliveries is 7,000 tons per day which means that we are presently falling 2,500 tons short of the necessary daily average.

The foregoing makes it necessary to maintain the airlift at maximum while the present restrictions on surface transportation continue. It is our view that, although everything possible should be done to maximize truck traffic, the airlifts capacity to deliver its present maximum should not be jeopardized in reliance on such increased road traffic. This conviction is strengthened by the recent Soviet action in prolonging the strike which action makes it evident Soviets wish to use every possible device to interfere with normal surface transport to Berlin. To date they have succeeded in minimizing road traffic to Berlin by insisting on DWK documentation of goods so shipped and in making such documentation difficult to obtain. If we appeared to be getting too successful in increasing truck traffic there is every reason to believe they would start having bridge trouble or would find some other pretext for interfering with the traffic. Huebner states movement of large quantity of supplies by Army truck is not practicable with present personnel and equipment. It will take about 800 5-ton trucks to deliver 1,000 tons of supplies per day.

The figures used herein are all expressed in metric tons; they include military requirements but exclude requirements for building supplies and other items required for reconstruction and development.

I feel that it is too early to make any decision on planned phase out of Vittles program and urgently recommend that no decision be made until July 15 on this important matter and that contents of CFM-64<sup>2</sup> be changed accordingly.

[HAYS]

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<sup>2</sup> Not printed; it reported that the Air Force could supply the United States portion of the reserve stocks based on Bevin's figures under its current rate of delivery to Berlin; therefore operation Vittles could begin its phase out on July 15. (740.00119 Control (Germany)/6-1649)

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740.00119 Control (Germany)/6-1349

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

VERY CONFIDENTIAL AND PERSONAL

PARIS, June 16, 1949.

MY DEAR MR. BEVIN: I am glad that you raise this question, in your letter of June 13,<sup>1</sup> of Berlin's stocks. This is a matter which is also under examination by our authorities in Germany and on which I have asked for a report.

On the basis of my present information, present plans for the United States Air Force will put into Berlin the American portion of the airlift tonnage necessary to meet the requirements stated in your letter.

I shall be glad to discuss this with you at a convenient moment after I have received additional information from our military authorities.

Yours sincerely,

DEAN ACHESON

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<sup>1</sup> *Ante*, p. 832.

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740.00119 Control (Germany)/6-549: Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

TOP SECRET

WASHINGTON, June 18, 1949—1 p. m.

Telac 95. You will recall in Telac 60<sup>1</sup> Dept made certain suggestions for amplification and clarification of para 3(d) of NSC 24/2.<sup>2</sup> No further action was taken here on this subject in view of your Actels 59<sup>3</sup> and 62.<sup>4</sup>

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<sup>1</sup> *Ante*, p. 828.

<sup>2</sup> *Ante*, p. 820.

<sup>3</sup> *Ante*, p. 831.

<sup>4</sup> Not printed; but see footnote 4 to Telac 77, June 12, p. 831.

At NSC meeting last Thurs the Military on their own initiative presented the views of the JCS on this question and suggested that the para below be approved by the President to provide guidance for field commanders. This suggestion was approved by the Council and we are informed that the President approved the suggestion on June 17. Text follows:

"Traffic to Berlin wld not be halted by the Western Powers on a mere administrative order or notification by the Sovs that movement wld not be permitted; vehicles wld continue to attempt to transit the corridor until confronted by a physical barrier, an armed guard, or other evidence of force; and we shld make no show of force such as 'mounting an armed convoy on the highway.'"

WEBB

Executive Secretariat Files

*Memorandum by the Acting Special Assistant in the Office of German and Austrian Affairs (Beam) to the Secretary of State*

TOP SECRET

WASHINGTON, July 6, 1949.

Subject: NSC Consideration of Possible U.S. Courses of Action in the Event the USSR Reimposes the Berlin Blockade.

Conclusion 227 of the NSC Meeting of June 16 reads as follows:

a. Noted the seriousness with which the Secretary of State views Soviet reimposition of the Berlin blockade.

b. In view of the opinion of the National Military Establishment that, with the clarifying instructions which will now be issued to the field, the mere reimposition of the blockade would not bring us perilously close to war, deferred action on the first point in the second paragraph of the reference memorandum<sup>1</sup> until the return of the Secretary of State.

c. Noted that the Department of State has initiated an extensive study<sup>2</sup> as suggested in the second point in the second paragraph of the reference memorandum.

<sup>1</sup> Under reference here is a memorandum from Webb to Souers, June 13, not printed, which reported Acheson's views on NSC 24/2 as sent from Paris in Actel 59, June 11, p. 831. The second point, referred to in paragraph c of the source text, was also sent in Actel 59.

<sup>2</sup> Under reference here is a paper written by Walter Wilds, Deputy Assistant Secretary of State for Occupied Areas entitled "Reimposition of Berlin Blockade: Notes on Problems and a Checklist of Possible Countermeasures." The paper had first been drafted toward the end of the Paris session of the Council of Foreign Ministers, circulated for suggestions and comments and revised on June 21. This second draft was in turn revised with the help of Rusk, Bohlen, Jessup, Beam, and Adams and copies distributed to Byroade, Rusk, Webb, Beam, Jessup, and McCloy. The Checklist enumerated measures that could be taken against the Soviet Union at the United Nations, diplomatic measures, quasi-military measures, economic measures, measures that could be taken in Germany, public information measures, and certain other measures. Copies of the second and third drafts are in file 740.00119 Control (Germany)/6-2349 and 7-1449.

With reference to paragraph *b.* above, the NSC Secretariat suggests that the item should now be deleted from the NSC agenda but that before this is done the Council would probably appreciate receiving from you an extension of the comments on NSC Report 24/2<sup>3</sup> which you transmitted from Paris. There is presented below a draft statement which you might wish to consider using in discussing this general question in the light of the conclusion of the Paris CFM:

I have noted the opinion of the National Military Establishment stated in para *b.* of Conclusion 227 of the NSC meeting of June 16. I have also noted that the NSC would like to have from me a clarification of the observations which I transmitted from Paris in giving my concurrence to NSC Report 24/2.

I should like to make it clear that my comments were directed to the substance of the NSC report 24/2: that is, what attitude this Government should adopt and what action it could take if faced with a reimposition of the Berlin blockade by the Soviet Government.

The results of the conference in Paris have rendered the possibility of an overt direct reimposition of the blockade by the Soviet Government less likely in the foreseeable future. While the probabilities are less, the implications of any such action by the Soviet Government in the face of the *modus vivendi* arrived at in Paris<sup>4</sup> would, in my opinion, be even more serious than had there been no understanding at Paris on this point. My comments therefore, would have added bearing in the event the Russians, despite the Paris agreement, reimposed the blockade of the three Western sectors in Berlin.

It seems to us now that one of the chief reasons why the Soviets desired to provide for continued four-power consultation respecting Germany was that they were possessed of the genuine fear that the tensions arising over Germany might automatically lead to war. They appear to have convinced themselves of the determination of the policy of the Western Powers and to have decided that this was not the proper time to meet us head on over Germany. If this thesis is correct, it is unlikely that in the near future they will take an abrupt act which would seriously aggravate the situation in Germany in the direction which seemed to them to be leading to conflict. A reimposition of the blockade would be such an act and would obviously have far more serious connotations than the original imposition of the blockade which the Soviets sought to justify by technical reasons, however specious, such as the alleged need of protecting the currency of the Eastern zone. Under the circumstances, a new total blockade would probably have no other motive than a calculated act of hostility, and that is why I wished the NSC and the President to be advised how perilously close to war such a situation would bring us.

I discussed at length with my British and French colleagues the advisability of endeavoring to force from the Soviets a clear reaffirma-

<sup>3</sup> *Ante*, p. 820.

<sup>4</sup> *Post*, p. 1062.

tion of our right of free access to Berlin. From the stand previously taken by the Soviets in notes addressed to us and confirmed in the opening CFM discussions, it became obvious we could not obtain such a reaffirmation. Their brusque rejection of our proposal that the *Auto-bahn* be placed under our control was illustrative in this respect. In my discussions, however, with Mr. Vishinsky, both in secret session and in private conversation, I stressed to him the extreme seriousness with which we would view a return to the conditions of blockade and counterblockade which existed prior to the entry into effect of our New York Agreement of May 4.<sup>5</sup> I stated I assumed that was a situation which both the Russians and ourselves wished at all costs to avoid and Mr. Vishinsky agreed with this opinion.

The New York Agreement was confirmed by the agreement we made with the Soviets at Paris, and thus on the record, the Soviets are formally committed not to reimpose the blockade. It is true that the *modus vivendi* in so far as it relates to access to Berlin is of a contingent nature in that it links a resumption of trade with transport arrangements. However, both parties have an interest in this sphere and I would regard it as unlikely that the Soviets by reimposing the blockade would sacrifice their interest in this respect and in addition once again bring upon themselves the extreme risks which they perceived were adherent in the nine months' experience with the blockade. Since they attach such importance to continued consultation on Germany, it is furthermore unlikely that in the near future they would adopt a clear-cut measure which would jeopardize this objective.

I think it is possible we shall continue to have various local disagreements with the Russians on technical transport matters. While annoying, these can probably be dealt with *seriatim* and be successively surmounted to give us what we hope will be adequate land transport facilities. An abrupt and total reimposition of the blockade, however, would be of such significance and an act of such utmost gravity in its political implications that I consider the characterization contained in my comments from Paris would be fully justified. I had in mind that were the blockade to be reimposed we would wish to have a general alert warning issued to our military commanders. Of course, such an alert order would not be the only action which our government would be required to take, as we could not make a decision that we were "perilously close to war" without taking many other steps within this government. I, therefore, would not recommend that we attempt at this time to dictate the measures which would have to be adopted. I would suggest that the NSC take note of the extreme seriousness with which we would view a reimposition of the blockade, and that the item be taken off our agenda, with the understanding that action other than that which already has been approved should be deferred for decision at the time of the event.

With reference to paragraph c. of Conclusion 227 of the NSC meeting of June 16, I wish to report that the intensive study of possible

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<sup>5</sup> See editorial note, p. 750.

countermeasures which might be taken against the USSR, is making satisfactory progress.<sup>6</sup>

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<sup>6</sup> At the forty-second meeting of the National Security Council, July 16, Secretary Acheson reported his views concerning the seriousness of a possible reimposition of the Berlin blockade, generally along the lines suggested by Beam. No record of his statement has been found in the Department of State files. The Council noted his remarks and

"agreed that, if the Berlin blockade is reimposed, the Council will give urgent consideration to all factors involved at the time of such reimposition and will then make appropriate recommendations to the President."

(NSC Action 233, Executive Secretariat Files)

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Executive Secretariat Files

*Report to the National Security Council by the Secretary of Defense  
(Johnson)*<sup>1</sup>

TOP SECRET

WASHINGTON, 25 July 1949.

NSC 24/4

Subject: Phase-Out of the Berlin Airlift

You will recall that NSC 24/3,<sup>2</sup> approved by the President on 15 June 1949, recommended as interim measures, while the Council of Foreign Ministers was in session and also thereafter, unless a clear written agreement were reached providing definitive arrangements for adequate rail, road and water access to Berlin, that:

"a. All efforts, including the airlift, be made to increase the reserve stocks of supplies in Berlin.

"b. The airlift system be kept in a state of readiness for full operation."

As you know, no definitive agreement confirming Western Allied transportation rights to Berlin was achieved at the recent session of the Council of Foreign Ministers. In recent messages to the Department of the Army, the United States and British Military Governors have estimated that the Berlin stockpile of 1,100,000 metric tons of supplies, a reserve of four to five months for the western sectors of Berlin, will be achieved approximately by 17 August 1949. This is regarded by them as a maximum stockpile that is practicable both from the point of view of storage and finance. When the stockpile is completed, there will still be a surplus of intake capacity by rail and barge of some 6,000 tons daily above requirements.

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<sup>1</sup> Attached to the source text was a memorandum from the Executive Secretary Souers to the National Security Council, July 25, not printed, which submitted Johnson's report for consideration by the Council. (Executive Secretariat Files)

<sup>2</sup> Not printed.



The Military Governors therefore consider that immediate steps are necessary to reduce the airlift by phases beginning 1 August 1949. The fastest and safest practicable rate of phase out will, in their opinion, require three months to complete. With respect to the possibilities of a reimposition of the Berlin blockade, the Military Governors have recommended:

a. That two troop carrier groups, U.S. Air Force, and two heavy transport squadrons, Royal Air Force, remain in Germany.

b. That their governments make appropriate arrangements to insure that the airlift can be built up again so as to attain full scale within a period of ninety days.

c. That each Air Force in Germany shall insure that installations within its control are maintained sufficiently to insure that the airlift can be built up again at the rate given in b above.

The Joint Chiefs of Staff feel, and I concur, that adequate provisions have been made to insure the establishment of the Berlin stockpile, and that adequate provisions can be made to insure resumption of the airlift if such resumption becomes necessary. However, the phasing-out of the Berlin airlift has implications beyond those of a purely military nature, and I therefore recommend to the National Security Council that the National Military Establishment be authorized, as a matter of urgency, to phase out the Berlin airlift, commencing 1 August 1949, provided that action by the National Military Establishment is taken to insure that in an emergency the airlift can be re-established at full capacity within ninety days.

Inasmuch as no meeting of the National Security Council is scheduled prior to 1 August 1949, I suggest that concurrences in the recommendations set forth in this memorandum be indicated by voting slips rather than by the calling of a special meeting for this purpose.<sup>3</sup>

LOUIS JOHNSON

<sup>3</sup> On July 27 the National Security Council approved NSC 24/4 and concurred in the recommendation by the Secretary of Defense contained in the next to the last paragraph. The report was subsequently submitted to President Truman who approved the recommendations on July 28 and directed their implementation by the Secretary of Defense. (Executive Secretariat Files)

### E. THE BERLIN RAILROAD STRIKE

862.5045/5-2049 : Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Secretary of State*

CONFIDENTIAL

BERLIN, May 20, 1949—1 p. m.

766. Berlin Independent (UGO) Railway Workers Union has decided on strike of all Western sector railroad and S-bahn (rapid

transit) workers beginning 0001 hours May 21. If strike is carried through it will halt S-bahn and railway operations including rolling stock repair in Western sectors and could mean stoppage of trains coming into Berlin from West Germany unless special arrangements were made to handle traffic on Western sector tracks.

Background of strike is following. After March 20 full introduction West mark in Western Berlin, Soviet-controlled Railway Administration refused to pay West mark wages to some 15,000 railroaders and S-bahn workers living and working in West sectors, and continued to collect S-bahn fares in East marks. Magistrat negotiations with Railway Administration produced no remedy and in April Magistrat voluntarily exchanged two-weeks pay of railroaders into West marks at 1:1. Exchange was made at UGO offices and was completed April 22.

It cost Magistrat about two million West marks. Railway Administration then offered extra rations to workers and set up shops in West sector railroad installations to supply them against East marks. Allied Kommandatura on April 28 at strong desire of US Commandant refused Magistrat request that Kommandatura order Railway Administration to comply with March 20 currency order requiring payment of wages in West marks, though this request was backed by British delegation. On May 5-6 UGO took strike vote among all workers affected (UGO Railway Union had only 2305 members as of April 6, mainly because of Soviet terror and mass dismissals of UGO members). However 12,275 participated in strike vote against strong Soviet and FDGB (Communist Union League) opposition. 2000 more were out of town at work and could not vote. 11,522 or 94.5 percent voted for strike, 549 or 4.1 percent against strike, 204 cast invalid ballots. On May 9 Berlin railway director Kreikemeyer (SED) offered to place entire West mark receipts of railroads at disposal of Magistrat to pay wages, and UGO called off strike (S-bahn had previously announced it would accept, but not require, West marks for fares). Labor Department Chief Fleischmann negotiated for ten days with Kreikemeyer and finally discovered that Railway Administration offered 90,000 West marks per month, whereas over 4 million would be needed. Thereupon UGO decided on strike.

Roman Chwalek (KPD-SED), President of FDGB Soviet Zone Railway Union, on May 20 published statement denouncing strike as attempt to disrupt CFM and saying: "shutting-down of Berlin railways would mean that also movement into Berlin of transport from West could not take place". We need hardly point out possibility of

Soviets utilizing this strike as excuse to justify further interference with Berlin–West Germany train traffic.<sup>1</sup>

Sent Department 766, repeated Paris 286 for USDel.

RIDDLEBERGER

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<sup>1</sup> In telegram 777, May 21, from Berlin, not printed, Riddleberger reported that the Berlin railroad strike began on May 21 as planned. (862.5045/5-2149)

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740.00119 Control (Germany)/5-2349 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

CONFIDENTIAL

BERLIN, May 23, 1949—6 p. m.

795. Western commandants met this morning to discuss strike situation. US Commandant General Howley presided. Howley reviewed situation, mentioning occupation of many stations by Soviet controlled railway police [who] fired on or beat striking railroaders, attempts of Soviet controlled railway administration to break strike, announcement that all strikers would lose jobs, and presence of platoon of armed Soviet troops in railway yards at Wannsee in US sector. Howley then proposed that an order be sent to railway administration directing removal of railway police from Western sector stations by two o'clock today, and further directing that negotiations be opened with strikers. This proposal arose in part from written request by city magistrat that West sector police be empowered to restore law and order and occupy all stations West sectors.

British Commandant General Bourne opposed this proposal. He stated no Soviet troops had appeared in his sector and he would not tolerate their presence there. He stated that although disturbances, including shooting by railway police, had occurred in the British sector, worst trouble spot had been removed by occupation of Charlottenburg station yesterday evening by West sector police acting on British order. He stated complete calm existed today in British sector, although railway police still occupy some stations. He felt it was better for each commandant to authorize West sector police to intervene in specific cases if necessary to restore order, including occupation of stations, that this procedure had proved advantageous and is preferable to provoking possibly serious reactions by superior Soviet controlled forces by issuance of sweeping order such as proposed by Howley. He proposed merely to inform magistrat that Western commandants had full authority to maintain law and order and would

continue to authorize West sector police to restore order as and when necessary. He disapproved ordering railway administration to negotiate as all allied authorities up to now had insisted that strike is purely German matter and this would smack of intervention on behalf of strikers. He renewed his proposal of April 28 that commandants order railway administration to collect fares in West marks, and pay salaries in West marks in compliance with Kommandatura ordinance No. 3.

French Commandant General Ganeval completely shared Bourne's views. He stated that French authorities had also had troublesome moments and had ordered West sector police to intervene yesterday by occupying Gesundbrunnen station. Today calm likewise reigns in French sector. No Soviet troops had appeared there and should they appear, he would react immediately with all measures "even most violent" to remove them. He likewise favored policy of action as and when necessary but avoidance of sweeping decrees which might commit us further than necessary or desirable.

Howley stated he did not understand "policy of inactivity" favored by other two commandants and he considered it very necessary to issue clear statement of principle that only West sector police were responsible for maintenance law and order in West sectors including railroad stations. He expressed astonishment that British wished to issue orders concerning collection of fares and payment of wages, which are "purely operational matters" left by agreement in hands of Soviet authorities, but were unwilling to issue orders assuming general responsibility for law and order on railroad property. He was unable, however, to persuade his colleagues to abandon their preference for action only in individual cases as required, and finally agreed to sending reply to magistrat as proposed by General Bourne. Howley reiterated his unwillingness to issue any orders concerning payment of railroad workers in West marks.

As of mid-afternoon today, therefore, situation is generally quiet with West sector police in occupation of several stations in British and French sectors with approval of sector authorities. No disturbances reported from any Western sector. Soviet troops have now left Wannsee, but reports have been received that another armed group of Soviet troops numbering 39 has been located in Schoeneberg repair yards in US sector where they reportedly have been since beginning of strike.

Sent Department 795, repeated Paris for USDel 303.

RIDDLEBERGER

740.00119 Control (Germany)/5-2649 : Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the United States Delegation at the Council of Foreign Ministers*

SECRET

BERLIN, May 26, 1949—7 p. m.

330.<sup>1</sup> West commandants met this afternoon to reassess Berlin strike and transport situation and decide what further action necessary. They agreed on broad outlines of written estimate of situation which will be submitted to respective Military Governors this evening. Their recommendations are 3 in number:

First, no direct action by commandants is required at this moment.

Second, they will informally advise Reuter and Magistrat to continue efforts to negotiate with Reichsbahndirektion.

Third, they recommend that at next meeting of Economic advisers, West representatives should make quite clear to Soviet representative that Soviets are failing to move trains in and out of Berlin as required by New York agreement<sup>2</sup> and that continued failure along this line will pose serious threat to Paris meeting of CFM.

Reasons for these decisions are that our position is generally strong and would be weakened by active intervention now. From law and order standpoint, situation entirely quiet today. Strike is completely effective and morale of strikers and general population remains high. UGO yesterday formally offered to Reichsbahndirektion to bring interzonal trains in and out of Berlin and offer was refused. Responsibility for present non-implementation New York agreement therefore rests squarely with Soviets and their agencies. In these circumstances, it is considered desirable to give somewhat more time for seriousness of situation and sense of responsibility for jeopardizing Paris meeting to sink in on Russians. General estimate is that strike is hurting them more than us and active Kommandatura intervention will be premature so long as population's morale remains high. It is realized that morale may change and commandants therefore agreed to meet again not later than Monday to reexamine situation. If Soviets or their agencies have not by then negotiated settlement with US Government, which many observers including Reuter feel they well may do, and if morale takes turn for worse, it is probable commandants will intervene by ordering collection of fares in West sectors in West marks and payment of West sector railroaders in West marks. This would remove

<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Under reference here is the Four-Power communiqué, May 5, which called for the lifting of all restrictions on trade and communications with Berlin and the convoking of the Council of Foreign Ministers. For the text of the communiqué, see editorial note, p. 750.

principal grievance of strikers though it would not touch their other two demands, namely, recognition of UGO and reinstatement of dismissed employees.

Sent Paris 330 for USDel, repeated Department 825.

RIDDLEBERGER

Department of Defense Files

*The Department of the Army to the United States Military Attaché in France (O'Hare)*

TOP SECRET      PRIORITY

WASHINGTON, 28 May 1949.

WAR 89370. Personal for Dorr and Magruder from Voorhees. We are naturally much concerned here about Berlin rail tie-up. Have consulted with Clay, who is reluctant to express any views because he does not want to interfere in any way in problems which have been passed on to others. However, at my urgent request he did give me the following comments which I pass on for your information and any appropriate action:

The strike of the West Germans for West marks could not be solved by the Reichsbahn which has no West marks at its disposal. Hence the demand of the strikers could only be met provided Soviet military administration made West marks available. The Three Western Powers took the position that this was a German matter. The East German strike breakers were not allowed in the West sector railway stations. Obviously, this resulted in closing Berlin to rail traffic from the West. Soviet military administration then had only to agree with the position of the Western Powers that this was a German matter to in effect reimpose at least in part the blockade. Now we are accusing Soviet military administration of blocking traffic to Berlin whereas in fact we are really blockading ourselves. It does seem that to call this purely a German affair is to the disadvantage of the Western Powers and the blockade thus created is probably much more expensive to the Western Powers than their own assumption of responsibility for payment of employees in West marks. Judging from press reports, it would seem that the Western Powers are maintaining a principle of doubtful validity at great cost to themselves. In any event, the situation has defeated the important project of building up maximum reserves in Berlin before the adjournment of the Council of Foreign Ministers. In case it should become necessary to revert to air lift alone, any loss in capacity devoted to building up reserves will prove most costly.

Above ends Clay's suggestion to me. Under arrangements by which our authorities in Berlin can deal directly with you, suggest you discuss matter with them in light of these remarks. Also that you feel free to discuss them with Acheson Delegation.

State requests that above analysis by Clay be called to attention of the Secretary as they have likewise been concerned with aspects he raises.

[Here follow Clay's views on attempts to unify Berlin and Soviet participation in the economic affairs of a united Germany.]

[VOORHEES]

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740.00119 Control (Germany)/6-349 : Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Acting Secretary of State*

SECRET      PRIORITY

BERLIN, June 3, 1949—11 p. m.

884. Remytel 872, June 2, repeated Paris 366.<sup>1</sup> At three and one-half hour meeting of four Berlin commandants no progress was made on settlement of Berlin strike in spite of efforts and proposals of three Western commandants to find compromise solution.

Kotikov led off with proposal that West sector commanders order West sector police from stations, railroad yards, and other installations of railroads in order to permit railroad administration to "continue normal operations consistent with previous instructions." He said that the Reichsbahndirektion had concluded an agreement with FDGB which provided for payment of 60 percent of wages in West marks. When Howley pointed out that workers had not returned to duty as result of this offer which therefore seemed to lack a certain realism, Kotikov retorted that it was only because of the action of saboteurs and criminals which prevented the workers from resuming their duties. His proposal was accompanied by a polemic largely repetitions of the accusations contained in recent letters from SMA on strike to effect that railroad operations had been disrupted by saboteurs and criminals. If proposal accepted, normal traffic could be at once resumed. The strike is handicapping the negotiations in Paris and Germans are utilizing strike for political purposes. The origin at [of?] the difficulty is to be found in the discrimination against railroad workers inherent in the West sector currency reform. He recalled that interruptions to traffic were only in West sectors and not in East sector, and that difficulties were the work of saboteurs and

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<sup>1</sup> Not printed; it reported that the four Berlin Commandants were meeting at French Headquarters at 2:30 June 2, to discuss the railroad strike. (740.00119 Control (Germany)/6-249)

West sector police who were preventing the "normal" operation of the railroads.

Disregarding the tirade of Kotikov, the three West sector commandants, according to a prearranged agreement, attempted to find a basis for a solution through various compromises all conceived with the intent of a negotiation which the SMA could accept, as follows:

1. Direct negotiation between Reichsbahndirektion and workers which would be accomplished by four commandants using their influence on giving orders to this effect.
2. Negotiations between the RBD and acceptable bodies or persons who could speak for workers, as for example magistrat.
3. Negotiations between any two persons suggested by RBD and two persons suggested by the workers.
4. Arbitration whereby one representative would be appointed by RBD, one by workers and one acceptable to both.

Kotikov was also asked if West sector commandants issued interpretation of currency reform requiring 100 percent payment in West marks, would he permit RBD to comply?

Kotikov rejected categorically all of these proposals and reverted to his original proposal explained above with elaborations and renewed accusations that difficulties stemmed from discriminations of currency reform and actions of West sector commandants in refusing to withdraw West sector police. He concluded by denying that meeting had been called at Soviet request. No date was set for future meetings.

Note that proposals of Western commandants did not take any fixed position on UGO demands, and therefore would not have required RBD recognition of UGO, would have made possible a realistic settlement of wage issue according to the West mark income of the railroads and left open the question of dismissals. In spite of this conciliatory attitude, Kotikov was adamant and Howley had impression that his instructions were rigid and gave him no latitude for negotiation.

In interview with Reuter last night, I explained the Western position and found him most cooperative in his attitude. He will use his influence with UGO to find a solution which takes into account the situation in Paris even to the extent of magistrat financing of part of wages if required. But in view of Kotikov's attitude today, little prospect is seen of a rapid settlement.

Sent Department 884, repeated Paris 376.

RIDDLEBERGER



740.00119 Control (Germany)/6-1049: Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Acting Secretary of State*

SECRET      PRIORITY  
NO DISTRIBUTION

BERLIN, June 10, 1949—noon.

914. Mytel 902, June 9, repeated Paris for USDel 389.<sup>1</sup> Howley conferred with UGO leaders this morning as result of which he drew up draft letter to Kvashnin, text of which is quoted below. After obtaining agreement of UGO leaders to terms, Howley discussed them with Kvashnin and obtained his oral acquiescence to the points listed. UGO leaders have stated that the five points in the letter plus the 15 percent contribution from the Magistrat is acceptable and they will recommend favorable vote by workers on the issue. Plan has been discussed with and is acceptable to British, French and Mayor Reuter.

*Begin text of letter:*

"Dear Gen. Kvashnin: It is my understanding that the Reichsbahndirektion continues to offer to all Reichsbahn employees who reside in the Western Sectors of Berlin the following:

1. The Reichsbahndirektion will pay in Westmarks at least 60 percent of the wages of railroad workers residing in the West Sectors of Berlin, beginning with return to work.
2. The Reichsbahndirektion will pay more than 60 percent to eligible persons in so far as its Westmark income permits.
3. The Reichsbahndirektion will require Westmark payment for all revenue collected from the sale of tickets and other services rendered by the Reichsbahn in relation to the three Western Sectors of Berlin, as a basis for providing funds to pay salaries and wages in accord with this agreement.
4. The Reichsbahndirektion will take no punitive action against railroad workers who have participated in the strike.
5. This assurance is intended to apply to all railroad workers living in the Western Sectors, regardless of union affiliation.

Furthermore, all Reichsbahn employees are instructed by the Reichsbahndirektion to return to work immediately so that normal railroad and S-Bahn services can be re-established.

Is the above a correct statement of the agreement made by the Reichsbahndirektion for the benefit of all railroad employees, including all of those who have not worked since the 21st of May 1949?

Sincerely yours, (signed) Frank L. Howley."

Sent Department 914, repeated Paris 399 (for USDel).

RIDDLEBERGER

<sup>1</sup> Not printed; in it Riddleberger reported a plan by Howley to accept Kreikemeyer's offer that at least 60 percent of the strikers' wage be in West marks plus a guarantee by the municipal government of an additional 15 percent in West marks. This plan was to be presented to the British and French and then to the Soviet Military Administration, if the German authorities in Berlin were not able to settle the strike. (740.00119 Control (Germany)/6-949)

740.00119 Control (Germany)/6-1249: Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Acting Secretary of State*

SECRET PRIORITY

BERLIN, June 12, 1949—6 p. m.

922. Largely because of stupid UGO union leadership and undisciplined functionary corps, execution of plan outlined mytel 918, June 11, repeated to Paris for USDel as 402<sup>1</sup> to end Berlin railway strike has been delayed. Meeting of UGO railway union executive committee June 11 decided by majority to postpone acceptance of Howley proposal.

Lord Mayor Reuter and others then applied more pressure to UGO leaders. Union executive committee meeting at 9 a. m. June 12, after hearing Reuter speak, voted to accept proposal. It then asked stormy meeting of 600 union functionaries, which commenced at 10 a. m., also to accept it. Reuter spoke at this meeting also. Functionaries decided, with 60 votes against, to accept it. A member then introduced motion to put proposal to strikers in new referendum and Waldheim, who presided over meeting, took vote on motion without allowing leaders to recommend rejection. Motion was carried and referendum will be held.

One of union leaders consulted said question will be put to strikers in such form that acceptance is certainty. All union leaders will urge acceptance. Referendum will probably occur June 13.<sup>2</sup>

Sent Department 922; repeated Paris for USDel 404.

RIDDLEBERGER

<sup>1</sup> Not printed; the plan called for the presentation of Howley's proposals first to the executive committees of the railroad union and then to small meetings of union functionaries, leaving to the discretion of the union when it would announce the proposal and the expected acceptance (740.00119 Control (Germany)/6-1249).

<sup>2</sup> The referendum was held on June 14 and resulted in the rejection of the Howley proposals 12,626 to 2,085. Riddleberger felt that the reason for this overwhelming rejection was the denial in the Soviet-controlled media that any agreement had been made with the United States Military Government regarding the strike. (Telegram 934, June 14, from Berlin, not printed, 740.00119 Control (Germany)/6-1449)

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### *Editorial Note*

On June 16 the three Western Commandants sent a letter to General Kvashnin regarding the settlement of the Berlin railroad strike. They sought written or public assurance by the Soviet Military Administration authenticating the Reichsbahn offer of 60 percent payment in Western marks and barring reprisals against strikers returning to work.

In his reply, June 20, General Kvashnin reviewed the history of the strike, including his conversation with General Howley on June 10,

and reiterated his feeling that the strike was strictly a German matter. He ended his reply by stating:

"Even today I am prepared to repeat the same things I told you during our conversation on June 10, namely: 'As the Chief of the Transport Division of SMA, I never had and do not have any doubts that the Reichsbahndirektion will live up to all the conditions which are mentioned in its agreement with the Railroad Trade Union.'

It is well known that the Berlin Reichsbahndirektion is already fulfilling this agreement and in particular as of June 1 it pays all the railroad employees who are not participating in this strike 60 percent of their wages in Westmarks."

The texts of the two letters were transmitted from Berlin in telegrams 940, June 16, and 981, June 22, not printed (740.00119 Control (Germany)/6-1649 and 2249). For a summary of the letters, see Howley, *Berlin Command*, pages 268-269.

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740.00119 Control (Germany)/6-2249: Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Acting Secretary of State*

CONFIDENTIAL

BERLIN, June 22, 1949—8 p. m.

980. Following is text of letter to General Kvashnin, dated June 21 from the 3 Western Commandants of Berlin. This letter has not been released to the press and its release is not planned at the present time:

"Subject: Settlement of the Berlin Railway Strike

To: Major General P. Kvashnin, Technical Forces, Transportation Department, Soviet Military Administration of Germany.

1. We acknowledge receipt of your letters of the 20 June,<sup>1</sup> addressed in similar terms to the 3 Western Commandants, and note with satisfaction that you again confirm that the Reichsbahndirektion will carry out all the conditions of the agreement as set out in General Howley's letter to you of June 10.<sup>2</sup>

2. In particular, we note your reassurance that no reprisals whatsoever will be taken by the Reichsbahndirektion against strikers, irrespective of what trade union they may belong to, unless they had committed during the strike some criminal offence. In this connection, we assume that criminal actions which may be instituted against any persons will be dealt with in accordance with German law, that all trials will be public, and that the rights of the accused will be guaranteed.

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<sup>1</sup> Not printed, but see editorial note, *supra*.

<sup>2</sup> Transmitted in telegrams 914, June 10, p. 848.

3. We are now prepared to use our good offices towards the final settlement of the strike. In order to ensure that both the strikers and the general public are made aware that the terms of the settlement have been the subject of correspondence between us, we propose to publish the letters which have passed between us at 2100 hours today, 21 June, 1949.

4. Finally, in order to avoid a repetition of the unfortunate misrepresentations and distortions which occurred last week,<sup>3</sup> we suggest that you, for your part, and we 3 commandants do our best to ensure that these terms for settlement of the strike are given fair and favourable treatment both in the press and over the radio in the immediate future."

Signed General de Brigade J. Ganevel (French); Major General G. K. Bourne (British); Brigadier General Frank L. Howley (USA).

RIDDLEBERGER

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<sup>3</sup> The reference here is to the denials in the Soviet-controlled news media of Berlin that any agreement had been made between the Soviet Military Administration and the United States Commandant regarding the Berlin railroad strike.

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740.00119 Control (Germany)/6-2449: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

PRIORITY

WASHINGTON, June 24, 1949—6 p. m.

2180.<sup>1</sup> Pls deliver the following to Bevin as a personal message from me:

"I am seriously disturbed by the failure to settle the Berlin railroad strike which is now taking the form of a senseless self-imposed blockade and is beginning to threaten our common security in Berlin. I hope that a settlement can be found which with Western Allied help, if needed, will protect the legitimate interest of the workers. If the strikers prove recalcitrant, I believe we should consider further steps. Two courses would be possible: Either to exert our influence through our Mil Governors or to proceed to some kind of direct intervention in Berlin. Should the strikers ultimately refuse to return to work, I would be willing to have our commanders issue a proclamation along the following lines: The strike is ordered terminated and strikers compensation pay will cease; jobs will be offered strikers who are not re-employed; Military Government will take steps to protect the railroad and those who operate it. I would appreciate your views on the problem we face in Berlin, and I am addressing Mr. Schuman in a similar sense."<sup>2</sup>

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<sup>1</sup> Repeated to Paris as 2270 and Berlin as 729.

<sup>2</sup> In telegram 2473, June 27, from London, not printed, Embassy London reported that Bevin's views coincided 100 percent with those expressed in this telegram and that similar instructions had been transmitted to the British commander in Berlin. (740.00119 Control (Germany)/6-2749)

For Paris. Please deliver above message to Mr. Schuman with appropriate change in last sentence.<sup>3</sup>

For Berlin. Above is for your information.

ACHESON

<sup>3</sup> In telegram 2655, June 27, from Paris, not printed, Bruce reported that the French Foreign Office had telephoned Berlin June 25 for the latest information on the strike and on the same date had sent a note to the American Embassy advising that Schuman shared Acheson's feelings and would do everything to bring about its end. (740.00119 Control (Germany)/6-2749)

740.00119 Control (Germany)/6-2549 : Telegram

*The Acting United States Political Adviser for Germany  
(Riddleberger) to the Secretary of State*

CONFIDENTIAL      PRIORITY  
NIACT

BERLIN, June 25, 1949—9 p. m.

1010. Re Berlin strike, Western deputy military governors held two meetings today in which agreement was reached on letter from Western commandants to Magistrat, text of which is as follows:

"1. The railway strike, despite all efforts on part of Western commandants and Magistrat, has now lasted for five weeks. Strike is preventing free flow of trade between Berlin and the West, and is, therefore, impeding restoration of economic life of Berlin.

2. Direct cost to city in way of unemployment pay amounts to some 397,000 DM per week, apart from very large loss of revenue which is an indirect result of strike.

3. Western commandants have given UGO their full support in their legitimate claims for satisfactory settlement of wage issue.

4. Western commandants consider that moment has arrived when continuation of strike is no longer justified for following reasons:

(i) Western commandants have noted that General Kvashnin has given verbal and written assurances that there will be no victimization of strikers who return to work.

(ii) As result of Paris agreement<sup>1</sup> four occupying powers are obligated to take action to facilitate movement of goods and persons and to reestablish normal condition in Berlin.

(iii) Strike is having serious effect on social and economic life of Berlin and on economic life of Germany.

(iv) Strike is imposing an unwarranted burden on Western allies in obliging them to bring to Berlin by air, goods which should normally come by rail. If strike continues, population of Berlin will inevitably be deprived of advantages they should enjoy as result of New York agreement.<sup>2</sup>

<sup>1</sup> For the text of the communiqué of the Sixth Session of the Council of Foreign Ministers, June 20, 1949, see p. 1062.

<sup>2</sup> See editorial note, p. 750.

5. Reichsbahndirektion has undertaken to pay to Railway workers at least 60 percent their wages in Westmarks and more as and when the Westmark receipt of Reichsbahn permit. Western commandants hereby authorize Magistrat to exchange for the railway workers who reside in West sectors and who return to work on or prior to 28 June as many Westmarks for Eastmarks as may be necessary, over and above the Westmarks received by them from Reichsbahndirektion, to ensure that they receive 100 percent their wages in Westmarks. This authorization will remain in effect for three months at which time authorization may be reviewed in light of situation which then prevails.

6. In view these arrangements and assurances of General Kvashnin, Western commandants therefore hereby direct Magistrat to cease payment of unemployment relief to those railway workers who have not returned to work by June 28. An exception however is made for those railway workers who reside in West sectors Berlin and who in writing indicate their desire by June 28 not to return to work under the Berlin Reichsbahndirektion and their intention to seek work elsewhere and who also give in writing the assurance that they will not in any way interfere with operation of the railway. Further, Western commandants direct that, in those cases in which railway workers do express their desire in writing, Magistrat shall give every possible assistance to enable them to secure alternative employment."

Commandants will call in UGO leaders within next hour and give them copy this communication. Reuter will then be seen and will be given the letter. On both occasions, commandants will hand over letter with appropriate explanations to effect that strike must be ended.

Copies of letter will likewise be sent to SMA and to Reichsbahndirektion.

Sent Department 1010, repeated London 328, Paris 442.

RIDDLEBERGER

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740.00119 Control (Germany)/6-2649: Telegram

*The Acting United States Political Adviser for Germany (Riddleberger) to the Secretary of State*

SECRET      PRIORITY

BERLIN, June 26, 1949—11 p. m.

1014. Personal for the Secretary from Murphy. As you may have learned from other sources the Executive Committees of the Berlin Independent Railway Workers Union and the Federation of Independent Trades Unions Organizations (UGO), acting jointly, after an all day session Sunday voted unanimously to declare the current strike at an end with resumption of work scheduled for Tuesday morning. This resolution accepted the conditions laid down in the commandants letter to the Magistrat the text of which was telegraphed to Department 25 June,<sup>1</sup> referring to it as an order.

<sup>1</sup> See telegram 1010, *supra*.

The initial reaction of the city administration and of the railroad workers seems to be one of quiet satisfaction over the provision of payment of 100 percent of wages in West marks for the three month trial period. This feature harmonizes with the views of Reuter and his associates in the city administration and gives satisfaction to the strike leaders as a very material advantage which is welcome to the workers and their families. The fact that they have not succeeded in obtaining recognition by the railroad administration of the West sector independent non-Communist union is a disappointment which was expected.

This satisfaction is tempered by an uneasiness as to the attitude, thus far undisclosed, of Communist ridden German railroad administration and the SMA. There is very real fear on the part of many of the workers of eventual reprisals which the Soviet controlled East police or other agencies may take against individual workers, some of whom are marked men. It will undoubtedly be necessary to sift out some of the latter who are unwilling to risk exposure and to send them to the West or provide other than railroad employment. This matter is being carefully studied both by the city administration and Allied manpower authorities.

But the sixty-four dollar question is whether the Soviet controlled Central Railroad Administration which is physically situated in the Soviet zone and sector will be permitted to cooperate. Thus far the offer of the trial military passenger train destined for Bremen and the German freight trains for which locomotives and crews necessary for the haul to the West zones were requested from the Potsdam Control Office has met with blank stare. The Soviet licensed Berlin press ordinarily a good barometer today gives factual treatment to the commandants letter.

It may well be that a brief period is necessary for our Soviet colleagues to think this over and after they learn of UGO's action today in calling off the strike, the SMA may graciously permit the Central Railroad Administration to play ball with the strikers who return to their jobs and thus achieve the "normal functioning" of the railroad on which there was agreement in the Paris *modus vivendi*.<sup>2</sup> We shall probably not be able to ascertain this until Tuesday morning, when the crews will try to put the intra-city rapid railroad system (S-Bahn) back into operation. In the meantime, repairs of equipment in the yards are proceeding so that everything should be shipshape by Tuesday morning.

The deputy military governors have sent a formal invitation to General Chuikov to meet with them Tuesday in accordance with the

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<sup>2</sup> *Post*, p. 1062.

provisions of the Paris *modus vivendi* regarding quadripartite consultation. Thus far Chuikov has remained silent. If he accepts this will provide a suitable forum for discussion of the rail situation provided that normal service is not permitted by Soviet controlled agencies to resume, then direct representations to Chuikov will be in order, and eventually if necessary representations on government level. I have discussed this with General Hays and the West commandants are giving it careful study.

As matters now stand with the strike officially ended, I believe the West authorities have done what is possible to put their house in order. The ball is now with the SMA. The latter has not shown its hand and we can only hope that given a reasonable time for recent rapid developments to percolate through the devious channels to the East, an agreeable attitude of cooperation may become evident. The situation is somewhat as it would be if a strike of railroad workers in the District of Columbia were ended without assurance of cooperation on the part of Virginia, including Senator Byrd, and Maryland.

It would be useful if you would ask Tracy Voorhees to give General Hays a pat on the back in your behalf. Hays and his people have made an all out effort during the past days to settle the strike. They have been badgered by the fear that they might be condemned as strikebreakers by trade union circles in the Union [*United*] States.<sup>3</sup>

RIDDLEBERGER

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<sup>3</sup> In subsequent telegrams Riddleberger reported on the return to work of the striking railroad workers, the commencement of railroad and S-Bahn service and a number of reprisals taken by the Soviet Military Administration. Documentation relating to these topics is in file 740.00119 Control (Germany)/6-2849 ff.

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### *Editorial Note*

During the rest of 1949, the problems of the Berlin railroad workers continued to be a matter of quadripartite discussion. For documentation on these discussions, see pages 361 ff.



## VI. THE SIXTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS, PARIS, MAY 23-JUNE 20, 1949

### A. PREPARATIONS FOR THE COUNCIL SESSIONS

Policy Planning Staff Files: Lot 64D563: Box 20029: Germany CFM

*Memorandum by Mr. Ware Adams of the Policy Planning Staff to the United States Ambassador at Large (Jessup)*

SECRET

[WASHINGTON,] April 15, 1949.

Pursuant to your memorandum of April 12, 1949,<sup>1</sup> Mr. Kennan held a meeting today with Ambassador Murphy, Mr. Hickerson, Mr. Beam and myself to discuss the clearance of "Program A".<sup>2</sup> Mr. Kennan offered the attached memorandum for consideration. The others said they would study the memorandum together with "Program A" and express themselves promptly.

The discussion then turned to other related matters on which there appeared to be general agreement as follows:

Any new meeting should in general be held within the existing framework of the CFM, and not in the form of a special meeting of the heads of state or other forum. There is some advantage in holding such meetings at a quiet place such as Geneva or Annecy, although the natural course will probably prevail of holding the next session in the capital, or at least the country, of the member next in line of rotation. For the meeting to accomplish anything, it would probably be desirable to have the delegation smaller and less unwieldy than hitherto, and to revert to the original practice of closed sessions to be held confidential while they are in progress, except for agreed communiqués, rather than continue the recent practice of each member informing the press of the entire proceedings at the end of each meeting.

It was considered that a proposal to alleviate the pressure of the displaced population of ten million or so now in Western Germany by restoring to Germany some or all of the German territory now under Polish administration, and possibly also Koenigsberg, for which Poland might be compensated with territory taken from it by the U.S.S.R., would put considerable pressure on the Soviet Union. It

<sup>1</sup> Not printed.

<sup>2</sup> Under reference here is a paper prepared by the Policy Planning Staff in November, 1948, on the United States policy toward Germany and subsequently called "Program A". The text of "Program A" and related documentation are printed in *Foreign Relations*, 1948, vol. II, chapter III.

would be desirable to make such a proposal if we find the Russians using the meeting merely as a propaganda opportunity, but that we should refrain from doing so in the opening stages in order to avoid disturbing the atmosphere if the Russians do in fact manifest a genuine desire to reach a settlement.

In spite of particular deviations on all sides from the Potsdam Agreement,<sup>3</sup> we consider it undesirable to denounce that agreement or to take the position that the agreement as a whole is no longer legally binding, since to do so would leave the Soviet Union in the position of full and sole sovereignty in Eastern Germany.

It was noted that in the last CFM meetings<sup>4</sup> the United States took the position that economic unification of Germany should be achieved by direct quadripartite military government prior to the establishment of any German government, but that this would no longer be a satisfactory alternative to "Program A" in any new meeting since we have now found by bitter experience that direct quadripartite operations of this complexity are impossible, and economic unification could only be achieved through the medium of a German government which itself must therefore first come into being.

Any new four-power arrangement concerning Germany should not depend for its workability upon future agreements among the Four Powers. Instead, the security and demilitarization arrangements should be in the form of flat prohibitions upon the Germans, subject to four-power inspection; and in other matters concerning the governing of Germany the Four Powers should have the power to take any action which they might wish to take by unanimous agreement, while in the absence of such unanimous agreement, the German authorities should be free to act on their own initiative. We should not rely upon future unanimous agreement to resolve action in "reserved matters" even to the extent we might hope to do so on a three-power basis in Western Germany. Action in the presently broad reserved fields in Western Germany is feasible even on a tripartite basis largely because of the predominant voice exercised by one of the three in financial matters. Even in Western Germany this arrangement will presumably be altered when the ECA takes over economic operations in Germany.

It was considered desirable that the Bonn basic law<sup>5</sup> serve as the pattern for any provisional constitution for Germany as a whole.

It was considered that the present Military Security Board arrangements would need to be modified in any four-power arrangement,

<sup>3</sup> For the text of the Protocol of the Proceedings of the Berlin Conference, August 1, 1945, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1478-1498.

<sup>4</sup> Documentation relating to the Fifth Session of the Council of Foreign Ministers in London, November 25-December 15, 1947, is in *Foreign Relations*, 1947, volume II.

<sup>5</sup> For documentation on the drafting of a Basic Law for the Western zones of Germany by the Bonn Parliamentary Council, see pp. 187 ff.

toward relying more upon quadripartite inspection and information, and less upon operating decisions or direct action to interfere in economic matters.

On the question of "agenda" for any new CFM, Mr. Kennan expressed the view that we should avoid having before the meeting an agreed list, as in the past, of particular items, such as "reparations", "economic unification", etc., to be discussed *seriatim* in an order which would need to be agreed beforehand. Instead, he thought the next meeting should be one at which each of the Four Powers would have an opportunity to make any proposals or express any views that it wished on the subject of Germany. For our own part, he thought our proposal should be a "single package" containing the various elements of our proposal, since these elements would all be interrelated and interdependent in such a way that it would be impossible to discuss any single one of them until we had outlined the concept as a whole into which they were designed to fit. There would thus be no discussion or argument about anyone's proposal, or elements of it, until all four members had received the over-all proposals or views of each one of the four. This would enable each member to put forth a rounded-out concept without becoming side-tracked in argument over detail. It would also offer an opportunity for the Council to see whether or not each of the members was approaching the meeting in a sincere effort to achieve results or not. After this initial exchange of views the meeting might then wish to establish some order or agenda for continuing its discussions. But until then the "agenda" for the meeting would consist merely of a single comprehensive item such as "the problem of Germany".

[Annex]

*Memorandum by the Director of the Policy Planning Staff (Kennan)*

SECRET

[WASHINGTON, April 15, 1949.]

POSITION OF THE UNITED STATES AT ANY MEETING OF THE COUNCIL OF  
FOREIGN MINISTERS ON GERMANY THAT MAY OCCUR

On November 12, 1948, the Department completed and submitted to the Secretary a document known as "Program A" as the recommended ideal position of the United States for discussion with the British and French in preparation for any eventual meeting of the Council of Foreign Ministers to discuss Germany. There was disagreement in the Department on the prior question whether or not it would be desirable to have such a meeting or to put forward any program at all concerning all four zones of Germany at that time. Subject to this overall decision, there was unanimous agreement among all the working levels of the Department that if such a meeting did

occur the ideal position for the United States would be one identical with, or substantially similar to, "Program A".

If a meeting of the CFM does occur, the Ministers or their principal representatives will no doubt wish themselves to discuss only the basic principles and leave the discussion of detail to subsequent drafting meetings of deputies.

The basic principles of "Program A" are set forth in the section thereof entitled "Outline of the Program" of which a copy is appended hereto for reference.<sup>6</sup> These principles are practically identical with those now being implemented in Western Germany under the London program.<sup>7</sup> It is recommended that they be discussed with the British and French with a view to proposing them at any new meeting of the CFM that may eventuate.

If such a meeting does eventuate it is recommended that the rest of "Program A", consisting of the detailed implementing provisions, before being formally presented, be subject to final review in the light of circumstances as they may then have developed, and that it meanwhile be taken by the American negotiators for background guidance as the most desirable detailed implementation of the basic principles mentioned above and appended hereto, subject to such changes as may become desirable in the light of new developments or of the negotiations as they proceed.

<sup>6</sup> Not printed; the "Outline of the Program" is printed as a preface to "Program A" in *Foreign Relations*, 1948, vol. II, p. 1325.

<sup>7</sup> Under reference here is the program evolved by the London Six-Power Conference regarding Western Germany which met February 23-March 6 and April 20-June 7, 1948. Documentation relating to this conference, including the text of the London Agreements, is printed *ibid.*, chapter I.

740.00119 Council/4-1949

*Memorandum by the United States Ambassador at Large (Jessup)  
to the Secretary of State*

TOP SECRET

WASHINGTON, April 19, 1949.

Subject: Formulation of Policy for a Meeting of the Council of Foreign Ministers

Two different points of view emerged in the discussion in your office yesterday afternoon.<sup>1</sup> I think these two views can be roughly summarized as follows:

1. It would be to our advantage to maintain the split in Germany

<sup>1</sup> No record of his meeting has been found in Department of State files. However, another copy of this memorandum in the Council of Foreign Ministers files indicates that it was sent to Webb, Bohlen, Kennan, Murphy, Rusk, and Thompson, who presumably had attended the meeting with Jessup and Acheson. Further evidence of the attendance of Webb, Rusk, and Bohlen is a memorandum by Acheson, dated April 18, not printed, which asked them to consider a background statement for their meeting at 2:30 p. m. (CFM Files: Lot M-88: Box 140.: Jessup-Malik Conversations)

for a rather long period of time. This would be true because Western Germany is a more manageable unit which might be integrated in Western Europe. It would not be a viable entity in itself and the attraction from the West would therefore be more potent.

2. It would be to our advantage to end the division of Germany provided that the division of Europe could be ended at the same time. This would be true because it would involve the withdrawal of the Red Army to the East.

It seems to me that in the formulation and evaluation of the United States policy on these questions it is necessary to differentiate between the Soviet threat and the potential future German threat. For a period of several years the Soviet threat in terms of possible military aggression is the more serious. In terms of French thinking, the ultimate German threat is always in the forefront of their minds.

In formulating United States policy I believe it would be a mistake to overemphasize anticipated French, British, German or Russian objections. Obviously a policy must be formulated in terms of our best estimate of the realities of the political situation but an optimum policy from the United States point of view should not be discarded at the outset merely in anticipation of objections of other countries. Particularly in the case of the French and British, we can ascertain through advance conversations the extent to which they would be prepared to go along on what seemed to us the optimum policy. So far as German opinion is concerned, we would have the job of trying to sell our policy to the leaders. Insofar as the Soviet Union is concerned, we are not in a position to estimate with precision their possible attitude. It seems to me that it would be a mistake to base our policy on the assumption that the Soviet position will never change. It may change when, for any one of a variety of reasons, they decide that some new approach would best serve their interests. A United States policy should of course be so formulated as to still represent the promotion of our general interests in case a change in Soviet policy should lead them to agree to it. We cannot exclude from our thinking the possibility that the Soviet Union will reach the conclusion that its past policy in Europe has not been successful and that a general adjustment in Europe may be to their advantage in terms of the contraction of an overextended position. If this should prove to be the case, we might approach a settlement of the European situation although we would still probably be confronted with either a new Soviet thrust in some other quarter or a long-range Soviet policy of improvement and consolidation in their own area with a view to some later expansion under more favorable circumstances.

In considering the European question as a whole, I believe we should accept as a basic proposition the statement made by Mr. Kennan in a

conference with you on March 30th<sup>2</sup> that, "We will not favor a united Germany in a divided Europe." I believe we also accept as a primary consideration the necessity of orienting a future Germany toward the West with a view to its forming a useful and safe element in the development of European union.

At the present time real Western European union does not exist although considerable progress is being made in that direction. It may be true that the maintenance of a split Germany would tend toward the readier absorption of Western Germany in Western Europe. The situation leading to this conclusion is that the three Western zones of Germany by themselves would not constitute a viable unit and there would therefore be a natural gravitation to Western Europe. On the other hand, the addition of the Soviet Zone to the three Western zones would probably still not create a viable unit. The viability of this larger Germany would depend to some extent upon the ultimate decision regarding Germany's eastern frontier. In any case the main industrial strength of a future Germany is inseparably linked with the Ruhr. The control of that strength is similarly linked with the International Control of the Ruhr.

Taking as a hypothesis a possible shift in Soviet policy which might lead to a general solution of the European problem for the time being (whether such a change of policy should come about now or in the course of a few years) we would still be confronted with the likelihood that a united Western Europe would still not be in existence as a strong political and military force. I do not believe that, if the opportunity offers, we could reject a possibility of a European settlement including the withdrawal of the Red Army to the East by adopting the principle that such a settlement should be deferred until a real Western European Union is finally developed.

Accordingly, if there is an opportunity for a European settlement, the problem would be one of exercising continuous efforts to orient Germany to the West. Presumably demilitarization controls would continue for a considerable time.

### *Conclusions*

1. The formulation of United States policy in anticipation of a meeting of the Council of Foreign Ministers should seek to provide an optimum program. "Program A" was formulated with this objective in mind and in anticipation of the detailed arrangements which would implement the London decisions.<sup>3</sup> Subject to any necessary

<sup>2</sup> The conference under reference here has not been further identified.

<sup>3</sup> For documentation relating to the implementation of the London decisions, see *Foreign Relations*, 1948, vol. II, chapter II.

revision in the light of the agreements reached with the British and French in Washington,<sup>4</sup> it can still serve as a basis.

2. Aspects of the policy which seem to us advantageous should not be discarded at this stage in anticipation of possible British or French objections but should be negotiated with those two Governments.

3. The reaction in Germany to any proposals for a united Germany constitutes an important consideration. This problem should be approached, however, in terms of preparing the necessary effort to swing German opinion to the support of any policy finally adopted.

4. Aspects of the policy which seem to us advantageous should not be discarded at this stage in anticipation of possible Soviet objection nor should they be discarded for fear that they might be accepted by the Soviet Union and thus be translated into reality.

PHILIP C. JESSUP

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<sup>4</sup>Under reference here are the agreements reached by the three Western Powers April 8, 1949, in Washington on the status of the three Western zones of Germany. For the texts of these agreements, see pp. 177 ff.

Records of the Secretary's Meetings : Lot 53D444 : Box 418

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] April 29, 1949.

Participants: Sir Oliver Franks, British Ambassador  
The Secretary of State  
Mr. John D. Hickerson, Director for European Affairs

Sir Oliver Franks, the British Ambassador, in the course of a conversation with me at 12 noon today on other subjects, allowed me to read a telegram which he had just received from Mr. Bevin in regard to the Berlin air lift. In this telegram Mr. Bevin pointed out that he feels that the U.S. and U.K. Governments must in no circumstances either completely stop the air lift or allow this magnificent organization to deteriorate. If the blockade is lifted in consequence of the Jessup-Malik conversations, Mr. Bevin said that we must take into account that a Council of Foreign Ministers meeting may be unproductive of results and the Russians may reimpose the blockade. The telegram went on to point out that in Mr. Bevin's view we should maintain intact the air lift organization until we are positive the blockade will not be reimposed although he feels that it would probably be desirable to reduce somewhat the number of planes flying daily into Berlin.

I told Sir Oliver that we had been thinking along somewhat the same lines as Mr. Bevin but that we had not discussed this matter

with the Army or the Air Force and had not reached any decision. I told him that I was glad to have Mr. Bevin's views which would be fully taken into account in reaching our decision about this matter.

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740.00119 Control (Germany)/5-549

*The British Embassy to the Department of State, Transmitting the Substance of a Telegram From the British Foreign Office, Dated May 2, 1949*<sup>1</sup>

TOP SECRET

It would be wrong and dangerous to assume that Russia's long-term policy had changed or that she is no longer working for the communisation of all Germany as agreed with the satellite governments in the Warsaw communiqué of June, 1948.<sup>2</sup> As a safeguard against Soviet manoeuvres during the coming negotiations we would do well to keep continually in mind that, after losing an important battle—but only a battle—in Germany, Russia is now suing for an armistice in order to gain time though not yet for peace. It seems, therefore, important to ensure that any Soviet offer which may now materialise is regarded by the press and public opinion with the utmost circumspection even if the Berlin blockade is lifted.

The Foreign Office is engaged in a careful examination of the whole German problem, and it would be most helpful if they could receive as early as possible some indication of the State Department's views. The Foreign Office feels that the principal difficulty is to decide whether the time is yet ripe to press for the re-unification of Germany. We are committed to such unification. We cannot therefore publicly oppose it. But we and the United States Government are both also committed to the establishment of a democratic government in Germany. It seems, therefore, of vital importance, particularly after what has happened in Eastern Europe, that unification should only take place if we can ensure the establishment and maintenance of the necessary safeguards. Assuming that these safeguards could be formulated on paper, it is difficult at present to see how the Russians could be expected to accept them or, if they did so, how we could possibly ensure their full implementation throughout Germany. A more practical short-term objective might therefore be an interim arrangement providing for the raising of the blockade and a considerable relaxation

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<sup>1</sup> Attached to the source text was a memorandum from Jessup stating that Hoyer Millar had left it with him on May 5. The memorandum was initialed by Secretary Acheson.

<sup>2</sup> For the text of this communiqué, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307.



of the line of division between the Eastern Zone and the Western Zones. Then, while the two parts would remain under separate administrations, the Germans would be given the opportunity of working out over a period of time the conditions in which their country could be effectively unified. We should, however, have to be careful not to allow such a plan to be presented as a deliberate attempt to split Germany.

On the other hand, it is possible that the Soviet Government may accept the Bonn constitution and our occupation statute<sup>3</sup> as a basis for a unified Germany. In any event, the Russians, who have exercised themselves to prevent the incorporation of Western Germany in a western system, will surely a fortiori object to the incorporation of a unified Germany. Consequently, they will reject E.R.P. and German membership of the Council of Europe. This may be the crux.

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<sup>3</sup> *Ante*, p. 179.

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740.00119 Control (Germany)/5-649 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET

Moscow, May 6, 1949—4 p. m.

1154. 1. It need not detract from real satisfaction and even sense victory on our part to realize that Berlin accord<sup>1</sup> is also profitable deal for Soviet Government. Berlin blockade backfired, airlift was a phenomenal practical and political success and counter-blockade pinched seriously. As we see it, Kremlin can breathe sigh of relief even on minimum terms of accord, i.e., reciprocal lifting restrictions with limited Soviet loss face and unsuccessful CFM, which could be used as propaganda sounding board and would soon be broken up, on Western initiative, to prevent protracted delay establishment West German government.

2. Re face-saving aspect, Soviet propaganda has been preparing way out, in form line that will of peoples for peace too strong for planners and inciters new war. Soviet and foreign Communist organs already explaining Jessup-Malik talks<sup>2</sup> mean reversal attitude on part USA, not Soviet Union, that warmongers not sure of selves and realize necessary count with growing popular peace movement (see especially Ehrenburg and Tarlé articles, Embtels 1101, April 30 and 1124, May 3 and featured May Day slogan on friendship American, British and

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<sup>1</sup> Under reference here is the Four-Power communiqué, May 5, 1949, in which the four occupying powers in Germany stated their agreement to lift the restrictions on trade and communications with Berlin and to convene a meeting of the Council of Foreign Ministers. The text of this communiqué is printed in the editorial note on p. 750.

<sup>2</sup> For documentation relating to the Jessup-Malik conversations, see pp. 694 ff.

Soviet peoples, Embtel 1022, April 24<sup>3</sup>). At same time, Berlin accord coincides new high level and sharpening specifically anti-American Soviet propaganda campaign and attempt blot out Voice America.

3. Re CFM, Soviet Government has so far religiously stuck to line of Warsaw Declaration on Germany.<sup>4</sup> This is clearly incompatible Western position, especially as agreed at Washington,<sup>5</sup> essentials of which Secretary of State has already declared will not be sacrificed. Consequently, unless Kremlin prepared drastically change published policy, CFM will be simply capstone in current "peace offensive" designed disrupt and divide West and delay to maximum formation West German government but with no intention achieving real agreement. Even in case such development and early failure CFM, we should expect no reimposition blockade, especially if airlift framework maintained intact.

4. There has been no indication Kremlin prepared alter German policy, or even had preliminary consultations with leaders Satellite regimes which participated in Warsaw Declaration (though this could, of course, have happened without our knowledge). Despite this, we feel drastic and dramatic shift may well be coming at CFM. We have long anticipated Soviet peace offer this spring after optimum development propaganda offensive (Embtels 568, March 5, and 701, March 19<sup>6</sup>) of much broader scope than found in present accord (restricted nature of which in fact aroused our suspicions Soviet intentions had been fouled by premature Berlin rumors). Thus, as suggested Embtel 1092, April 29,<sup>7</sup> we think quite possible this only first installment. Kremlin has always regarded Germany as key to control of Europe, and undoubtedly realizes West zones decisive to control Germany. Unexpectedly rapid development NAT and plans for organization West Germany, together with successful maintenance West position in Berlin, faces Soviets with imminent prospect complete exclusion from heart of Germany and even precarious position their own zone. This would also mean an end to reparations hopes, with West closed and Soviet zone milked dry. At same time, Moscow very preoccupied with Tito's rebellion and must be prepared make considerable material sacrifices over long period to avoid second Tito problem in China. Detente in West which would keep Soviets in overall

<sup>3</sup> None of the referenced telegrams is printed.

<sup>4</sup> For the text of the Warsaw Declaration of the Foreign Ministers of the USSR, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania, and Hungary, June 24, 1948, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307. For additional information, see *Foreign Relations*, 1948, vol. II, p. 370.

<sup>5</sup> For documentation relating to the agreements reached at Washington on April 8, 1949 by the three Western Powers regarding the status of the Western zones of Germany, including the texts of the agreements, see pp. 156 ff.

<sup>6</sup> Neither printed.

<sup>7</sup> Not printed.

German picture, pending development expected capitalist crises must, therefore have strong attraction.

5. Consequently believe quite possible Soviet delegation may be prepared meet US at CFM practically on terms recently agreed among West allies at Washington. Needless say, they would not do this without first trying achieve maximum attainment their Warsaw aims, especially centralization German government, highest possible reparations, and wider use veto power in control machinery. However, Soviets likely finally settle relatively close West position these issues, counting on being able to extend their voting powers by exploiting Western differences on specific German problems. Essentials would be: location central German government in Berlin; early peace treaty; and early withdrawal occupation forces (or as compromise, drastic reduction and removal to specified border areas). Secondary objective would probably be 4-power confirmation Oder-Neisse line, enabling Soviet later exploit possible rectification unilaterally.

We think possible Soviet delegation would also revise and accept Byrnes' 1946 offer German demilitarization treaty<sup>8</sup> to which they have never entirely closed door. At very least, this would take some of curse off NAT. And it might even be proposed as substitute for that treaty, with intention exploiting our refusal as proof Soviet allegation treaty directed not against revived Germany but against Soviet Union.

6. If things should go well along lines suggested in (5), Soviet delegation would probably attempt include Austrian treaty in CFM and show selves reasonable in reaching agreement. We think present stalemate deputies talks stems from Soviet expectations Austrian negotiations will be useful card in CFM, whereas little to be gained by prior finalization. Achievement peace settlements with both countries would go far toward removal American military power from Continent.

7. Such Soviet approach would clearly shake Western foreign policies to very bottom, disorient developing West public opinion and present practical problems of first magnitude. Effect on NAT ratification, passage military aid legislation, size military aid appropriations, and general willingness West peoples be taxed in support military preparedness are obvious questions. Mere reconciliation rival political parties, personalities and institutions of West and East Germany or even West and East Berlin would be incredibly complex. Role Germany in ERP would be seriously affected; in addition automatic drain West German production in form any agreed reparations to Soviet Union and normal trade with East Germany, Soviets would certainly

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<sup>8</sup> Under reference here is the Draft Treaty for the Disarmament and Demilitarization of Germany proposed by Secretary of State Byrnes at the Second Session of the Council of Foreign Ministers in Paris on April 30, 1946. For the text of this draft Treaty, see *Foreign Relations*, 1946, vol. II, p. 190.

do everything possible to frustrate and sabotage any ERP participation they might reluctantly accept for sake accord. German cooperation in Council Europe would become highly problematical. And effect on our East-West trade policies would be far-reaching and possibly frustrating; aside from reduced incentive and public support for maintenance restrictions, how could they be adequately supervised and enforced with East Germany serving as sieve into Soviet orbit?

8. Such Soviet approach would also not appear out of keeping Soviet belief in drastic tactical shifts where "objective conditions" require. Essentially, it would parallel, in relation Germany, tactical shifts Italian and French Communist parties when, after it became evident open bid for complete power had failed, they purged, consolidated and resumed "boring from within" militant tactics.

9. Whether or not West will get the full works, on lines suggested above, is of course highly problematical. On balance, we consider likely and believe full preparation essential.<sup>9</sup>

Sent Department 1154, repeated London 116, Paris 174, Berlin 104.

KOHLER

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<sup>9</sup> Telegram 1214, May 11, from Moscow, not printed, reported that the British Embassy had cabled to London its analysis of the Soviet intentions at the Council of Foreign Ministers generally along the lines of this cable. While the British did not exclude the possibility of major Soviet compromises on Germany, they believed the Kremlin would not risk losing its grip on East Germany for a weaker position throughout Germany. They also expected no real agreements from the Soviet delegation, but rather vague proposals on Germany which could be exploited for propaganda purposes. (740.00119 Control (Germany)/5-1149)

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740.00119 Control (Germany)/5-1049

*The British Embassy to the Department of State, Transmitting an Extract From a Telegram From the British Foreign Office*<sup>1</sup>

SECRET

[WASHINGTON, May 10, 1949.]

Following from Kirkpatrick.

Secretary of State is in Germany where he will be discussing these matters with Robertson.<sup>2</sup> But before the Americans reach conclusions it may be helpful to give you our Departmental views, based largely on preliminary conversations with the Secretary of State.

## 2. *Occupation Forces.*

We agree.<sup>3</sup> We do not fear that Russians will succeed in stampeding German opinion by proposing total withdrawal. Indeed our informa-

<sup>1</sup> The extract was left with Murphy by Hoyer Millar on May 10.

<sup>2</sup> Regarding Bevin's trip to Germany, see his personal message to Secretary Acheson, *infra*.

<sup>3</sup> Apparently Kirkpatrick in this and the following numbered paragraphs was responding to a message from the British Embassy in the United States to the Foreign Office.

tion is that many thinking Germans would be dismayed at premature withdrawal of Western occupation forces; and the fact that proposal to withdraw emanated from the Russians would increase their apprehensions. We are consulting Chiefs of Staff about possibility of concentrating troops on the borders. But we are pointing out that this proposal would create serious accommodation problem in the Western areas of our zone which are already dangerously overcrowded.

### 3. *Rearmament of Germany.*

We agree.

### 4. *Our Western Plans.*

We agree that we should clearly reaffirm that we are resolved to pursue our plans for a Western German Government but we feel that we must be ready to put forward some positive proposal and we think therefore that we should be well advised to propose the application of the Bonn constitution and of our occupation statute<sup>4</sup> to the whole of Germany. We do not believe that such an initiative would discourage the Western German politicians who are showing no signs of hesitation and who seem convinced that the Russians would never accept this Western Regime for the whole of Germany. On the contrary the Western Germans are likely to be very seriously embarrassed domestically if the Western Powers fail to make any proposals for a unified Germany. From the German internal point of view they would like to see the Russians put on the spot by having to accept or reject the Bonn Regime for the whole of Germany.

5. If contrary to expectation the Soviet Government agreed to apply the Bonn constitution to the whole of Germany and to allow a unified German Government discretion to join the Council of Europe and conclude a bilateral E.R.P. Agreement with the United States, the result would be the incorporation of the whole of Germany in the Western system. This would represent a major defeat for Soviet policy in view of the effort the Soviet Government has made to prevent the incorporation of Western Germany into Western system. In these circumstances it seems for consideration whether if it becomes necessary in order to secure this result we should not be prepared to make some concessions to the Russians in the matter of the Ruhr and the Military Security Board, subject to safeguards such as equal rights in the Eastern zone and on the understanding that the system of majority voting is accepted.

6. Nevertheless for the reasons stated above, it seems unlikely that the Russians will meekly accept the application to the whole of Germany of the Bonn constitution and an occupation statute with a system

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<sup>4</sup> *Ante*, p. 179.

of majority voting. In that event we feel that we should be ready with some compromise solution on which we can fall back as a last resort. We have been thinking that we might propose an ad interim *Modus Vivendi* whereby we should set up our Western German government and the Russians should establish their form of Government in the Eastern zone and that there might be a coordinating joint body in Berlin. This idea finds some favor with the French, but it has obvious objections and requires careful thought. We should be pleased to discuss it further with the Americans.

7. *Consultation With the Germans.*

We agree. In order to minimise the danger of the Russians using the Council of Foreign Ministers as a propaganda platform we should like to urge that the meeting should be secret and that there should be a self-denying ordinance on press publicity.

8. *Reparations.*

We agree, but we feel that it would look like weakness and would have a bad effect on the Germans if we allowed ourselves to be pushed into a substantial modification of our reparations programme.<sup>5</sup>

9. *Refugees.*

We agree, that this is a serious problem. If we were to get a unified Germany on tolerable terms, the German refugee question could doubtless be tackled. But in the contrary event our main difficulty will be with the German refugees themselves. Even if the Russians agreed to take them back, most of them would refuse to go and considerations of humanity would debar expulsion. The same applies to the displaced persons who decline to return.

10. *Russo-German Relations.*

We agree that the danger of a Russo-German *rapprochement* must always be watched. But it seems to us that the Western German politicians are burning their boats and that if we continue to sustain them and deserve their confidence this danger can be averted.

11. *British Representation.*

The Secretary of State has directed that at the Tripartite official talks this week we should be represented by myself, Dean and some [one?] from Germany, probably Steel. The exact composition of our delegation at the Council of Foreign Ministers is not yet finally decided but the Secretary of State will have myself, Dean and one or two from Germany including General Robertson. Economic or other experts will be available at short notice from London or Germany.

<sup>5</sup> For documentation relating to the questions of reparations and dismantling, see pp. 546 ff.

740.00119 Control (Germany)/5-1049

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*<sup>1</sup>

SECRET

[LONDON,] 10 May 1949.

I have just paid a short visit to Berlin and to the British Zone in order to see the airlift. During my visit I saw both British and United States aircraft, crews and ground staff and I was very much impressed with the splendid cheerfulness and skill shown by all engaged in this tremendous task. I felt that the airlift was another outstanding example of the way in which the men and women of our countries can work together in the cause of peace.

I was glad to see General Clay during my visit and to congratulate him and the United States Air Force and ground staffs on their great achievement. I also saw General Noiret.

2. While in Berlin I saw Oberbuergermeister Reuter and other leading members of the Magistrat. I was very much encouraged by the measures of self help which they have taken to assist the airlift. They expressed to me their determination not to allow any ill advised accommodation with the Communists to rob them of the reward which their steadiness and restraint have entitled them to expect.

3. On my return home through the British Zone I saw Adenauer, Schumacher and Arnold,<sup>2</sup> all of whom had specially asked to see me before I left. I had talks with these three Germans separately and consecutively and questioned them about the present position in Germany and their views about the forthcoming meeting of the Council of Foreign Ministers. I was very careful to allow them to express their views freely and not to suggest to them in any way what their answer should be. The following are the main points which emerged from the discussions and upon which they all agreed :—

a) They all said that they, in common with nearly all Germans in the Western Zones, had very little confidence that the meeting in Paris would lead to really satisfactory results or to the Russians agreeing to a unification of Germany upon terms which are likely to be acceptable to Western German opinion. They claimed that they had a long experience of totalitarian methods of thought, which they felt that others without that experience did not really understand. Their view was that the Russians had no idea of what we all meant by freedom

<sup>1</sup> The source text was transmitted to Secretary Acheson as an attachment to a letter from Ambassador Franks, May 10, not printed, which explained that Secretary Bevin had asked him to deliver the message. (740.00119 Control (Germany)/5-1049) Also attached to the source text was a note from Acheson to Franks, May 18, not printed, in which the Secretary of State thanked the Ambassador for his letter. (740.00119 Control (Germany)/5-1049)

<sup>2</sup> Karl Arnold, Minister-President of North Rhine-Westphalia.

of movement or free elections. And in any case, even if they had, they would never operate them.

b) The Western Germans were united in their determination that the fundamental principles upon which the future political and economic arrangements for Western Germany would be based, should be applied also to the Eastern Zone. As an example of their keenness on this point they had accelerated the passing of the basic law at Bonn and, provided the military governors gave their approval swiftly, they expected to be able to ratify the Constitution before the 23rd May.

c) They made it clear that if the three Western Foreign Ministers stood firm in support of the adoption for the whole of Germany of sound and democratic constitutional arrangements similar to those contemplated for Western Germany, they would get solid support from the Western Germans and from many in the East. Adenauer indicated to me that they would not be willing to accept any compromise which would compel them to sit down at the same table as representatives from the Volksrat or any other unrepresentative Communist organisation in the Eastern Zone to work out a solution for the whole of Germany. They were not prepared to deal with Germans who were merely slaves for the Soviet Union. They each said that if there was to be a solution of the East-West problem in Germany, it must involve the complete restoration of the C.D.U., S.P.D. and other non-Communist parties in the Eastern Zone, who must be given exactly the same liberties as they had in the West. There must also be firm guarantees that elections would be really free and that Soviet domination of the Eastern Zone would be completely withdrawn.

d) They each expressed concern lest the three Western Foreign Ministers should agree to any arrangement for Germany as a whole which might leave the Germans at the mercy of the Soviet-organised police in the Eastern Zones and the Communists in the Western Zones, who they said had arms and were ready for a coup if the opportunity occurred. I did not in any way refer to the question of secret arms in the West, but they repeatedly expressed fears that they did exist and in fact constituted a menace.

e) I asked them about the question of the withdrawal of the occupation troops. They said that this was a very difficult question from the point of view of public opinion in Germany and that they realised it would have to be carefully handled. They made it clear, however, that they were not in favour of the withdrawal of troops until a properly organised democratic state had been established in Germany and the dangers to which I have just referred no longer existed.

f) They asked that we should give them information about the way things went in Paris and I assured them that I should bear this in mind.

4. There were a number of other points which were raised, such as electoral law, the date for the holding of the elections and other matters of internal German interest. Although, as was to be expected, there was some divergence of view on these points between Schumacher and Adenauer, I detected nothing which in any way countervailed against



the close identity of view which existed between them on the fundamental points set out above.

5. The three German leaders asked me whether I could give them any assurance about the attitude of the three Western Foreign Ministers towards the fundamental conditions for a united Germany. I replied that I could only speak for myself and that I had not yet had an opportunity of speaking to you or M. Schuman. I said the test which I should apply to any proposals put forward was whether they would establish for Germany a fully democratic system. If the proposals did not satisfy this test or jeopardised our objectives, I would be unable to accept them. I went on to explain that this was not purely a German question but one which affected the security of the whole of the West.

6. I hope that you will agree that in the circumstances it was useful for me to have had a talk with these German politicians. I am convinced that there is a very clear understanding among them of the issues to be faced in Paris and if we make a firm stand I do not think we need be too fearful of the effect of Russian propaganda on the Germans. They seem to be quite clear about the tactics to be expected from the Russians.<sup>3</sup>

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<sup>3</sup> In telegram 1848, May 11, from London, not printed, Douglas reported a conversation in which Bevin expressed great satisfaction over his trip to Germany. (740.00119 Control (Germany)/5-1149)

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740.00119 Council/5-1149: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, May 11, 1949—6 p. m.

1605. Personal for the Amb from the Secretary. In our preparations for the forthcoming meeting of the CFM I have been meeting daily with my advisers in the Dept and discussing all aspects of the problems which we will face. Yesterday, largely to clarify my own thinking, I dictated the following outline of the problem as I see it. It has occurred to me that it might be useful if you gave Mr. Bevin a copy of this outline adding, of course, that we shall be glad to fully discuss in advance of the meeting, with the British and French, the position which the Western Powers will take in the CFM. A similar telegram is being sent to Paris.<sup>1</sup>

"AN APPROACH TO THE CFM

1) Our major premise is that our concern is with the future of Europe and not with Germany as a problem by itself. We are con-

<sup>1</sup> Telegram 1539, May 11, not printed (740.00119 Council/5-1149).

cerned with the integration of Germany into a free and democratic Europe. We have made and are making progress to this end with the part of Germany which we control and we shall not jeopardize this progress by seeking a unified Germany as in itself good. If we can integrate a greater part of Germany than we now control under conditions which help and do not retard what we are now doing, we favor that; but, only if the circumstances are right.

2) Just as the unification of Germany is not an end in itself, so the division of Germany is not an end in itself. If, for instance, Russian troops were unilaterally withdrawn, we would not attempt—as an end in itself—by force to keep Eastern and Western Germany apart. Again the test is whether the unification can be achieved under conditions which help and do not retard the unification of free Europe.

3) Similarly, the presence of Russian troops in East Germany is not desirable. It is undesirable. So we do not seek to have these troops remain because their presence insures a divided Germany. We seek to have these troops withdraw as far as possible, and we seek to have rights of passage and the presence of Soviet troops in satellite states ended.

4) Here again the price which may be asked for the withdrawal of Russian troops may well be too high. The withdrawal of American and British troops from Germany would be too high a price. The net result of the withdrawal of all troops from Germany would do harm to our objectives and to the progress we have made toward them. So such a proposal would not be accepted, regardless of the propaganda consequences. The task would be to minimize and possibly reverse the propaganda advantage.

5) A possible regrouping of troops which would have the effect of removing Russian troops eastward and possibly ending their presence in and passage through the Eastern European countries may have important advantages. It deserves the most careful study. It is essential to any further unification of Germany and of Germany with the West.

6) The consideration of the timing of any further progress is important. A good opportunity, if it occurs, should not be rejected because a better one might come. Also it is true that unsound concessions should not be made because of the fear that the present time is the best and must be seized at high cost.

7) No outcome—even a good one—is free from objection. Any decision will have some dangers. But this is not a reason for avoiding decisions.

8) The chances seem to favor an outcome of the meeting which does not go beyond a *modus vivendi* on Berlin and on an East and West Germany, and an easing of tension. This result we can contemplate without alarm. Our hope and purpose would be to accomplish more. It would not be our purpose to conduct the negotiations to prevent more from being accomplished, if more could be accomplished in accordance with the safeguards outlined above.

9) One further word. By safeguards, we do not mean paper assurances. Any Four Power plan to be operable must operate as automatically as possible. It must have no room for Russian opposition to stop

the machinery. It must not be predicated upon the necessity for or assumption of Russian goodwill and cooperation."<sup>2</sup>

ACHESON

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<sup>2</sup> "An Approach to the CFM" was circulated by Secretary Acheson at a meeting in his office on May 10, attended by Jessup, Murphy, Rusk, Kennan, Bohlen, Bruce, Hickerson, and Beam, at which it was decided to cable the text to Bevin and Schuman as an indication of United States policy. (Memorandum of conversation, May 10, not printed (740.00119 Council/5-1049)) On May 12 at a similar meeting Acheson reported that the paper had been approved by President Truman and the Cabinet. (Memorandum of Conversation, May 12, not printed, 740.00119 Council/5-1249)

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740.00119 Council/5-1349

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*<sup>1</sup>

TOP SECRET

[LONDON,] 13 May 1949.

I very much appreciate your sending me a copy of the memorandum which you have written with regard to the forthcoming meeting of the Council of Foreign Ministers.<sup>2</sup> I am grateful to you for giving me this information about the way in which your mind is moving, and I am very glad to find that I am in general agreement with the views which you express.<sup>3</sup> I am sure you are right in suggesting that the test which we should apply in considering the German question is whether the unification of Germany can be achieved in conditions which help and do not retard the unification of a free Europe.

There is, however, one point which is causing me some concern, and that is the suggestion made in paragraph 5 of your memorandum about a possible regrouping of troops in Germany. I agree with you that this is a matter which deserves a most careful study among us but the statements in the press today on this question have come at a most unfortunate moment. These statements have the appearance of being authoritative and might be interpreted on the Continent as a change in the policy of the United States Government from the agreed decisions contained in the annex on security to the report of the Three Power Conference on Germany<sup>4</sup> which took place in London last June. Parliament has just approved the Atlantic Pact, and we, in

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<sup>1</sup> The source text was sent to Secretary Acheson as an enclosure to a personal note from Ambassador Franks, May 13, not printed (740.00119 Council/5-1349).

<sup>2</sup> Under reference here is "An Approach to the CFM" transmitted in telegram 1605, *supra*.

<sup>3</sup> In telegram 1942, May 12, from Paris, not printed, Caffery had reported that Schuman had read "An Approach to the CFM" and said: "It is very sound; in fact, it is very good." (740.00119 Council/5-1249)

<sup>4</sup> The text of the Report of the London Conference on Germany, February 23-March 6 and April 20-June 7, 1948, is printed in *Foreign Relations*, 1948, volume II, p. 75. The Report on Security, dated May 26, is also printed *ibid.*, p. 291.

common with the other Western European countries, have just entered into serious and far-reaching commitments, and I am concerned lest speculation about the possibility of regrouping the occupation forces in Germany may have an unsettling effect upon public opinion in Europe at the present time.

You may like to know that we have consulted our Chiefs of Staff on this question of regrouping, and they see very serious military objections to it. They point out that to concentrate troops in overcrowded areas such as ports would be extremely bad for morale and training, quite apart from any political objection to bringing troops into these areas and compelling the Germans to make room for them. They also have drawn attention to the fact that the problem of suitable aerodromes must be faced and that if the Western Occupying Powers withdrew their troops to the frontier of [or] port areas we should be withdrawing 250–300 miles from Berlin, while the Russians remained in relative proximity. Finally the new German Government might risk being at the mercy of the peoples police, which is the only organised and armed gendarmerie force in Germany.

In consequence I feel obliged to draw your attention at once to the serious doubts which I feel about the possibility of advantageously regrouping our occupation forces at the present time in Germany. I am however looking forward with pleasure to discussing this and all the other matters raised in your memorandum with you and M. Schuman personally before the Council of Foreign Ministers opens.

I have sent a copy of this message to M. Schuman.

[BEVIN]

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740.00119 Control (Germany)/5-1449

*The Secretary of Defense (Johnson) to the Secretary of State*

TOP SECRET

WASHINGTON, 14 May 1949.

DEAR MR. SECRETARY: The agencies of the National Military Establishment, including the Joint Chiefs of Staff and the Military Governor of the U.S. Zone of Germany, have reviewed the tentative outline "Program for Germany" prepared in the State Department and transmitted to me by letter from the Under Secretary of State dated 4 May 1949.<sup>1</sup>

The comments of the Joint Chiefs of Staff are attached.<sup>2</sup> Cables CC 8508, WAR 88256 and CC 8519<sup>1</sup> containing the comments of the Military Governor of the U.S. Occupied Zone of Germany were trans-

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<sup>1</sup> Not printed.

<sup>2</sup> The comments of the Joint Chiefs of Staff were not attached to the source text and have not been found elsewhere in Department of State files.

mitted, as they were received, to the Acting Director of the Office of German and Austrian Affairs of the State Department.

I summarize the position of the National Military Establishment on the general subject covered by the "Program for Germany" as follows:

a. The strategic advantages accruing to Western Europe from any Soviet redeployment might be more illusory than real. In case of hostilities, Soviet preparations therefor conducted within their own borders, or even in Poland, would be more difficult to detect than similar preparations made in the Soviet Zone. In the former case, the United States would probably have less warning of the impending attack. The shorter warning period would offset in large measure the few additional days required by the Soviets to cover the intervening distance in their advance.

b. The military forces of Britain and the United States cannot contribute to the security of Western Europe if they are located in Bremen and Hamburg but instead should be located on the axis of a probable Russian attack and in the vicinity of the Rhine River.

c. Security for the Western Germans from fear of Russian aggression, either by military invasion, individual acts of terrorism, agitation, or threats is essential to the continued development of Germany as a democratic nation. This security has in the past been adequately provided by the presence of troops of the Western Allies in their zones of occupation. The withdrawal of troops of the Western Allies to enclaves along the Rhine will weaken this feeling of security in the Germans. Withdrawal of the British and U.S. troops to enclaves at Hamburg and Bremen would probably destroy it. It does not appear that this is a propitious time for relocation of forces. Acceptable conditions may be created later which would permit relocation to the enclaves along the Rhine. The principal one of these conditions is the creation of a German police force that will have proved effective before the relocation is carried out. The impossibility of estimating at this time when the German police force will become effective makes it undesirable to attempt to reach an agreement on the relocation of forces in enclaves at this time.

d. No sound agreement can be reached which does not include provision for Germany to belong to OEEC and to be included in the ERP program. Germany is not yet independent economically, and withdrawal of our aid would result in an immediate economic slump. This might destroy the new democratic government. The Western German leaders are looking forward to participation in OEEC. Such participation is a logical step in drawing Germany into closer relationship with Western European nations. If ERP aid is not available, Germany will lack funds to procure food and will have to turn to the East to get this food under conditions which will enable the East to control prices and to secure export from Germany of manufactured products, large numbers of which will be the type that we are now withholding from the East.

Sincerely yours,

LOUIS JOHNSON

740.00119 Council/5-1449: Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PARIS, May 14, 1949—8 p. m.

1984. For Secretary and Murphy from Jessup. First meeting with Parodi and Kirkpatrick held this afternoon.<sup>1</sup> General impression of first survey of principal problems was that substantial agreement exists. Following points were discussed.

Publicity. It was agreed there should be no publicity during preliminary conversations. We proposed that at CFM there be usual separate briefings by each delegation but British indicated Bevin would prefer no publicity during opening stages of meeting.

Resumption of trade between East and West zones of Germany. We emphasized that it remains our policy that 1A and 1B commodities<sup>2</sup> shall not be shipped into Soviet zone.

Austria. All agreed that we should recommend to Foreign Ministers that Austria be discussed during meeting and that it would be advantageous for Western Powers to take initiative in proposing discussion. Question of timing was left for later exploration.

Soviet intentions. All agreed that there is so far little evidence of Soviet intentions but British felt Soviets might go beyond Warsaw communiqué<sup>3</sup> and favor creation of "buffer" state which would not be associated with either West or East and which might be prevented from joining European council or concluding bilateral ECA agreement with US. All agreed that any such proposal should be opposed and that a united Germany must have free hand to maintain associations with West now contemplated for Western Germany. British proposed that in CFM Western nations make capital issue out of question whether a united Germany would be able to join European council, conclude ERP bilateral and have democratic form of government as laid down in Bonn Constitution. British felt that such a position would put Soviets on the spot and would be acceptable to German opinion.

<sup>1</sup> Jessup and Bohlen had met briefly on May 13 with Schuman and Parodi to exchange preliminary views on the meeting of the Council of Foreign Ministers. This meeting revealed a basic conformity of ideas and Schuman's concern about any regroupment of occupation forces in Germany. A memorandum of this meeting is in CFM Files: Lot M-88: Box 140: Tripartite Meetings of the Ministers of Foreign Affairs.

<sup>2</sup> Under reference here are lists of commodities which would be of immediate or long term value to Soviet war potential. For documentation regarding the policy of the United States with respect to these items, see volume v.

<sup>3</sup> For the text of the Warsaw Declaration of the Foreign Ministers of the USSR, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania, and Hungary, June 24, 1948, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307.

Unification of Germany. All agreed unification was desirable under proper conditions. French specified primary conditions as (1) extension of Bonn Constitution and (2) free elections. French suggested Soviet reaction to such proposal might be purely negative or might be to propose new constituent assembly and new elections for all Germany. It was agreed that we could not delay in any way contemplated carrying out of Bonn Constitution while new machinery for unified Germany was being established. British suggested Soviets may propose PC representatives meet with Volksrat representatives to work out plans for unification. All three agreed that this proposal would be unacceptable to West Germans and ourselves.

Regroupment of forces. French raised this question in connection with Reston story <sup>4</sup> and we repeated our assurances that this story did not represent US policy emphasizing that we did not favor withdrawal of US forces or any disposition of those forces which would weaken our influence in European scene. British and French expressed satisfaction at this assurance. British stated Bevin had told West Germans he would only withdraw troops after reliable German Government had been formed and in consultation with it. French pointed out there are two arguments against evacuations: (1) the need for security against a resurgent Germany which would also impress satellites and (2) the need for maintaining order within Germany before adequate German police forces under democratic control are available.

Control machinery over united Germany. We pointed out necessity of avoiding machinery which would give Soviets veto power and importance therefore of accepting occupation statute principle of majority vote. French agreed paralyzing veto was undesirable but at same time Germans should not be given unlimited freedom of action as result allied disagreement.

Ruhr. French expressed some apprehension at thought of Soviet participation in Ruhr authority. British suggested that, if it were possible to free Eastern Germany from Soviet control, it would be worthwhile in exchange to permit 3 Soviet votes out of 18 on Ruhr authority. They indicated that as quid pro quo Soviets might be obliged to relinquish their controls over German industry in Eastern zone. We stated our belief that Soviet property ownership must in any case be abandoned as condition precedent to united Germany. French

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<sup>4</sup> Under reference here was an article by *New York Times* correspondent James Reston on May 12, which reported that the United States was studying plans for the withdrawal of all occupation forces in Germany to the area of the North German ports.

made passing reference to proposal which they indicated had been raised by ECE secretariat whereby, while Soviets would not participate on Ruhr authority, authority would be placed under general policy direction of ECE.

Economic unification and currency. French indicated their belief that before economic unification could be carried out reparations question must be settled. They expressed view that reparations must be regarded as terminated with which there was general agreement. It was understood that achievement of economic unity including uniform currency would take some time and that meanwhile the Western German program would continue as contemplated.

Frontiers. We stated that our position on East German frontier is unchanged, that final settlement must await peace treaty, and that in meantime boundary commission to examine problem would be desirable. British and French agreed.

French position. In summing up French position Parodi emphasized that if conference reached no concrete results there might well be recurrence or even aggravation of earlier state of international tension. He added that many of essential Western conditions outlined above such as free elections in Eastern zone were unlikely to be accepted by Soviets. He expressed view therefore that after preliminary general review by Foreign Ministers it might be necessary to come to some more limited solutions involving some degree of coordination between East and West German systems and some temporary arrangement for Berlin. We and British agreed that our continued presence in Berlin might be justified by arrangements for some kind of coordination which would have its focus in Berlin.

It was agreed to meet again Monday to review in more detail some of the points discussed above including extension to united Germany of Bonn Constitution and occupation statute.<sup>5</sup>

Sent Department 1984, repeated London 298 for Ambassador and Holmes Eyes Only, Berlin 170 for Riddleberger Eyes Only.

[BRUCE]

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<sup>5</sup> At the second meeting of the representatives of the three Western Powers, May 16, agreement was reached and drafts were prepared for the delegations on (a) political conditions for reestablishment of German unity, (b) the Western response to Soviet plans based on the Warsaw Declaration or on the concept of creating a neutral buffer state prohibited from participating in the Council of Europe or the European Recovery Program, and (c) a way to extend the Bonn Constitution to all of Germany. For a report on the consideration of these drafts by the delegations, see telegram 2017, May 17, p. 881.



740.00119 Council/5-1649

*Memorandum of Conversation, by the Acting Chief of the Division  
of Austrian Affairs (Williamson)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] May 16, 1949.

## PARTICIPANTS

The Secretary	Mr. Hickerson
The Under-Secretary	Mr. Nitze
Assistant Secretary Allen	Mr. Reber
Assistant Secretary Voorhees	Mr. Williamson
Mr. Murphy	

## THE AUSTRIAN TREATY

Mr. Reber reported at length on the negotiations of the Deputies on the Austrian Treaty which were concluded May 10 in order to permit a report by the Deputies to the Ministers.

Mr. Reber pointed out that in view of the stalemate which has existed in previous negotiations, no progress apparently can be made in the conclusion of the Austrian Treaty until the solution has been reached on the three major problems of frontiers, the payment of reparations and the settlement of the German assets question. He presented to the meeting a memorandum<sup>2</sup> which embodied a plan whereby the Western States would take the initiative in bringing the Austrian Treaty to the attention of the Ministers and proposing a solution for the German assets question which would permit an increase in the lump sum payment to be made by Austria to 150 million dollars in return for Soviet agreement that the frontiers of 1937 be reestablished and that Austria should not be subject to reparations payments. The Secretary made a number of inquiries concerning the exact differences between the Western and Soviet position, the nature of the lump sum payment and the advantages which would accrue to Austria if a Treaty were concluded. It was pointed out in reply that the basic problem involved the relationship between the lump sum payment and the future ECA program for Austria. While the economic benefits derived by Austria in the conclusion of the Treaty would in all probability permit a decrease in the ECA program, it must be borne in mind that popular reaction in the United States would draw the conclusion that the United States Government was financing the Austrian payments to the Soviet Union.

<sup>1</sup> The meeting took place in Secretary Acheson's office at 3:45 p. m.

<sup>2</sup> Under reference here is Reber's report on the negotiations of the Deputies for Austria who had adjourned on May 10. The text of this memorandum, dated May 11, is printed on p. 1093.

The political needs for the conclusion of the Treaty were discussed as well as the problems which would be created by the withdrawal of the occupation forces. It was agreed that in the event of the conclusion of the Treaty the timing of the withdrawal should be so arranged as to permit the Austrian Government to organize its own security force<sup>3</sup> in order to maintain internal law and order.

The chief problem discussed was the tactical approach to this question in the forthcoming conference. It was recognized that the question would inevitably be discussed at the time of the decision on the fixed agenda for the meeting. The Secretary pointed out that it would be desirable to obtain an Austrian settlement regardless of the outcome of the German discussions and that a settlement on Austria might well be used to obtain progress in the German discussions. It was generally assumed that if agreement could be reached on the major issues on the Treaty, agreement would quickly follow on the minor and subsidiary questions but that it must be clearly understood that Western agreement on the major issues would be dependent upon agreement on the Treaty as a whole.

The Secretary stated that he was willing to take the initiative in proposing a discussion of the Austrian Treaty depending on the course of the negotiations. He wished to have a more complete explanation on the conversations which are now being held in Paris and agreed that the course of action on the Austrian Treaty can best be determined after the beginning of the meeting.

In response to Mr. Hickerson's question about the desirability of taking Congressional soundings on the possible reactions of the lump sum payments, the Secretary agreed that this would not be desirable in view of the possible publicity which might be given to such an inquiry.

The Secretary requested that a short paper on the Austrian Treaty be prepared for submission to the National Security Council.<sup>4</sup>

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<sup>3</sup> For documentation on the United States interest in the formation of Austrian security forces, see pp. 1236 ff.

<sup>4</sup> An abbreviated version of Reber's report, not printed, dated May 17, was sent to the National Security Council. (CFM Files: Lot M-88: Box 84: Reber File)

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740.00119 Council/5-1749: Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET      PRIORITY

PARIS, May 17, 1949—6 p. m.

2017. For Secretary and Murphy from Jessup. Three delegations today considered and revised papers prepared by drafting committee on: (1) tripartite attitude towards possible Soviet proposals at CFM;

(2) political conditions for German unification; and (3) procedures for accession of Eastern zone *Laender* to Bonn constitution.<sup>1</sup>

Under (1) consideration was given to proposals reiterating conclusions of Warsaw declaration, to proposal for new all-German constituent assembly, to proposal for new all-German plebiscite on unification, and to proposal which by imposing checks on German freedom of action in international affairs might prevent united Germany from joining Council of Europe or from concluding bilateral ECA agreement with us.

Three delegations agreed that all of these proposals must be rejected and drew up arguments on which rejection might be based.

On point (2) above all delegations agreed that it is to interest of three powers that Germany be unified provided it can be done on truly democratic basis and without prejudice to progress already achieved but that certain prerequisite political and economic conditions must be laid down. Among essential political conditions are following: (1) Freedom of person, including freedom of movement, freedom from arbitrary arrest, freedom of association, freedom of speech and press; (2) freedom of all political parties wherever established, excluding parties with Nazi ideology, to operate in all zones; (3) freedom of elections through universal, equal and direct suffrage and by secret ballot, para-political organizations to have no right of representation, a single list to be forbidden and elections to be carried out under adequate supervision (whether supervision should be quadripartite or international left open for further discussion); (4) Volkspolizei in Eastern zone to be abolished.

It was agreed that an essential condition to any acceptable proposal for united Germany was that Western German Government should be formed and should continue to function independently of any procedures established for accession of Eastern zone *Laender* and that before being adopted any such procedures should be discussed with appropriate Western German authorities. It was recognized that one possible procedure would involve accession to Bonn constitution by Eastern *Laender* under machinery provided in constitution to be followed by federal and *Land* elections in all four zones. It was agreed that a preferable procedure, in order to avoid the accession of Eastern *Laender* still under Communist domination, would be fresh *Landtage* elections in all four zones to be followed by ratification of constitution for united Germany by newly elected *Landtage*. (West German Gov-

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<sup>1</sup> The texts of the papers prepared by the drafting committee were not found in Department of State files. Presumably the revised papers are the same as the individual sections of the Report to the Foreign Ministers on the Tripartite Conversations Preliminary to the Sixth Session of the Council of Foreign Ministers, May 20, not printed. (CFM Files: Lot M-88: Box 140)

erament would, of course, continue in operation until constitution for united Germany ratified through above procedures.)

This morning's session also considered economic conditions for German unification and agreed that following were essential prerequisites: (1) termination of reparations; (2) relinquishment of Soviet held companies in Eastern zone; (3) four power agreement on occupation costs. It was felt there might be an accord in principle on monetary and trade unity but that German Government could be left to work out details. Other problems discussed were treatment of prohibited or restricted industries in Eastern zone and relinquishment of claims against Germany but it was left open whether or not these points were essential prerequisite to German unification.

On Ruhr it was agreed that we would not scrap existing Ruhr agreement nor would we accept Polish and Czech participation. British and US felt it might be possible to accept Soviet participation on Ruhr authority if this point should prove to be only obstacle to full agreement on German unification but that it should not be accepted under any other conditions. French expressed anxiety at Soviet participation but did not commit themselves.

It was agreed that any Soviet proposal for total evacuation of troops must be rejected. As to possible regroupment of troops we indicated there would be some advantage in regroupment which, without jeopardizing strategic necessity of maintaining screen across West Germany, might induce Soviets to withdraw their forces to restricted garrison areas. Both British and French seemed reluctant to accept any sort of regrouping at this time, though British indicated their chiefs of staff might consider some regrouping which would maintain their forces in strategic areas in center of their zone but outside of large centers of population. They quoted Bevin as holding that no withdrawal or regrouping should take place until satisfactory German Government exists capable of maintaining public order. They suggested first reply to Soviet proposal might be request that they reduce their forces approximately to level of those maintained in Germany by each Western power. French stressed this is vital question for them from point of view both of security against Russia and security against Germany. We emphasized that any regroupment which might take place would not be immediate and would be geared to formation of adequate German security forces. This subject will be discussed again tomorrow.

It was agreed that tomorrow's meeting will deal with: (1) quadripartite occupation statute; (2) military security board; (3) frontiers; (4) Austria; (5) *modus vivendi*. It was recognized that latter point will require extensive discussion in view of probability that Foreign

Ministers will be unable to reach agreement on German unification and that acceptable *modus vivendi* will therefore be main point of latter stages of conference.

It was agreed that, after the delegations had reached agreement on recommendations to Foreign Ministers on points of substance listed above, the final session would be devoted to recommendations concerning tactics as to timing and form in which our proposals might be made and Soviet proposals dealt with. Order in which questions so far considered in preliminary conversations does not necessarily indicate our recommendations in regard to timing and tactics at CFM.<sup>2</sup>

Sent Department 2017, repeated London 304 for Ambassador and Holmes Eyes Only, Berlin 176 for Riddleberger Eyes Only.

BRUCE

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<sup>2</sup> In telegram 2041, May 18, from Paris, not printed, Jessup reported substantial agreement existed on the political and economic conditions for German unification, the attitude toward possible Soviet proposals, accession of Eastern Zone *Laender* to the Bonn Constitution, frontiers, a *modus vivendi* for all of Germany if agreement could not be reached on unification, and discussion of Austria at the Council. Four other points resulted in certain differences among the three Western Powers despite a wide measure of agreement. These were the French reluctance to admit the Soviet Union to representation on the Ruhr Authority, British and French reluctance to admit the Soviet Union to the Military Security Board, the right of appeal under the Occupation Statute, and the question of Berlin municipal unification and the introduction of a third currency in the city. (740.00119 Council/5-1849)

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740.00119 Council/5-1849 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, May 18, 1949—7 p. m.

1672. Personal for Jessup Eyes Only. At a mtg of Security Council this afternoon presided over by the President, I outlined our position re forthcoming CFM mtg. I first referred to the paper "An approach to the CFM"<sup>1</sup> recently approved by the President and then briefly reviewed history of German problem since Potsdam, our efforts looking to a quadripartite solution and the London Agreement re a Western German program. This was followed by a reference to the subsequent Soviet determination to drive us from Berlin, the successful intervention of the airlift and counter-blockade measure, which we feel brought about a Soviet desire for further conversations. I emphasized to the President with his approval that it is not our intention to abandon the advantages gained in Western Ger. It will be our intention to probe the Soviet attitude at Paris, using the device

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<sup>1</sup> The text of this paper was transmitted in telegram 1605, May 11, to London (to Paris as 1539), p. 881.

of questions regarding the Eastern frontier, reparations, Soviet acquisition of properties in the Eastern zone in an effort to clarify Soviet intentions. I outlined the difficulties that would lie in the way of an extension of democratic govt to Eastern Ger under present conditions and the lag that wld be incident to a correction of the structure of public admin, police, etc. I also referred to the study made by Joint Chiefs of Staff re question of regrouping and eventual reduction of occupation forces,<sup>2</sup> describing the objections which the Mil Estab found to hasty action and the polit and mil considerations developed by analysis of the report prepared by Joint Chiefs. It was made clear to Council that in event it became apparent during course of meeting a solution of the all German problem is not immed possible that effort will be made to develop a *modus vivendi* between East and West Ger, including an acceptable arrangement which wld maintain our right to be in Berlin and to have access to Berlin.<sup>3</sup> There was also a discussion of problem which wld be created shld Soviet Union attempt to reimpose restrictions on trade and communications with Berlin and with latter respect it was understood that NSC would immed undertake an analysis of this purpose so that shld a decision be necessary it wld not have to be improvised.

President expressed his satisfaction with course of action I proposed together with approval of plan to reconcile views of Brit and Fr with ours in order that we may present to Soviets a united front during forthcoming mtg. I thought it best not to request NSC to approve a definitive paper outline of our positions on the several issues involved in order to retain the greatest degree of flexibility in achieving our basic objectives in Ger.

I also outlined to NSC basic factors involved in Aust Treaty negots and obtained President's approval positions taken by Reber at end of recent discussions in London which are outlined in a memorandum, copy of which is being transmitted you.<sup>4</sup> President agreed to inclusion of Aust Treaty on agenda CFM mtg, leaving question of manner in which initiative is to be taken to be worked out by us in collaboration with UK and Fr.

ACHESON

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<sup>2</sup> No copy of this study has been found in Department of State files.

<sup>3</sup> A copy of the paper which was used by Secretary Acheson to brief President Truman and the National Security Council is in file 740.00119 Council/5-349.

<sup>4</sup> On May 11 Reber had prepared a memorandum (p. 1093), summarizing the meetings of the Deputies for Austria before their adjournment on May 10 and recommending the United States course of action in future negotiations for the Draft Treaty. Secretary Acheson's reference is to an abbreviated version of Reber's report, dated May 17, not printed, that was sent to the National Security Council. (CFM Files: Lot M-88: Box 84: Reber File)

*Editorial Note*

On May 19 Secretary Acheson issued a statement to the press tracing the development of the situation in Germany since the last meeting of the Council of Foreign Ministers in 1947, and stating that the United States would approach the Paris session “. . . with an open mind and with an honest intention to explore all possibilities to arrive at a lasting solution of the problem of Germany.” For the full text of this statement, see Department of State *Bulletin*, May 29, 1949, pages 675-676 or *Germany 1947-1949*, pages 67-69.

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740.00119 Council/5-1749 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, May 19, 1949—7 p. m.

1681. For Jessup. Dept does not understand proposals your 2017, May 17<sup>1</sup> re alternative procedures for accession of East zone *Laender* to Bonn constitutional system.

One procedure would be new free elections for new state govts in Eastern zones; ratification of constitution by newly elected Eastern zone *Landtage*; free elections by Eastern states to choose reps to lower house of federal republic.

As alternative, after new and free state govts had been elected under supervision and had expressed desire to accede to Basic Law, new gen elections for federal lower house cld be held throughout all German states, if such procedure acceptable to leaders of Federal Republic.

Under procedure cited your Tel 2017 as preferable, fresh *Landtage* elections would be required in all four zones to be followed by ratification of constitution for united Germany by newly elected *Landtage*. In this way would not the Western German *Laender* be ratifying the constitution twice? On assumption that Basic Law will not essentially be changed in extension to all of Germany, double ratification by Western German *Laender* would seem objectionable.

Also while new gen elections throughout Germany for federal lower house might be regarded as first concession, gen elections for *Landtage* wld in our opinion be considered as possible further concession, subject particularly to Ger approval, since such new *Landtage* elections wld conflict with provisions of established *Land* constitutions in Western zone.<sup>2</sup>

ACHESON

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<sup>1</sup> *Ante*, p. 881.

<sup>2</sup> In telegram 2073, May 20, from Paris, not printed, Jessup reported that the agreed tripartite paper on the accession of the East Zone *Laender* was in general accord with the views expressed in this telegram. (740.00119 Council/5-2049)

740.00119 Council/5-1949 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*TOP SECRET      PRIORITY  
NIACT

PARIS, May 19, 1949—7 p. m.

2062. For Secretary and Murphy from Jessup. Preliminary conversations concluded this afternoon with agreement that following subjects, might be recommended by Western powers for inclusion on agenda:

1. German unity.
  - a. Economic principles.
  - b. Political principles.
  - c. Allied controls.
2. Problems arising out of situation in Berlin including question of currency.
3. Peace treaty.
4. Austria.

It was recognized several other subjects, including security, may have to be included at Soviet request. It was felt, however, that agenda should be brief and in general terms.

At this morning's meeting, some difference of emphasis emerged in discussion of tactics. British urged importance Western powers taking initiative in stating basic principles on which German unification should be based. French and ourselves suggested dangers of advancing, before Russian intentions had been explored, detailed conditions for German unification which might be taken either as (1) ultimatum to Soviets at outset on conference (2) indication, disquieting to West German[s], of willingness to compromise on Bonn program. It was eventually agreed to recommend to Foreign Ministers that Soviets, as initiators of CFM meeting, be asked first to state their proposals and that these proposals then be dissected in such a way as to expose obstacles to German unity implicit in Soviet position. Only thereafter would West powers set forth in detail conditions which they consider essential to German unity. However, no agreed paper on tactics was adopted since it was considered Foreign Ministers themselves would wish to explore thoroughly question of tactics during their meetings here this weekend.

Sent Department 2062, repeated London 315 (for Ambassador and Holmes Eyes Only), Berlin 183 (for Riddleberger Eyes Only).

BRUCE



740.00119 Council/5-1749 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, May 19, 1949—8 p. m.

1706. For Jessup. Reur 2017, May 17.<sup>1</sup> In conversation with Gen Clay he expressed reservation on the subject of any proposal at this stage looking to regrouping of US troops in Germany. His position is that German population as well as Western Europeans rely on the presence of this screen of American troops for a sense of security. To take away the screen particularly from Bavaria and the Czecho-Bavarian border in the near future would encourage Communist penetration and lead to demoralization.

Gen Clay also believes that Soviet position in Eastern Germany is verging on "bankruptcy" and that we may be faced at Paris with a Soviet move to obtain an all German agreement under which the Soviets could operate along traditional lines.

Re Para 2 (g) and (h) of Occupation Statute<sup>2</sup> control over foreign trade and exchange and control over internal action, Clay shares Dept point of view that these controls are unnecessary and of doubtful wisdom on a quadripartite basis. He also agrees with our view concerning desirability of eliminating zonal boundary lines.

ACHESON

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<sup>1</sup> *Ante*, p. 881.<sup>2</sup> *Ante*, p. 179.

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Policy Planning Files : Lot 64D563 : Box 20037 : Chron File

*Memorandum by the Director of the Policy Planning Staff (Kennan)  
to the Secretary of State*

CONFIDENTIAL

[WASHINGTON,] May 20, 1949.

MR. SECRETARY: I thought I would give you some last minute thoughts on the German problem, as it appears to me in the light of the events of the past week.

1. The wide area of agreement reached among ourselves here in Washington and with the British and the French in Paris has been achieved by the steady and progressive discarding of all possibilities which might really have led to something like a unification of Germany under allied blessing, at the present time. The final abandonment of the idea of re-grouping of forces means, of course, that we must expect Russian forces to remain in full occupation of the entire Soviet zone, extending to within a hundred miles of the Rhine, for a further indefinite period. In these circumstances, I fail to see how any at-

tempted German unification could take a healthy course or could lead to anything further than progressive embitterment of the German public and German political life against the entire occupational regime.

On further reflection I do not think that the Austrian precedent is applicable to Germany. As long as Soviet troops remain in full occupation of the Eastern zone, I think it idle to expect that Communist concentration camps will be dismantled or that the Soviet industrial holdings would be turned over in good faith to a German authority or that the Russians would get out of their direct exploitation of uranium resources, with all that that involves.

To my mind, therefore, the trend of our thinking with regard to re-grouping of forces means, aside from other considerations, that we do not really want to see Germany unified at this time, and that there are *no* conditions on which we would really find such a solution satisfactory. This seems to me to conflict with paragraph one of the principles which you drafted,<sup>1</sup> where it was stated that "If we can integrate a greater part of Germany than we now control under conditions which help and do not retard what we are now doing, we favor that . . ." It also seems to me to conflict with our desire to have Soviet troops "withdraw as far as possible" and with our analysis that "a possible re-grouping of troops which would have the effect of removing Russian troops eastward . . . is essential to any further unification of Germany and of Germany with the West."

2. At the same time, the results of the election in the Eastern Zone of Germany<sup>2</sup> led me to think that, in the absence of any allied agreement about German unification, we may be faced with some violent manifestation of German feeling by which the Germans would really unify themselves, as a political force, underneath the framework of allied occupation and in a sort of defiance of all the allied powers. The spirit of such a manifestation would be that of "a plague on both your houses" and it would be accompanied by insistent demands for evacuation of Germany by all the allied powers.

In this way, I feel that public opinion in Western Germany, which is today relatively favorable to ourselves, may turn in other directions and we may eventually find ourselves grouped with the other Western powers as those who oppose evacuation of German territory and the emergence of a real German Government for all of Germany.

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<sup>1</sup> Under reference here is "An Approach to the CFM", transmitted in telegram 1605, May 11, to London, p. 872.

<sup>2</sup> Elections to the third German People's Congress were held May 15-16, and 66 percent of the eligible voters were reported to have voted for the list of candidates proposed by the German People's Council. For further documentation relating to the election and the subsequent activity of the Congress, see pp. 505 ff.

I would like to reiterate that I think that all of us, but the French and the British more than ourselves, have a dangerous tendency to think of this German problem in static rather than dynamic terms; we expect too much that the problems of tomorrow will be like the problems of yesterday. In this way we run a real danger of placing ourselves squarely in opposition to the inevitable. I still feel that some day we may pay bitterly for our present unconcern with the possibility of getting the Russians out of the Eastern Zone and our unwillingness to modify the dispositions of our forces in Western Germany and to give *some* German authority somewhere the feeling that it can really rule the territory assigned to its administration.

3. In these circumstances, I must confess that I am not clear in my own mind as to how we should go into this meeting, tactically, and what sort of an opening statement we should make. In trying to think this thing out, I come back to the fact that we spent eight weeks last fall working out what we felt would be a logical program for advance toward the unification of Germany.<sup>3</sup> Piece by piece, in our own deliberations here and in the concessions we have made to French and British feelings in Paris, the essentials of this program have been discarded, and the logic broken up. Some modification was necessary; but the program emerging from the Paris talks now bears no logical connection with the original concept.

In these circumstances, I really feel that the British and the French must be asked to bear the main burden of presentation and defense of the Western position in the CFM; and we might have to let it be known that we have deferred extensively to their views in these matters.

GEORGE F. KENNAN

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<sup>3</sup> Under reference here is the Program for Germany called "Program A" which was prepared by the Policy Planning Staff in the fall of 1948 and sent to Secretary Marshall November 12. The text of this paper is printed in *Foreign Relations*, 1948, vol. II, pp. 1325-1338.

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740.00119 Council/5-2149

*Memorandum by Mr. Charles W. Yost, of the United States Delegation at the Council of Foreign Ministers, to the United States Alternate Member at the Council (Jessup)*

SECRET

[PARIS,] May 21, 1949.

There emerged in the preliminary tripartite conversations an attitude toward the German problem on the part of the French, and to a lesser extent the British, which might be described as primarily defensive. It seems likely that the French would be satisfied with a German

split for an indefinite period with the three Allies in substantial control of the West and the Soviets in substantial control of the East. Their attitude is of course complicated by their preoccupation not only with security against Russia but also with security against a resurgent Germany. The British show in principle more interest in securing German unification but in practice manifest great reluctance to take risks in reaching this objective. In other words, they seem more concerned with preventing Soviet incursions into the West than in maneuvering the Soviets out of the East.

This disposition is brought out by their attitude on a number of points. They attach more importance to prolonging the scattering of their and our troops throughout Western Germany than in securing the retreat of the Soviets to restricted areas of Eastern Germany. By their insistence on holding to a minimum negotiations and contacts between East and West Germans, even on purely economic matters, they seem to consider free Germans more liable to Communist contamination than stooge Germans to the attraction of democratic institutions. By their attitude toward Soviet participation on the Military Security Board, they show themselves so fearful of the slightest Soviet interference in the West that they are ready to leave them in exclusive control of this important instrument of pressure in the East.

These hypercautious attitudes seem somewhat unreal in the light of our present strength and somewhat dangerous in the light of our long-term objectives. Taking the broad view, there seems good reason to believe that the Soviets would profit more than we from a stalemate in Europe which would permit them during the next three or four years to consolidate their position behind the Iron Curtain and knit their satellites, including Eastern Germany, into a firm political and economic complex. This is particularly true when they are making such gains in the Far East. It would seem that our policy should be, while by no means neglecting to consolidate our improved position in Western Europe, still not to rest on our laurels but to exert unrelenting pressure to reduce Soviet influence in Eastern Europe. To follow such a policy involves risks but not to follow it would seem to raise the greater risk of acquiescing in a breathing spell which the Soviets may need but we do not.

If this line of reasoning is correct, Germany and Austria certainly offer the most favorable fields in which to press forward now. Positive action on our part in the satellites, except Yugoslavia, is extremely difficult but we still have a reasonable opportunity gradually to weaken the Soviet position in Eastern Germany and to eliminate them from Eastern Austria. The successful carrying out of these operations might

alter the balance in Europe in our favor even more substantially than have the events of the past year and would certainly have a profoundly unsettling effect on Soviet control of the satellites. These ends are so substantial that they seem well worth risks which in any event, if we are really confident of the solidity of our work in Western Europe, do not appear too serious.

If the general attitudes suggested above reflect the United States position, it would seem that on the whole complex of problems before the CFM we might wish to urge upon the French and British a policy of greater boldness and imagination and to emphasize our belief that the Soviets and their stooges have far more to fear from the partial opening up of Eastern Germany to Western influences than we have from a slightly increased exposure of free Germany to Communist associations. There would be advantage in bringing out the point that the continued presence of the Red Army in the Eastern Zone may well be the strongest element supporting Communist infiltration and influence in Western Germany. Most important of all is the necessity of inducing the British and French to regard the German problem as merely a part of the problem of Europe and its solution as primarily a means not only of consolidating but also of extending eastwards the free, stable and united Europe which is our aim.

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740.00119 Council/5-2249 : Telegram

*The Secretary of State to the Acting Secretary of State*

TOP SECRET      PRIORITY

PARIS, May 22, 1949—6 p. m.

1779. For the President and Acting Secretary. Copy has already been forwarded to you of paper based on agreements reached last week.<sup>1</sup> I have had two discussions with Bevin and Schuman and we are in agreement on substantive points.<sup>2</sup> High-lights of discussion were:

1. Bonn Constitution should be offered as program for all Germany as providing federal government system on which unity three Western zones is being successfully achieved.

2. Economic principles embodied in Western arrangements should be put forward as reflecting situation in fact which would have to be extended to Eastern zone if unity to be achieved. Soviets must cease

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<sup>1</sup> Under reference here is the Report to the Foreign Ministers on the Tripartite Conversations Preliminary to the Sixth Session of the Council of Foreign Ministers, May 20, not printed. A copy of this report is in CFM Files: Lot M-88: Box 140.

<sup>2</sup> The Foreign Ministers had met at the Quai d'Orsay on May 21 and 22. Full minutes of these discussions are in *ibid.*

reparations from current production in Eastern zone and relinquish ownership their state-owned enterprises in Germany.

3. Majority vote principle in application of controls must be maintained at least on those points on which it is applied in Washington agreements.<sup>3</sup>

4. Although French reluctant raise frontier questions as separate issue, it was recognized present Eastern boundary is an embarrassment to Soviet policy in Germany and that it might be useful again propose establishment boundary commissions to undertake studies as part preparations for a peace treaty.

5. Question Soviet participation Ruhr control should await Soviet proposals re Ruhr and no concessions this point will be considered until agreement all other matters affecting German unity had been reached.

6. All elections required in connection Soviet zone states adherence to Bonn Constitution should be under quadripartite supervision.

7. Possible Soviet proposal should be rejected looking toward "neutralization" Germany which would preclude latter's association with West and might pave way for eventually linking Germany with Russia.

8. British and French extremely reluctant consider any immediate Western troop reduction or regrouping. I concurred but pointed out we cannot insist Germany remain under permanent occupation three-quarter million troops and that gradual reduction and regrouping would have to be eventually considered as an independent peaceful and disarmed Germany acquires stability. Therefore, we should not be timid about discussing this eventual fact and should see it boldly as an answer to any Russian proposals for immediate evacuation and we might further urge that the Soviet forces now be reduced in some more reasonable proportion to Allied forces.

9. Agreed that if no agreement or if partial agreement reached present CFM, Western governments should demonstrate willingness to proceed with German unification by stages. For this purpose *modus vivendi* re relations East and West Germany and re Berlin would be proposed under which some coordinating body could be set up to continue study of procedures for promoting German unity and undertaking preparatory work for a possible later CFM. Tripartite study being made of alternative currency solutions for Berlin under *modus vivendi*.

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<sup>3</sup> Under reference here are the agreements reached by the three Western Powers April 8, 1949, in Washington on the status of the three Western zones of Germany. For the texts of these agreements, see pp. 177 ff.

10. Agreed CFM should instruct Austrian deputies to submit report by June 1. Western deputies meantime would prepare for their minister's joint proposals re terms substantive settlement.<sup>4</sup>

ACHESON

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<sup>4</sup> On May 23 Webb left a copy of this telegram and the Report to the Foreign Ministers with President Truman and assured the President that the agreed position which they indicated was almost completely in accord with his instructions to Secretary Acheson. (Memorandum of a meeting with the President, May 23, not printed, 740.00119 Council/5-2249)

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### *Editorial Note*

In preparing for the Sixth Session of the Council of Foreign Ministers three sets of documents were used as background and position papers for the United States Delegation. The first set, drafted and discussed by the Council of Foreign Ministers Preparatory Working Group, which met from September to November of 1948, is divided into thirteen individual series on such matters as the German economy, the Ruhr, United States policy toward Germany, reparations, establishment of a German government, and Austria. Its documents are prefaced with the symbol FMP. The papers in this series are not printed in this volume, but FMP D-6/11a, October 28, 1948, is printed in *Foreign Relations*, 1948, Volume II, Chapter V.

The second set of documents was prepared by the State Department Working Group of the Subcommittee for Germany of the National Security Council, which was established February 1, 1949. This set of documents comprises four series of papers devoted to the organization of the Subcommittee, various specific aspects of United States policy in Germany, United States policy toward Germany in general, and the United States policy toward Western Germany. Of these papers, which bear the series indicator GNSC, the Effects of Postponement of the Western German State (GNSC D-2/9, February 21) is printed on page 194, while Principles of Basic Policy Concerning Germany (GNSC D-3, February 14) is summarized in the editorial note, on page 93, and GNSC D-4a, February 24, Set of Principles for Treatment of Western Germany in Event It Is Impossible To Repair the Split of Germany (Revised), is printed on page 94.

The third set of papers consists of 61 documents prepared specifically for the Sixth Session of the Council of Foreign Ministers by various offices and divisions within the Department of State at the request of the Secretariat and the Office of German and Austrian Affairs. Like the two other sets this collection of papers, designated CFMP, is divided into a number of series, in this case six: organizational, background, general policy, political, economic, and a final

series on a *Modus Vivendi* with the Soviet Union if no agreement were reached on Germany at the Council. Two of the papers in this series are printed *infra*. Complete sets of all three collections are in the CFM Files: Lot M-88: Boxes 178-180.

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CFM Files: Lot M-88: Box 179: CFMP Series

*Paper Prepared by the Office of German and Austrian Affairs*<sup>1</sup>

SECRET

[WASHINGTON,] May 15, 1949.

CFMP D-3a

### U.S. POSITION AT THE COUNCIL OF FOREIGN MINISTERS

#### *Basic Premise:*

The Western German program to which the United States Government is formally committed is in a final stage of implementation. It is accepted that the Western German program will be fulfilled, and that any four power agreement would be based on that program. If the CFM were to result in apparent agreement which later was not carried out due to Soviet obstruction and bad faith, it would be necessary to return to the Western German arrangements. Accordingly it is necessary that the U.S. position consistently throughout the CFM should be so devised as not to jeopardize nor detract in any way from the Western German program. Any agreement on all Germany acceptable to the U.S. will be so closely related to the Western German arrangements that in the event the all German program breaks down as a result of Soviet action, the program for Western Germany would continue in full effect.

#### *Timing:*

The Bonn constitution has been given a final reading by the Parliamentary Council on May 8 and has been formally submitted to the Military Governors for approval. Such approval will probably be given by May 15, at which time the Occupation Statute (already released) will be formally communicated to the Germans. The constitution thereupon will be referred to the states for ratification which will probably take place by vote of the state parliaments. Under such

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<sup>1</sup> Attached to the source text was a memorandum by Bradley Patterson which explained that it was a revision of CFMP D-3 which had been circulated at a meeting in Secretary Acheson's office May 10. The revisions had been made after conferences with the Secretary and following receipt of comments from the Joint Chiefs of Staff. The text of CFMP D-3 and a memorandum of the meeting in the Secretary's office are in file 740.00119 Council/5-1049. Apparently CFMP D-3 was the third draft on the United States position at the Council of Foreign Ministers since two other papers prepared in the Office of German and Austrian Affairs, dated April 23 and 25, bear similar titles. Copies of these two papers are in file 740.00119 Council/4-2249 and 2549.



circumstances, ratification by the required  $\frac{2}{3}$  majority be effected between two and three weeks, namely sometime between June 1 and June 15. General elections under the constitution of the first federal government would be held presumably within four to six weeks thereafter. Elections are likely to fall thus between July 1 and July 15.

*Extension of Constitution to All of Germany:*

The constitution will presumably be ratified by the Western German states at the time of or shortly after the commencement of the CFM, and the electoral preparations will begin at once thereafter.

If the Eastern German states are to ratify the constitution before their participation, it would be necessary to postpone the election schedule in Western Germany. In fact, if general elections were to be held throughout Germany at the same time, it would also be necessary to postpone the Western German election schedule, in so far as an interim period of preparation in the Eastern zone would be required for the establishment and free operation there of political parties such as the SPD at present unauthorized under the Soviets.

Extension of the constitution to the Eastern zone can only be envisaged with the participation of Germans in the Eastern states who are as politically free as the population in the Western zones. The Eastern Germans, by majority decision must voluntarily signify their desire to join the Federal Republic. In order that this may occur, all democratic parties authorized anywhere in Germany (in particular the Social Democratic Party) must be free to engage in political activity. For the purpose of eliminating interference by Soviet occupation forces and the Communist police, there must be a system of initial supervision, preferably directed by officials of the Federal Republic perhaps with assistance of a quadripartite commission of elections and political activity.

In practice this may mean that there will be some delay in bringing the Eastern states into the Federal Republic. New free elections under the above-mentioned conditions for new state governments would be necessary before the latter can signify their desire to accede to the Basic Law. The Eastern states would then hold free general elections to choose their representatives to the Lower House of the Federal Republic (representatives to the upper chamber would be chosen by the new state governments).

From the Western standpoint, it would be desirable that the above procedure follow its course; namely, that the Federal Republic be set up in the Western zones and the Eastern states hold new elections for their governments, signify their desire to accede and then hold general elections for their representatives to the Parliament.

It is recognized that a certain element of inequity could be claimed to attach itself to the above procedure. Consequently, the Western governments might consider offering a concession, provided this were acceptable to the leaders of the Federal Republic when established. It could be stated that after new and free Eastern state governments had been elected under supervision and had expressed their desire to accede to the Basic Law, new general elections for the Federal Lower House could be held throughout all the states in Germany (possibly likewise under supervision). (This, of course, would take place some time after the first general elections had been held in the Western zones and the Federal Republic had been set up.) The new Parliament, with added Eastern zone representation, would thus be free to consider any amendments to the Basic Law deemed necessary to adapt the government to all of Germany.

In advocating Soviet acceptance of the principles of Basic Law, the Western governments can always point to the fact that this law is provisional in character and adaptable by free German decision to the needs of a united country.

#### *Control Machinery:*

With necessary minor adaptations the Occupation Statute and the Washington Agreement as to Controls<sup>2</sup> could be applied on a quadripartite basis to all of Germany. So long as the system of controls operates under the majority vote procedure, disagreement between the Western Allies and the Soviets should, on the assumption that following the Atlantic Treaty the French will adhere to a common Western policy respecting Germany, not result in the obstruction of German governmental processes nor failure to take positive action where needed. A further protection for German government operation would reside in the fact that its legislative enactments would come into force automatically if not disapproved by majority vote.

If Germany is to be unified, it is essential that the zonal boundaries be eliminated and that the individual occupying powers cease to maintain separate governmental authority in the former occupation zones. Accordingly it should be left to the Allied Commission to decide by majority vote the nature and extent of its representation in the various German *Laender*.

The list of reserved powers in an Occupation Statute for quadripartite agreement could be the same, omitting control over foreign trade and exchange and control over internal action affecting the need for external assistance. It is envisaged that U.S. interest in these mat-

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<sup>2</sup> Under reference here is the Tripartite Control Agreement, signed by the Foreign Ministers of France, the United Kingdom, and the United States at Washington, April 8, 1949. For the text of this agreement, see p. 181.

ters would be covered by a bilateral ECA agreement with Germany. The proposed list of reserved powers would also omit the minor items of "restitution", "Non-discrimination in trade matters", and the "prestige" of Allied forces.

A uniform procedure for decision by majority vote should be set down for the quadripartite control machinery. It is recognized that this provision will be contested by the Soviets. For this reason, the provision for unanimity in certain instances under the Washington Agreements should be dropped so that the program as presented will offer no opening wedge on this issue. Thus paragraph 4 of the Washington Agreement as to Controls regarding unanimous approval of amendments to the constitution as well as the first sentence of paragraph 5 of the Occupation Statute would be omitted.

The appeal procedures contained in paragraphs 7 and 8 of the Washington Agreement as to Controls would be omitted as involving too complicated a procedure to apply in concert with the Russians. The provision in the Occupation Statute (paragraph 7) for dealing with legislation of the occupation authorities enacted before the effective date of the provisional constitution would also be omitted. The procedure outlined therein is too complicated to work out with the Russians. It is assumed that the German government itself will be able to modify such legislation subject to majority disapproval.

#### *Economic Unity:*

It is proposed that the restoration of economic unity be left to a responsible German government. This means that, after a German government is established, it will have to take the necessary steps to re-establish a common currency for the whole of Germany, to bring about a measure of equality in the economic conditions of East and West Germany. It will introduce common ration scales and, in general, bring about an adjustment between the highly controlled and semi-communized Eastern Zone and the relatively free economy Western Zones. It is essential that, if the German government is to do this with any degree of effectiveness and without the risk of serious economic and political repercussions, there must be no interference on the part of the occupation authorities. Consequently, the arrangements with respect to Germany must in effect remove the occupation authorities from operating in the field of economic administration. Furthermore, the arrangement with respect to the future disposition of troops must be such as to avoid the possibility of interference by the troops in the economic administration.

#### *Germany and the European Recovery Program:*

It is essential to the success of the European Recovery Program that Germany continue to participate in the program. Since it cannot be

expected that the Soviet Union would agree to any specific clause providing for continued German participation in the European Recovery Program, the control machinery to be provided under any new quadripartite agreement on Germany must at least make it possible for Germany to continue to participate in the program if it wishes without such adherence being subject to Soviet veto. This can be done by permitting the German government to enter into international agreements unless such agreements are disapproved by the Allied High Commission. It is believed that the German need for economic assistance is so great that Germany could not afford to withdraw from ERP. For the forthcoming fiscal year, it is expected that close to a billion dollars will be made available in aid to Germany by the US and UK. In Germany's current circumstances, it is not believed that the kind of government which would be established under a system of free elections would decide to refrain from obtaining the benefits of ERP.

The re-establishment of economic unity by a German government is closely related to the problem of continued American aid. Unless the German government were able to control its resources without interference from the Soviet Government, a substantial part of our aid to Germany might be wasted. Furthermore, we could not consider creating a situation under which complete freedom of trade between the zones were re-established at a time when the USSR was in control of the Eastern Zone. If we did, our aid would tend to be diverted to a substantial measure, together with goods produced in the Western Zones which are now going to other ERP countries. This means that the zones of occupation must be effectively terminated and the way left open for the US to work out with the Germans directly measures which would safeguard against our aid being wasted.

*Reparation:*<sup>3</sup>

The USSR has consistently declined to submit information on what it has taken from Germany in reparation. According to best estimates from intelligence sources, we believe that plant removals from the Eastern Zone, reparation from current production in the Eastern Zone, and German assets in Eastern Europe taken by the USSR would add up to three to four billion dollars current value. In addition, the Soviets have taken control of most of the leading industrial plants in their zone which are being operated as Soviet-owned enterprises. These plants, the right of the Soviets to which we challenge, are probably worth in the neighborhood of three billion dollars. In addition, the USSR has acquired German territory in East Prussia and has used the labor of a large number of prisoners of war, which might add several billion dollars.

<sup>3</sup> For documentation on the United States policy regarding reparation from Germany, see pp. 546 ff.

The other countries entitled to reparation from Germany (except Poland, which gets a part of the Soviet share) stand to receive about a billion dollars in reparation. Meanwhile, the US and UK have had to extend more than three billion dollars of financial aid to Germany, the extent of our aid having been increased by the policies of the Soviets in their zone.

Germany will probably, at best, be able to achieve a very precarious economic balance by the end of the European Recovery Program. To agree to any further reparation would risk jeopardizing German recovery and German economic and political stability, particularly in view of the degree to which the Germans will have to look to the East for trade in the future. In view of what has happened over the past four years, refusal to consider further reparation is certainly not inequitable. It is, therefore, proposed that we take the position that there shall be no reparation beyond completion of the present dismantling program in the Western Zones. We demand that the Soviets cease taking reparation from current production in their zone and desist from any further dismantling. We also demand that they give up the plants still in Germany which they have taken under control. This demand shall take the form of a proposal that all the occupying powers relinquish any properties except consular and diplomatic property which they have acquired in Germany since the surrender. Since there has been a prohibition against the acquisition of new properties by foreigners in the Western Zones, this proposal would in practice affect only the USSR. It should be provided that the properties to be surrendered shall be placed under the provisional administration of the *Laender*, and that their ultimate disposition shall be determined by the German Federal Government.

#### *The Ruhr:*

The USSR has consistently proposed that a four-power control be established over the Ruhr. The Soviet proposal apparently envisages detailed control over production, management and distribution, the operation of which would require four-power agreement. The control provided for in the recently concluded Ruhr Control Agreement <sup>4</sup> is of a radically different character. It provides for an Authority, including Germany and the Benelux countries and the three Western occupying powers, with a weighted system of voting, operating generally on a majority basis. The primary functions of the Authority are to establish minimum quotas for export of coal, coke and steel and to prevent discrimination by the Germans in exports of Ruhr products,

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<sup>4</sup> For the text of the draft Agreement for the Establishment of an International Authority for the Ruhr, December 1948, see *Foreign Relations*, 1948, vol. II, p. 581; for the final text, signed at London on April 28, 1949, see 3 UST 5212.

the Authority at a later stage to be given powers to prevent excessive economic concentrations in the Ruhr coal and steel industries, to maintain general control over investment and to prevent former Nazis from obtaining positions of authority. The export allocations are subject to review by the OEEC.

If four-power agreement on Germany is to be achieved, some alteration of the present agreement may be required. The USSR could possibly be admitted into an arrangement such as the present one, although this has the disadvantage of allowing the Soviets to stir up trouble and to use the Authority for political purposes. The maintenance of a majority vote system would set limits on these possibilities.

Another possibility is for both the US and the USSR to be excluded from the Authority, confining its membership to Western European countries. This also involves very serious difficulties. While control over Germany is exercised through a quadripartite High Commission, such an arrangement could create problems with respect to the relations between the Commission and the Authority. Either the Authority would have to look to the Commission for enforcement of its orders, in which the USSR and US would be involved in any event, or, alternatively, the Ruhr would have to be carved out of Germany for certain purposes and placed under a specialized body. Furthermore, to exclude the US would mean eliminating the one country which is more or less disinterested, and placing Germany in the hands of her competitors and customers.

We should propose that the USSR be excluded from the Ruhr Authority, which is a matter of direct concern to Western Europe, but that the US remain a member. It should be noted in this connection that the Silesian industrial complex is under exclusive Eastern domination.

#### *Disarmament and Demilitarization:*

The proposal of a four-power treaty for the disarmament and demilitarization of Germany would not be included. It is believed that the security arrangements agreed upon by the three powers for Western Germany would be satisfactory for the short term period if extended to apply to all of Germany on a quadripartite basis. Permanent disarmament requirements to be imposed on Germany should properly be left to the definitive peace settlement. The Byrnes proposal<sup>5</sup> was initiated three years ago to meet specific purposes at that time, particularly to allay security fears and facilitate a general settlement of

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<sup>5</sup> The reference here is to the Draft Treaty on the Disarmament and Demilitarization of Germany proposed on April 30, 1946 by Secretary of State Byrnes at the Second Session of the Council of Foreign Ministers in Paris. For the text of this draft proposal, see *Foreign Relations*, 1946, vol. II, p. 190.

German problems. It is remotely possible that the Soviets in the CFM may inquire whether the Byrnes treaty offer is still open. The U.S. would be able to answer that while it has not changed its position with regard to security guarantees, it believes that the present disarmament arrangements satisfy immediate requirements and that it would be superfluous to provide for alternative measures, in a separate treaty, such as envisaged in the Byrnes proposal. These should be incorporated in the final peace treaty, which the U.S. agrees should be concluded as soon as possible.

*Frontiers:*

Boundary questions will certainly arise in the CFM and it will be to the advantage of the Western powers again to reaffirm that they do not regard the Eastern administrative frontier as permanent. Reference should be made to Germany's needs in the light of its present population problem. It might be stated that although the U.S. recognizes its commitment at Potsdam to support incorporation of the northern part of East Prussia into the Soviet Union, it would welcome a proposal of the Soviet Union to yield its claim to this area in Poland's favor as compensation for an adjustment along Poland's western frontier.

*All-German Settlement:*

Attached is a program which sets forth the requirements for the conclusion of an all-German settlement. It contains points other than those dealt with above. It nevertheless would seem to be inadvisable tactically for the Western governments initially to develop such a program in any detail until after the Soviets had declared their position. The opening proposal of the Western governments should be simply that the Western German arrangements stand and are capable of application to all of Germany. It is to be anticipated that the Western powers will be called upon to explain and justify the terms of the Western German arrangements with which they were forced to proceed due to Soviet obstruction in the Allied Control Authority and the previous CFM meetings. The Western powers should reiterate their position that they are willing to discuss the basis for Soviet participation. Should the Soviets indicate a real desire to enter into an agreement along these lines, it would then be desirable to elaborate the detailed terms of this adaptation of the Western German program to all of Germany.

If the Soviets do not indicate any such willingness, it should be the aim of the Western nations to introduce the major controversial issues of the past meetings such as reparations, and the Eastern frontier question in order to expose clearly to the public that the Soviets have

not altered their unacceptable demands on these key issues. If the meeting is to break down without agreement, it is desirable that it do so as a result of the basic controversial issues which are generally understood by world opinion. On this basis the continuation of the Western German program would be accepted as a necessity.

[Annex]

*Paper Prepared in the Department of State*<sup>6</sup>

SECRET

[WASHINGTON,] May 9, 1949.<sup>7</sup>

### A PROGRAM FOR GERMANY

#### *German Government:*

1. A provisional federal government for all of Germany shall be established as soon as possible.

2. Such a government shall be elected and organized in accordance with the provisions of the Basic Law or provisional constitution drafted by the Parliamentary Council at Bonn.<sup>8</sup> The German *Laender* in the Eastern zone, together with Greater Berlin which will become a *Land*, will be invited to accede to the German federal republic under the provision of Article 23 of the Basic Law. These states will be informed of the conditions under which they may participate in the German federal republic, namely, new and free elections shall be held for *Land* and local authorities; the *Land* governments established on the basis of such elections may apply for accession to the German federal republic; upon acceptance, the state governments of the Eastern zone will arrange for free elections for representatives of the federal government.

3. The German federal government will assume responsibility for ensuring free elections under paragraph 2 above. To this end, a system of supervision and inspection shall be established to ensure that all authorized political parties may operate freely and that the elections are held by universal, equal and direct suffrage, and by secret ballot. Complete freedom of press, speech, assembly and communication, and non-discrimination in the use of all media of information for electoral

<sup>6</sup> Two earlier drafts of this part of the paper have been identified in addition to that contained in CFMP D-3. The earlier, dated April 29 and prepared in the Office of German and Austrian Affairs, was entitled "A US Program for Germany for Presentation in a CFM." The later draft, dated May 3, is apparently a redraft of the earlier one and bears the title "CFM Program for Germany." Neither of these drafts is printed, but copies of them are in the CFM Files: Lot M-88: Box 140: Jessup-Malik Conversations.

<sup>7</sup> The source text bears the date May 9, 1949, but this is probably in error since the revision of CFMP D-3 occurred May 10 and CFMP D-3a is dated May 15.

<sup>8</sup> For documentation relating to the consideration of the Basic Law by the Bonn Parliamentary Council, see pp. 187 ff.



purposes shall be guaranteed. All political parties authorized in any zone as of May 1, 1949 shall be permitted to organize at once and to offer candidates for the local, *Land* and federal elections under conditions of equal opportunity.

*Allied High Commission for Germany:*

4. At the time the provisional federal government assumes governmental responsibilities for all of Germany, the Allied Control Council shall be dissolved and there shall be established an Allied High Commission for Germany, consisting of four civilian High Commissioners, one appointed by each of the Four Powers with appropriate staffs to function until the peace settlement. At the same time, military government shall be terminated, and in particular, occupation forces shall cease to exercise military government functions. Zonal boundaries for these purposes shall thereby be definitively eliminated.

5. In order to permit the federal government to exercise increased responsibilities over domestic affairs and to reduce the burden of occupation costs, staff personnel of the Allied High Commissioners shall be kept to a minimum.

6. The Allied High Commission will have its seat at the capital of the federal government. The Allied High Commission may dispatch representatives or agents to the various German *Laender* as may be required.

7. Pending a peace settlement for Germany, the Allied High Commission shall exercise reserved powers to be specified in a four-power Occupation Statute. The federal state and participating *Laender* shall have, subject only to the limitations of this Statute, full legislative, executive and judicial powers in accordance with the Basic Law and with their respective constitutions.

8. Powers in the following fields shall be specifically reserved, including the right to request and verify information and statistics needed by the Allied High Commission:

(a) disarmament and demilitarization, including related fields of scientific research, prohibitions and restrictions on industry, and civil aviation;

(b) controls in regard to reparations, decartelization, deconcentration, foreign interests in Germany and claims against Germany;

(c) foreign affairs, including international agreements made by or on behalf of Germany;

(d) displaced persons and the admission of refugees;

(e) protection, and security of Allied forces, dependents, employees and representatives, their immunities and satisfaction of occupation costs and their other requirements;

(f) respect for the Basic Law and the *Land* constitutions;

(g) control of the care and treatment in German prisons of persons charged before or sentenced by the [military?] tribunals of the occupy-

ing powers or occupation authorities; over the carrying out of sentences imposed on them; and over questions of amnesty, pardon or release in relation to them.

The Allied High Commission may act directly in these fields as well as through orders to the German authorities. The Allied High Commission shall transmit orders or requirements to *Land* authorities so far as possible through the German federal government.

Powers necessary for the exercise of the international control of the Ruhr shall also be reserved in the occupation statute.

9. The right to resume, in whole or in part, the exercise of full authority is reserved to the Allied High Commission if it considers that such action is essential to security or to preserve democratic government in Germany or in pursuance of the international obligations of their governments. Before so doing, the Allied High Commission will formally advise the appropriate German authorities of their decision and of the reasons therefor.

10. All legislative and constitutional measures and international agreements which the federal government wishes to make, shall, before they take effect, be submitted by the federal government to the Allied High Commission. All such measures and agreements shall come into force automatically if not disapproved within [21]<sup>9</sup> days by majority vote of the Allied High Commission.

11. The federal government and the governments of the *Laender* shall have the power, after due notification of the Allied High Commission to legislate and act in the reserved fields, except as the Allied High Commission otherwise specifically directs, or as such legislation or action would be inconsistent with decisions taken by the Allied High Commission.

12. The Allied High Commission shall take action by majority vote.

13. Subject only to the requirement of security, the Allied High Commission guarantees that all agencies of the occupation, including the occupation forces, will respect the civil rights of every person to be protected against arbitrary arrest, search or seizure; to be represented by counsel; to be admitted to bail as circumstances warrant; to communicate with relatives; and to have a fair and prompt trial.

14. After 12 months and in any event within 18 months of the effective date of the Occupation Statute, the occupying powers will undertake a review of its provisions in the light of experience with its operation and with a view to extending the jurisdiction of the German authorities in the legislative, executive and judicial fields.

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<sup>9</sup> Brackets in source text.

*Reduction and Regrouping of Troops:*

15. The overall troop strengths, of each of the four occupying powers, shall be reduced to 120,000 or less within 150 days of the conclusion of the CFM.

16 (a) After the German Federal Government has assumed governmental responsibilities for all of Germany, and when it is considered that the federal government, together with the *Land* authorities, is capable of ensuring law and order throughout Germany, the occupying forces of the four powers shall, on a date to be determined by the Allied High Commission acting by majority vote, commence regrouping in specifically defined limited areas. These restricted areas shall contain or have access to port facilities, training areas, air fields, and suitable recreation facilities. The following general locations are proposed: U.S.—the general area Frankfurt-Heidelberg-Kaiserslautern-Wiesbaden; U.K.—the general area Dortmund-Cologne-Duisburg; French—the general area Karlsruhe-Stuttgart-Strasbourg; Soviet Union—the general area Stettin (an alternate area might be Frankfurt-am-Oder). For those garrison areas which do not contain port facilities, and which require such facilities within Germany, provision must be made for the stationing of a small complement of service troops at the assigned port. The specific nature of transit rights between the port and the garrison area shall be determined by the Allied High Commission.

16 (b) Upon the completion of the regrouping of troops, which shall take place within an agreed period (180 days is minimum acceptable to the U.S.), the total size of the occupying forces including any troops stationed at a port shall not exceed 60,000 nationals, less women and children in a dependent status, for each nation. The occupation forces will exercise no local governmental functions, but will carry out specific tasks according to the instructions of the Allied High Commission.

16 (c) The US, UK, USSR, and France shall each maintain a token force of not to exceed 1200 at the seat of the provisional federal government. The number of such forces would be included in the respective 60,000 complement.

16 (d) The extent to which Germany shall be obliged to meet requirements and furnish funds for the maintenance of the forces in garrison areas shall be determined from time to time by the Allied High Commission. All unused German currency and all German goods in the possession of the Allied forces, except such as the Allied High Commission decides are necessary for the maintenance of the forces in the garrison areas, shall be turned over to the provisional federal government by the time the withdrawal to garrison areas is completed.

16 (e) Regrouping of the forces shall take place under quadripartite supervision. In the case of the US, UK, and France, provision must be made for these nations to retain the right of free transit and the right to guard military supplies necessary to maintain the forces of occupation in Austria, until such time as an Austrian Treaty is concluded and the withdrawal of troops and military stores as a result thereof is completed. This arrangement will be necessary unless an agreement of some other type is obtained that provides for the supply of the forces of occupation in Austria should they remain in Austria subsequent to an agreement for Germany.

*Disarmament and Demilitarization:*

17. Responsibility for the enforcement of the disarmament and demilitarization of Germany shall, pending the conclusion of the peace settlement, be vested in the Allied High Commission for Germany. For this purpose a special Military Security Board shall be established under the Allied High Commission, headed by military representatives of the Four Powers, assisted by the necessary expert technical staffs.

18. The Board will carry on appropriate inspections and will by majority vote recommend to the Allied High Commission measures necessary to maintain and enforce the disarmament and demilitarization restrictions. On receipt of such recommendations the Allied High Commission will determine by majority vote what action should be taken.

19. The agreement reached by the US, UK, and France on April 13, 1949 regarding industries in Germany to be prohibited or restricted on security grounds<sup>10</sup> shall be extended, with such modifications as may be necessary, to all of Germany.

20. Upon termination by a peace settlement of the Allied High Commission for Germany, disarmament control shall be maintained in Germany as specified in the final peace settlement.

*Reparations:*

21. Reparations deliveries in the present Western zones, which shall be determined in accordance with existing agreements among the powers responsible for the occupation of those zones, shall be made at the earliest possible date in accordance with paragraphs 3 and 4 of Part IV of the Potsdam Agreement. No other deliveries on reparations account shall be made from any part of Germany.

22. The Four Powers agree that industrial plants and equipment previously removed from Germany, uncompensated deliveries from

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<sup>10</sup> Not printed; for the text of this agreement, see *Germany 1947-1949*, pp. 366-371.

German current production prior to the CFM meeting, German foreign assets made available for reparations, and all other assets received as reparation by claimant nations together with such further deliveries as are made under paragraph 21 shall constitute a final settlement of all Allied reparation claims on Germany. The Four Powers will not support additional reparation claims on the part of any other power.

*Foreign Property in Germany:*

23. The Military Governors in Germany shall be immediately instructed to hasten the examination of claims for the restitution of United Nations property looted by Germany, in accordance with existing Allied agreements, with a view to completing the return of such property by the time the provisional federal government is established.

24. Pending the conclusion of a German peace settlement, United Nations property in Germany shall be no less favorably treated than German property. The federal government shall be required to ensure its protection and non-discriminatory treatment.

25. All property, rights and interests in Germany which have been acquired by the governments of any of the occupying powers since May 8, 1945, except property or facilities acquired for the discharge of diplomatic and consular functions, shall be relinquished. Pending the determination by the provisional federal government of the ultimate status of such property, rights and interests, they shall be placed under the provisional administration of the governments of the *Laender* in which they are located.

*The Ruhr:*

26. International control of the Ruhr should be exercised by an International Authority with the functions provided for in the agreement signed April 28, 1949. The Authority should be composed of members having voting rights as follows: US, France, UK, and Germany with 3 votes each; Belgium, Netherlands, and Luxembourg with 1 vote each. Decisions of the Authority should be reached by majority vote, except that Germany shall have no vote on questions involving German compliance with the agreement.

*Frontiers and Population Problems:*

27. Boundary commissions shall be established to study all problems with respect to the frontiers of Germany and to make recommendations for an equitable final settlement of frontier problems, taking into account the needs of the populations directly affected. A review will be undertaken of the Eastern German frontier, including the territory at present under the provisional administration of the Polish Government, and also of the provisional adjustments along

Germany's Western frontier. Although the United States recognizes its commitment at Potsdam to support the incorporation of the northern part of East Prussia into the Soviet Union, it should state that it would welcome a proposal of the Soviet Union to yield its claim in Poland's favor in order to facilitate a reasonable settlement of the Polish-German frontier problem.

*The Peace Settlement :*

28. The four Allied powers shall proceed with steps toward a definitive peace settlement, establishing finally Allied requirements on Germany and opening the way for the eventual admission of Germany into the United Nations. The CFM shall direct the deputies for Germany to prepare an initial draft of the peace treaty, after appropriate consultation with the other Allied authorities, and after due consideration of the views of the German Federal Government. The draft treaty will be submitted to a general peace conference.

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CFM Files : Lot M-88 : Box 179 : CFMP Series

*Paper Prepared by the Division of Research for Europe*<sup>1</sup>

SECRET

[WASHINGTON,] May 17, 1949.

CFMP D-3/3

THE SOVIET APPROACH AT THE MEETING OF THE C.F.M.

1. The ultimate Soviet objective in Germany is complete economic and political domination. The immediate prerequisite to the attainment of this objective is the prevention of Western Germany's integration into the economic and political structure of Western Europe. This is consonant with Moscow's over-all aim of preventing integration of Western Europe under US leadership.

2. In seeking to prevent the integration of Western Germany into the Western European system, the Soviet Union has in the past concentrated upon attempting to block the establishment of a Western German state as the first step in this process.

3. In opposing the Western German state, the USSR has been less concerned with the establishment of a political form than with the role that a viable Western German state would play in the Western European system. The formation of a Western German state as a political subdivision of Germany, rather than as a separate entity, although objectionable to the USSR, could nevertheless be reconciled

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<sup>1</sup> Attached to the source text was a memorandum by Bradley Patterson which stated that this paper was prepared in consultation with the Division of Eastern European Affairs.

with Moscow's aim of preventing the integration of Western Germany into Western Europe.

4. The Soviet blockade was designed to eliminate influence of the Western powers in Berlin and to bring about a modification of their plans for Western Germany, which at that stage centered primarily on the formation of a Western German state.

a. This was clearly revealed by Stalin and Molotov during the Moscow negotiations in July–August 1948.<sup>2</sup>

b. Stalin publicly expressed the Soviet desire to trade the lifting of the blockade for a postponement of the Western German state in his statement to Kingsbury Smith on January 30, 1949.<sup>3</sup>

5. The Soviet blockade failed to achieve its purposes. On the contrary, it not only hastened the formation of a Western German state, but engendered counterpressure on the Soviet Union, and widened the gap between the Soviet and Western positions concerning Germany.

a. Since the Western powers refused to negotiate on Germany with the USSR so long as the blockade remained in force, the Soviet Union faced a stalemate with respect to broad phases of the German question.

b. The Soviet blockade and the Western counterblockade increased the economic separation of Germany and in so doing facilitated execution of US economic policy toward Eastern Europe. The Western counter-blockade also created economic difficulties in the Soviet Zone of Germany and in Eastern Europe.

c. Soviet political plans in Eastern Germany encountered increased difficulties. The success of the airlift prevented the Socialist Unity Party (SED) from extending its influence over the Western sectors of Berlin.

d. The tension resulting from the blockade of Berlin served to intensify Western efforts to conclude the North Atlantic Treaty and to undertake a rearmament program. The Western airlift served to stiffen Western German opposition to the Soviet Union.

6. The lifting of the blockade marks a tactical failure for the USSR, but Soviet willingness to accept this defeat does not in itself constitute a reversal of Soviet policy in Germany. In return for a loss of prestige, the USSR obtains certain actual and potential advantages for its basic strategy of preventing the integration of Western Germany into Western Europe.

a. The USSR extricated itself from an increasingly embarrassing tactical commitment and indeed achieved one of the purposes of the

<sup>2</sup> Documentation relating to the quadripartite negotiations in Moscow during July and August, 1948, is in *Foreign Relations*, 1948, vol. II, chapter IV, part c.

<sup>3</sup> The text of Stalin's statement to INS correspondent Kingsbury Smith is printed in the *New York Times*, January 31, p. 4; for further information relating to it, see editorial note, p. 666.

blockade, namely, to bring about a reopening of the entire German question on the CFM level. Thus, the USSR has regained freedom for new diplomatic maneuvers concerning not only Germany but also East-West relations in general.

b. Conversely the Western powers face not only the loss of certain direct benefits derived from the blockade for their policy in Germany and Western Europe; they also are confronted with the prospect of a new situation raising uncertainty and perhaps later confusion at the moment when their programs in Western Germany and Western Europe are nearing fruition.

c. The way is now prepared for the USSR to enjoy the benefits of a restoration of trade between Eastern and Western Germany which in itself serves in part to break down the division of Germany.

d. A revival of inter-zonal trade in Germany could be an entering wedge in breaking down US economic policy toward the USSR and Eastern Europe. It is questionable whether Western European states would continue to cooperate fully with US export policy if Western Germany through trade with Eastern Germany were able to increase commercial ties with Eastern Europe.

7. Since Soviet policy has suffered only a tactical defeat by the lifting of the blockade, there is no reason to expect the USSR in the CFM to alter its basic policy in Germany. Moscow's actions in the CFM accordingly will be measured against the goal of blocking the integration of Western Germany into Western Europe.

8. In the CFM regardless of whether any agreement is reached, the USSR will be in a position to achieve propaganda benefits without the necessity of making any departures from its previously stated position.

9. The imminence of a final division of Germany and the consequent prospect of the integration of Western Germany into Western Europe can be expected to lead the USSR to go beyond mere propaganda gestures, however, and instead to make concrete offers.

a. The limited Soviet editorial comment on the CFM since the announcement of the four-power communiqué<sup>4</sup> has refrained thus far from indicating what line the USSR will take on specific issues.

b. However, the central position that the Warsaw Declaration has occupied since June 1948 in Soviet and Satellite statements concerning Germany indicates that the USSR will use the proposals of this declaration at least as a point of departure. Because of the comprehensive nature of the Warsaw proposals, the USSR can make a series of ostensibly conciliatory offers within their framework.

c. The USSR will make concrete proposals concerning those long-standing issues, such as reparations and control of the Ruhr, in the case of which any four-power agreement at this time would mean a net benefit for the Soviet Union. For example, the USSR might offer to reduce and/or to postpone its previous demand for \$10 billion

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<sup>4</sup> For the text of the Four-Power communiqué, May 5, 1949, announcing the mutual lifting of restrictions on trade and communications to Berlin, see editorial note, p. 750.



reparations, picturing this as a concession, but actually seeking to liquidate a frozen claim on the best discount terms possible.

10. It is possible that Moscow, recognizing the realities of the Western position, discounts the effectiveness of maneuvers of this obvious type and plans to supplement them with new proposals, which however would still not involve a shift in basic policy.

a. The USSR may well propose that the question of political unity be submitted to popular referendum by all Germans and that they be given a voice in formulating a program of unification, subject, however, to *unanimous* four-power approval.

b. Instead of insisting that the Western powers halt the evolution of the Western German government, the USSR may propose an arrangement whereby this state could be established in accordance with the Bonn constitution and, similarly, an Eastern German state would be established in accordance with the constitution prepared in the Soviet Zone. These two states would then conclude inter-state agreements and might form an all-German federal council acting as a provisional central German government.

Central Control by the Big Four would be assured temporarily by a reconstituted ACC which by unanimous decision would exercise certain reserved powers, such as supervision over the relations of the two states with third states, over the federal council and through it over the governments of the two states.

11. Some economic unification would be necessarily automatic in the development of a dual political system outlined above, but might well be urged by the USSR independently of such a system. Thus the USSR may propose that, with or without some form of central government, a central German economic administration be established, that inter-zonal barriers to trade be abolished, and that there be a unified currency for all of Germany. It is likely that the USSR will refrain from tying the issue of economic unification to the question of reparations. Unlike Molotov at the London CFM in 1947, Vyshinsky will probably not insist that the establishment of a procedure for reparations deliveries by Germany be a precondition to the abolition of inter-zonal barriers to trade.

Regardless of whether the USSR at this meeting of the CFM makes proposals for the formal economic unification of Germany, there are numerous indications that one of its major aims is the resumption of trade within Germany and the promotion of increased East-West trade. A breakdown of economic barriers within Germany would in itself not only impede the integration of Western Germany into the Western European system but would also generally interfere with US economic aims regarding Europe. It is possible that the USSR may seek to obtain a relaxation of US export controls on trade with Eastern Europe in return for superficial "concessions" on Germany.

12. With respect to any and all of the foregoing possibilities and irrespective of the conciliatory manner in which they may be proposed, not one of them would constitute a real concession on the part of the USSR—that is, a concession that modifies exclusive Soviet control over Eastern Germany. All these proposals would be fundamentally at the expense of the Western powers. In view of the existing situation the only real concession that the USSR can make is to permit establishment of governmental power in Eastern Germany on the basis of a free election in all of Germany under Big Four supervision, without at the same time insisting upon their right of veto over German affairs.

13. A concession of this type would involve for the USSR, regardless of accompanying paper guarantees, the gamble of the integration into the Western system not only of Western Germany but ultimately all Germany. There have been certain guarded propaganda references which have implied that as a last resort the USSR may take the risk. This concession would involve the relinquishment of Communist control in Eastern Germany and would enable the Western powers to gain through Western-oriented German parties an opening for the exercise of determining influence in Eastern Germany. Without a veto, the USSR would not make comparable gains in the West.

14. The circumstance which might conceivably lead the USSR to make such a concession would be the realization that the CFM is in the process of collapsing and with it the last chance to recreate a fluid situation and to prevent the definitive incorporation of Western Germany into the Western European system.

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## B. PROCEEDINGS OF THE SIXTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS

### *Editorial Note*

#### PRINCIPAL MEMBERS OF THE DELEGATIONS TO THE SIXTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS <sup>1</sup>

##### FRENCH DELEGATION

###### *Member*

Robert Schuman, Minister of Foreign Affairs.

###### *Deputy for Austria*

Marcel Berthelot, Representative at the Austrian Treaty Negotiations.

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<sup>1</sup> This list was compiled from materials in the files of the Department of State. For the complete list of the United States Delegation, see *Participation of the United States Government in International Conferences*, July 1, 1948–June 30, 1949, pp. 3–5.

*Principal Advisers*

Hervé Alphand, Director General of Economic and Financial Affairs, Ministry of Foreign Affairs.

Maurice Couve de Murville, Director General of Political Affairs, Ministry of Foreign Affairs.

André François-Poncet, Diplomatic Counselor for German Affairs and Chargé de Mission with the Commander-in-Chief in Germany.

Alexandre Parodi, Secretary General, Ministry of Foreign Affairs.

Jacques Tarbé de Saint-Hardouin, Political Adviser to the Commander-in-Chief in Germany.

## SOVIET DELEGATION

*Member*

Andrei Y. Vyshinsky, Minister of Foreign Affairs.

*Deputy for Austria*

Georgiy N. Zarubin, Representative at the Austrian Treaty Negotiations and Ambassador in the United Kingdom.

*Principal Advisers*

Alexander E. Bogomolov, Ambassador to France.

General of the Army Vasili I. Chuikov, Chief of the Soviet Military Administration in Germany; Commander in Chief, Soviet forces of occupation in Germany.

Boris F. Podsterob, Secretary-General, Ministry of Foreign Affairs.

Vladimir S. Semenov, Political Adviser to the Chief of the Soviet Military Administration.

Andrei A. Smirnov, Deputy Minister of Foreign Affairs.

## UNITED KINGDOM DELEGATION

*Member*

Ernest Bevin, Secretary of State for Foreign Affairs.

*Deputy for Austria*

James A. M. Marjoribanks, Representative at the Austrian Treaty Negotiations.

*Principal Advisers*

Patrick J. Dean, Head of the German Political Department, Foreign Office.

Lord Henderson, Parliamentary Under-Secretary, Foreign Office.

Sir Ivone A. Kirkpatrick, Permanent Under-Secretary, Foreign Office.

General Sir Brian H. Robertson, Commander-in-Chief and Military Governor in Germany.

Christopher E. Steel, Political Adviser in Germany.

## UNITED STATES DELEGATION

*Members*

Dean Acheson, Secretary of State.

*Austrian Deputy*

Samuel Reber, Representative at the Austrian Treaty Negotiations.

*Principal Advisers*

Charles E. Bohlen, Counselor, Department of State.

Goldthwaite Dorr, Special Assistant to Assistant Secretary of the Army.

John Foster Dulles, Consultant to the Secretary of State on Foreign Affairs.

Philip C. Jessup, Ambassador at Large (Alternate Member)

Major General Carter B. Magruder, Deputy to the Assistant Secretary of the Army.

Robert D. Murphy, Acting Director of the Office of German and Austrian Affairs (Deputy for Germany)

The minutes, records of decisions, documents, staff papers, delegation minutes, and records of Tripartite meetings are in the CFM Files: Lot M-88. During the Sixth Session the United States Delegation filed three series of telegrams. The first, designated by the series indicator Delsec, gave daily factual reports on the Council sessions and was given broad distribution within the Departments of State and Army and the Central Intelligence Agency. The second series, also designated Delsec, gave the Delegation's impressions and interpretations of the conference. Its distribution was restricted to President Truman and top policy officers of the Departments of State and Army. The third series of telegrams, designated Actel, transmitted special messages for President Truman and Webb only. For a personal account of the meetings of the Foreign Ministers, see Acheson, *Present at the Creation*, pages 291-301.

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740.00119 Council/5-2349: Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*<sup>1</sup>

CONFIDENTIAL

PARIS, May 23, 1949—9 p. m.

Delsec 1781. For the President and Acting Secretary. First meeting 1949 Paris session CFM opened by Schuman as host at 4 p. m. today

<sup>1</sup> The United States Delegation prepared both verbatim and summary minutes of each meeting of the Council of Foreign Ministers at Paris. Complete sets of these minutes are in the CFM Files: Lot M-88: Box 142. The Delegation also prepared a brief telegraphic summary of each Council meeting for transmission to Washington via the Embassy in Paris. The telegraphic summaries of every regular session of the Council are printed in the present collection of documents while the summary minutes are printed for the secret sessions.

in Palais de Marbre Rose. Ministers agreed rotate chairmanship daily commencing with Schuman today and following in order around table with Bevin, Vishinsky and Acheson. On procedure Ministers accepted Bevin proposal that schedule be kept completely flexible and decision reached on subsequent meetings on day to day basis.

On press relations Ministers agreed to Bevin proposal that: (1) all meetings of deputies would be secret with no communiqué issued and no information given to press by any delegation; (2) following any informal or private meetings of Ministers an agreed communiqué might be issued but no other information given to press; (3) regular meetings of CFM would be closed to press but as in past each Minister would be free handle express [*press*] in own way.

Schuman pointed out before turning to agenda that condition which made possible this session of CFM was New York agreement relative to Berlin<sup>2</sup> and that none of Western Powers particularly pleased with way things going in Berlin.<sup>3</sup> He did not wish press this point but he did want to make it clear that if things did not work out in Berlin this question should be considered at subsequent meeting.

Before discussion of agenda actually undertaken Vishinsky proposed that question of Four-Power control of all of Germany be considered as primary issue before CFM. Ministers subsequently accepted, after further discussion of counterproposals by Vishinsky following agenda proposed by Schuman and supported by Bevin and Acheson:

1. Problems of German unity including economic and political principles and Allied controls.
2. Berlin including monetary question.
3. Preparation of German treaty.
4. Discussion of Austrian treaty.

Vishinsky in finally accepting this statement of agenda reserved right to submit proposal later under (2) requesting that consideration be given to question of currency for all of Germany. Ministers generally supported Acheson statement that it was not our intention to exclude any appropriate aspect of problem from consideration and agreed to his interpretation that it was not necessary to complete discussion on one topic of agenda before moving on to next point.

Ministers accepted Acheson proposal that Austrian deputies be instructed report to CFM on agreed and disagreed articles of Austrian treaty by June 1 and that if unable agree on report each file separate report with his Minister by that date. In response to question by Bevin,

<sup>2</sup> The text of the Four-Power communiqué, May 5, 1949, announcing the mutual lifting of restrictions on trade and communications to Berlin, is printed on p. 751.

<sup>3</sup> Schuman was referring to the negotiations in Berlin among the four Military Governors to regularize trade and communications with that city. For documentation relating to these negotiations, see pp. 751 ff.

Vishinsky confirmed that he was willing discuss Austrian question after each German question had been "considered" not after each had been "settled". "But then," he added "after we have considered those questions they will undoubtedly be settled".

Quipped Bevin "that depends largely on you".

Vishinsky then said he had one further question to raise. The CFM was considering German and Austrian treaties. He also wanted to raise problem of treaty with Japan. He did not press this matter but indicated he merely wished raise for possible consideration question of when CFM should meet again, with China attending as provided in Potsdam Agreement and what further business it might undertake. Acheson pointed out that CFM now had full schedule, that there was no obligation on it to handle Japanese question, and that other mechanisms existed but that he would be glad to consider question at later time. Bevin pointed out UK obligations to Commonwealth on Japanese treaty but also indicated willingness discuss question sometime. Schuman adjourned meeting with comment that Vishinsky had not insisted on answer but had merely raised point for consideration which Vishinsky confirmed.

Next meeting scheduled 3:30 Tuesday.

Sent Department Delsec 1781; repeated London 323, Berlin 190, Vienna 23, Moscow 99.

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740.00119 Council/5-2449: Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL      PRIORITY  
NIACT

PARIS, May 24, 1949—8 p. m.

Delsec 1786. For the President and Acting Secretary. Second meeting of CFM with Bevin in chair initiated discussion of first agenda item on problems of German unity including economic and political principles and allied controls without reaching any decisions. Vishinsky spoke at length on what Acheson characterized as "back to Potsdam" set of proposals. Acheson replied with statement further elaborated by Schuman and Bevin pointing out that Potsdam envisaged organization for "initial period" and that Potsdam is neither satisfactory nor appropriate for conditions existing today.

Vishinsky commenced formal discussion by reviewing Potsdam agreement which he cited as basic statement of allied objectives with respect to German unity. Agreement established Control Council as supreme authority in Germany and assigned to Council specific tasks to secure demilitarization, denazification and democratization of Ger-

many. Vishinsky asserted that throughout period of ACC USSR invariably sought fulfillment of these tasks, but it nevertheless proved impossible to reach agreement on all questions. He claimed that US, UK and France had taken lead (in London and Washington agreements, occupation statute and Ruhr authority<sup>1</sup>) in decisions which are direct violation of four power agreements.

Vishinsky stated that Soviet position on German questions had always been well known, and that Soviet Government reaffirmed its position on these questions. He specifically cited Soviet position on reparations and reaffirmed position which USSR took on Ruhr at Potsdam. His proposals included:

1. In order to achieve economic and political unity of Germany, it is necessary:

(a) To reestablish activity of Control Council in Germany on former basis as organ called upon to exercise supreme power in Germany;

(b) To reestablish inter-allied Kommandatura of Berlin for co-ordination of civic measures of administration of Berlin as whole, and for ensuring normal life of Berlin in its entirety.

2. Considering also that economic and political unity of Germany is impossible of achievement without creation of single German central organ which would be charged with matters of economic and state structure bearing on Germany as whole, it is necessary to recognize following as indispensable:

(a) The creation on basis of German economic organs existing at present time in eastern and western zones of an all German state council.

(b) Restoration of all Berlin Magistrat. Matter of date of elections to all Berlin Magistrat should be referred for consideration to inter-allied Kommandatura of Berlin.<sup>2</sup>

Acheson pointed out in reply that conditions envisaged in Potsdam no longer existed, and that denazification and democratization provided in Potsdam had largely been accomplished in three Western zones. Four power mechanism had been disrupted by position adopted by Soviets in past, and if Soviet attitude remained same today there was certainly no prospect that we could achieve German unity by return to old agreements. He noted that tremendous progress has been made in Western zones and German people are now prepared to take

<sup>1</sup> Documentation relating to the London Conference on Germany February 23-March 6 and April 20-June 7, 1948, including the text of the London Agreements, is in *Foreign Relations*, 1948, vol. II, chapter I. For the Washington agreements, April 8, including the text of the Occupation Statute, see pp. 177 ff. For the text of the Agreement for the establishment of the International Authority for the Ruhr, agreed December 28, 1948, and signed into force April 28, 1949, in London, see *Foreign Relations*, 1948, vol. II, p. 581.

<sup>2</sup> The Soviet proposal for German Unity, circulated as CFM/P/49/2 revised, is printed on p. 1040.

definite steps in self-government. Progress so painfully made in Western zones has also taught us new lessons which must be recognized in any settlement. We must also examine specific issues and conditions on which unity is to be sought; reaffirmation of previous Soviet positions would lead to impossible economic situation and undemocratic political system. In short, Acheson said Soviet position is to go back and try again procedures and institutions which failed so disastrously in past.

Schuman, in supporting Acheson statement, said that common interest still was to move toward unity, but we cannot facilitate this by moving backwards. Big four separated over certain basic issues which old mechanism could not solve. Question now is to determine how we can come together again. Bevin pointed out that UK had always strictly adhered to terms of Potsdam and cited chapter and verse to illustrate point. UK forced take unilateral actions maintain basic economy in its zones when Soviet actions made it impossible to implement result of decisions. Having failed at Moscow and London<sup>3</sup> to achieve central German Government, UK went ahead with other Western powers where agreement was possible. Bevin stated that we have now reached certain stage and must take that stage as starting ground. If we begin here it may be possible to reach agreement, but if we go back we merely attempt to ignore all that has happened in past 18 months.

Bevin adjourned meeting without further discussion.<sup>4</sup> Next meeting scheduled for 3:30 Wednesday.

Sent Department Delsec 1786, repeated London 329, Berlin 193, Moscow 101.

<sup>3</sup> The references here are to the Fourth Session of the Council of Foreign Ministers in Moscow March 10–April 24, 1947 and the Fifth Session in London, November 25–December 15, 1947. For documentation relating to these meetings, see *Foreign Relations*, 1947, vol. II, pp. 139 ff. and 676 ff.

<sup>4</sup> In Delsec 1788, May 24, from Paris, not printed, Secretary Acheson advised that the Soviet desire to return to Potsdam and the Central German Economic and Administrative Agency seemed to reveal a desire to recapture a voice in Western Germany particularly in economic affairs. The Secretary also reported that after the meeting the three Western Ministers had agreed to a regular exchange of views on common tactics for subsequent meetings. (740.00119 Council/5-2449)

740.00119 Council/5-2549: Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL      NIACT

PARIS, May 25, 1949—9 p. m.

Delsec 1791. For President and Acting Secretary. Third meeting of CFM opened by Vishinsky as chairman with long defense of Soviet proposals for restoration of ACC and establishment of all German



State Council. He asserted that three Western Ministers claimed that principles of Potsdam were fundamental to policies of their governments but that they then ignored fundamental Potsdam provisions on economic and political unity. The [He?] suspected arguments advanced yesterday merely designed lay basis for objections to restoration of ACC. Vishinsky maintained it could not be argued that this is not time to re-establish control mechanism since Western Powers in Washington agreement<sup>1</sup> provided for organ of control and one which still recognized principle of unanimity. Western Powers called Soviet proposal backwards step but apparently they only consider restoration of control backwards when it refers to quadripartite control. Vishinsky likewise denied that creation of all German State Council would be backwards step. Soviet proposal in reality step forward since there is now no central German body for whole country. He further elaborated prior proposal by suggesting governmental powers in economic and administrative fields for all German Council.

Acheson pointed out that Ministers had reached agreement on fact that German unity is goal all four governments seek. They disagree on method. Western Ministers did not say there should be no Allied control which recognizes certain basic principles. If there is conflict between mechanism and substance, mechanism must yield to substance. Acheson therefore proposed get down to real issues and analyze necessary conditions of unity.

Acheson reviewed progress made in Western zones in raising ration, increasing coal and industrial production. West had done much to produce conditions necessary for peaceful and democratic life, which was basic aim of Potsdam. All of progress achieved in Western zones was public information, whereas West had been flatly denied information on state of affairs in Soviet zone. He listed basic requirements to be met in German states as (1) ability to supply own needs, (2) ability to produce for export, (3) ability to produce for reconstruction. There was no surplus in Western zones and we believe this also true of Soviet zone.

He suggested that balance sheet on German unity would include as asset only (1) fact of political unity and (2) realization of economic unity which we hope, but do not know will be asset. As liabilities we have: (1) Question of reparations. If we can not solve reparations question here, all German Council will never be able solve it. (2) Soviet ownership of large percentages [of] producing assets in Eastern Germany. Satisfactory answer to this is fundamental to whole economic question. We must, he concluded, meet these complex and inter-

<sup>1</sup> Under reference here are the agreements signed April 8 in Washington by the three Western powers with regard to the status of the three Western Zones of Germany. For the texts of these agreements and related documentation, see pp. 156 ff.

related problems and not content ourselves with drawing organizational charts.

Schuman noted that Vishinsky had not questioned Western goals but only right of West to act outside Potsdam. Sequence of three events—breakdown of CFM at London, collapse of ACC, and announcement of London agreements—clearly showed West acted only when USSR blocked quadripartite implementation of Potsdam. West had moved ahead in accord with Potsdam in hope of political system established might in long run lead to unity. On question of control he noted (1) Western Powers have not established control with past mistakes and have made some advances, (2) West has no prejudice against Soviet participation but insists that no control system be allowed to paralyze German life, (3) Four-Power control itself will not mean political unity.

Bevin commented briefly that CFM confusing German unity and Allied unity. In his opinion Allied unity can be achieved if we agree that Allied controls would be limited to reserved subjects (as provided in Washington Agreement). On other hand German unity is question for Germans and cannot be legislated by Allies. Four Powers must leave to Germans determination of exact economic principles and political systems, so long as they are free and democratic. If Four Powers can agree on this, it will be possible to move forward.

Next meeting 3:30 p. m. Thursday.

Sent Department Delsec 1791; repeated for information London: 323, Berlin 195, Moscow 102, USPolAd Heidelberg 3.

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740.00119 Council/5-2649: Telegram

*The United States Delegation at the Council of Foreign Ministers to the Acting Secretary of State*

TOP SECRET

PARIS, May 26, 1949—5 p. m.

Delsec 1796. For discussion with British and French we have been considering basis of a possible proposal for the administrative reunification of Berlin under a *modus vivendi* with Soviets (see pertinent portions tripartite delegation report to the US, UK and French Foreign Ministers<sup>1</sup>). Following are our draft recommendations:

"1. The Western powers should endeavor to obtain Soviet agreement to the holding of free city wide elections under four power control on the basis of the electoral procedure employed in October 1946."<sup>2</sup>

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<sup>1</sup>Not printed; the Report to the Foreign Ministers on the Tripartite Conversations Preliminary to the Sixth Session of the Council of Foreign Ministers is in CFM Files: Lot M-88: Box 140.

<sup>2</sup>In the 1946 election any political party recognized in one sector of Berlin was free to campaign in all the sectors of the city.

2. It should be agreed that the Government to be chosen by these new elections should be a provisional government operating on the basis of the temporary constitution of August 1946.<sup>3</sup> It is essential that all four powers agree to the suspension of article 36 of the temporary constitution and further agree to the system of controls provided for in the 'little occupation statute,'<sup>4</sup> amended, however, to preclude the provision in paragraph 5 that any amendment to the temporary constitution or any new constitution or legislation in the reserved fields will require the express (unanimous) approval of the allied Kommandatura.

3. The tripartite agreement as to controls over Berlin<sup>5</sup> accompanying the 'little occupation statute' should be amended for four power application to exclude the appeals provision making possible indefinite suspension of Kommandatura action in the event of no agreement between the occupying powers. Should any of the other governments suggest it, consideration might be given to permitting appeals to a permanent or semi-permanent coordinating body for all of Germany established in Berlin, provided such appeals, whatever action was taken upon them, would only suspend Kommandatura decisions for not more than a period of 30 days.

4. The German city administration should be authorized to draft a permanent constitution for Berlin, employing either the draft of the permanent constitution submitted to the allied Kommandatura in 1948,<sup>6</sup> amending it, or submitting such new proposals as they deem necessary. Approval of the permanent constitution by the Kommandatura would take place by majority vote."

Urgently request your views as well as those of Clay and McCloy, if obtainable. With reference to article 18, sub paragraph 4 of Berlin temporary constitution,<sup>7</sup> would like your comments on possible amendment to state that resolution be forwarded to allied Kommandatura instead of sector military commandant.

Sent to Berlin for Riddleberger Eyes Only, repeated to the Department.

<sup>3</sup> For the text of the August 1946 temporary constitution for Berlin, see Plischke, *Berlin*, pp. 215-229.

<sup>4</sup> The reference here is to the Occupation Statute for Berlin (Statement of Principles Governing the Relationship Between the Allied Kommandatura and Greater Berlin), May 14, 1949. For the text of the Statute, see *Germany 1947-1949*, pp. 324-326.

<sup>5</sup> *Ante*, p. 183.

<sup>6</sup> Not printed.

<sup>7</sup> This subparagraph read: "Upon a two-thirds vote of the total membership of the Bezirksverordnetenversammlung, a resolution may be forwarded to the Military Commandant of the Sector requesting dismissal of the Bezirksamt and stating that the Bezirksamt must resign immediately." (Plischke, *op cit.*, p. 224.)

740.00119 Council/5-2649 : Telegram

*The United States Delegation at the Council of Foreign Ministers to  
President Truman and the Acting Secretary of State*

CONFIDENTIAL

PARIS, May 26, 1949—8 p. m.

Delsec 1797. For President and Acting Secretary. In fourth meeting of CFM Western Ministers at suggestion of Acheson as chairman sought without success to move from discussion of general principles of German unity to elaboration of specific economic and political questions involved. They heard instead restatement of previous Soviet proposal, strong reaffirmation of principle of unanimity, critical analysis of Washington agreements,<sup>1</sup> and mass of statistics designed to show that economic situation in Eastern zone better than in Western, and finally sharp exchange between Bevin and Vishinsky on validity of Soviet statistics and arguments.

In response to direct questions from Schuman, Vishinsky first restated Soviet position for establishment All German States Council as follows: (1) economic and political unity impossible without creation of single central German organ; (2) functions of this body to be determined in accord with decision on matters to be placed within competence of AGSC and these functions to be carried out for all Germany; (3) AGSC to be established on basis of economic organs now existing in Western and Eastern Germany, which is only basis now in existence on which to build; (4) AGSC must have real governmental character with supreme powers reserved to Allied Control body. Vishinsky stated that Soviet proposal proceeded from principle that in East and West there are now organs engaged in economic matters and these can be coordinated in AGSC to handle economic questions for all Germany. Soviet proposal also complies with concept of allowing Germans to handle their own affairs.

Acheson, noting that Soviet proposal concerned entirely with machinery and not with substance, criticized Vishinsky presentation on grounds (1) Vishinsky ignored Basic Law for Western Germany<sup>2</sup> in saying economic bodies were only thing on which to build unity and (2) formation of AGSC could not be constructive step as claimed by

<sup>1</sup> Under reference here are the agreements signed April 8 in Washington by the Ministers of the three Western Powers with regard to the status of their zones in Germany. For the texts of these agreements and related documentation, see pp. 156 ff.

<sup>2</sup> For a translation of the Basic Law for the Federal Republic of Germany, adopted and promulgated on May 23 by the Parliamentary Council at Bonn, see *Germany 1947-1949*, pp. 283-305.

Vishinsky if placed under unanimity rule of ACC. He pointed out that Western powers have expended large sums of money and great effort in developing sound economy in Western Germany. They must know in regard to certain specific economic and political questions what is going to happen to this system before getting into discussion of control mechanisms. Acheson believed Vishinsky in effect was urging course which no reasonably prudent man would follow.

Schuman stated that Soviet proposal, which fails to consider many basic facts, is neither logical nor sound. He said that Vishinsky recommends that CFM build roof without constructing walls, and that he was presenting roof which looked great deal more like veil.

Bevin added that he was quite willing to contemplate quadripartite control but only when he knows situation to be controlled. He desired to examine some of specific problems like reparations before analyzing system of control.

Vishinsky replied by repudiating approach that foundation had to be laid before control mechanism could be established.

He noted that Bevin at third meeting had set forth principle that it was only necessary to establish proper mechanism of control and leave rest to Germans. If CFM agrees to this, Vishinsky felt good start had been made. But examination of Washington agreements suggested to him that Western powers had far more in mind than just security controls in flatly rejecting any use of majority rule in dealings between sovereign nations. Vishinsky pointed out that principle of unanimity specifically recognized in Washington agreement.

He also said Washington agreement set up what he called principle of mononimity, with voting strength based on monetary contributions. USSR could not accept mononimity but insisted on unanimity. He indicated however that USSR was prepared to examine question of whether functions of ACC as drawn up four years ago needed to be somewhat modified by conceding some ACC functions to the German organ. Vishinsky then offered set of statistics designed to show that favorable presentation of economic situation in Western zones was not fair picture and that situation in Eastern zones was vastly superior. Session concluded with exchange between Bevin and Vishinsky over accuracy of Soviet statistics, Vishinsky's quotation from Bevin at third meeting out of context and [*as was?*] Soviet interpretation of Washington accord. Acheson thanked Vishinsky for discussing an economic question and invited him to return to question of reparations tomorrow. Vishinsky evaded any commitment to discuss this issue.

At beginning of meeting in response to inquiry by Acheson, Vishinsky assured CFM that Soviet Austrian deputy would be in Paris by 28 or 29 and probably former. Western Ministers stated their deputies now present and ready for work.

Next meeting 3:30 Friday.

Sent Department Delsec 1797, repeated London 335, Berlin 197, Moscow 104, USPolAd Heidelberg 4.

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*Editorial Note*

On May 27 Acting Secretary Webb reported to the Cabinet on the progress of the meeting of the Council of Foreign Ministers. Tracing the development of the first four meetings, he stated that the West had seized and retained the initiative, achieved increasingly close unity in its determination not to trade away Western Germany's progress, and revealed the Soviet Union's apparent objective to recapture a voice in Western Germany.

As to future developments in Paris, the Acting Secretary concluded that it was too early to judge what lay behind the Soviet offer of four power control, but suggested the following three possibilities:

"(1) It may be a typical Russian ruse to start with an impossible position so that any readjustments of it would appear later to be major Soviet concessions; (2) perhaps they want the CFM only to save face and make it appear that they secured something in return for abandoning the Berlin blockade; (3) they may not be willing to risk the prospects of a unified Germany and only hope to obtain a *modus vivendi* to renew East-West trade in order to bolster the sagging East German economy."

The text of the statement which Webb read to the Cabinet is in file 740.00119 Council/5-2649.

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740.00119 Council/5-2749: Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL      PRIORITY  
NIACT

PARIS, May 27, 1949—8 p. m.

Delsec 1803. [For President and Acting Secretary.<sup>1</sup>] Fifth meeting CFM with Schuman in chair continued line of discussion of past three days without reaching agreement on any question other than to hold meeting from three to five Saturday. Acheson sought to shift discussion to specific issues of German economy and political unity while Vishinsky merely restated Soviet argument of previous meetings.

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<sup>1</sup> The words in brackets were supplied from the copy retained in CFM files.

Vishinsky opened discussion by asserting he had not yet heard any concrete proposals from Western ministers for handling problem of German unity, noting Soviet proposals on reestablishment of Control Council and creation of All German States Council. Acheson reviewed earlier position that it idle discuss control mechanism without first determining whether unity is going to be possible. He had specifically suggested in past that it did not appear likely agreement could be reached on unity unless CFM solved problems of reparations and Soviet ownership of German productive capacity. He again suggested discussion pass to specific economic questions which underlie unity and again invited Vishinsky discuss reparations. Without clear understanding conditions of unity, discussion of Control Council voting is rather barren. Acheson illustrated this by noting that Vishinsky argument on unanimity neither accurate nor pertinent: (1) in practice international voting is frequently not by principle of unanimity. In fact Vishinsky himself at Belgrade conference had been ardent advocate of majority principle; (2) voting on Control Council would not govern relations between nations but rather control over national questions, and there are few precedents for unanimity in national affairs.

Schuman noted that he and Vishinsky differed on conception of unity and methods for achieving it. French hold that quadripartite control cannot be considered method of achieving German unity. Control can only be sanction of unity already achieved. French can concede unity only if based on certain democratic political principles common to whole of Germany. On economic side it is necessary examine existing situation in all Germany and possible effect of unity.

Vishinsky then pointed out that USSR not proposing establish new Control Council but to reestablish former ACC. If Western powers differed with this proposal they should make definite recommendations for changes. He repeated statement of fourth meeting that USSR prepared discuss question of passing some ACC functions to Germans while reserving supreme power to ACC. He repudiated idea that it necessary know what is to be controlled before determining mechanism of control. He said German unity cannot be secured without Allied unity and reestablishment of ACC would be important symbol Allied unity.

Acheson in final statement of day asked whether Vishinsky meant that question of control must be settled before discussing anything else or whether ministers would agree move on to other questions after this initial discussion of control. He agreed with Vishinsky that Germans are interested in German unity, but stated that Germans are also interested in costs and conditions of unity. He suggested discussion

of Soviet claims on German sources of productivity on which Vishinsky admitted balance sheet of unity depended.<sup>2</sup>

Sent Department Delsec 1803, London 338, Berlin 199, Heidelberg 5, Moscow 106.

\* In Delsec 1804, May 27 (8 p. m.), from Paris, not printed, Secretary Acheson indicated the complete sterility of the fifth meeting of the Ministers, and added:

"Although it is, of course, still too early to be sure of ultimate Soviet intentions, the tenacity of Vishinsky's insistence upon reestablishment of quadripartite control on previous basis would indicate that this is their chief objective. There is no indication that they are seeking genuine unity of Germany but rather perpetuation of political split under ACC operating on unanimity principle with a German economic body to bring about maximum East-West trade to their advantage." (740.00110 Council/5-2749)

740.00119 Council/5-2649: Telegram

*The Acting Secretary of State to the United States Delegation at the Council of Foreign Ministers*

TOP SECRET

WASHINGTON, May 27, 1949—9 p. m.

Secdel 1619. For Ambassador Murphy from Byroade. Dept approves (Delsec 1796, May 26<sup>1</sup>) your draft recommendations re administrative reunification Berlin subject to following comments.

Dept assumes newly constituted Kommandatura not to be considered as reconstitution of former four-power organ operating under authority Control Council and subject to being over-ruled by latter. Believe this point should be made clear.

Agree re para 3 system of appeals requires modification. Believe system suggested for appeal to coordinating body for all Germany, while not essential, might be supported if proposed. Action of such body should be by majority vote and not suspend Kommandatura decisions for more than 30 days.

Dept concurs your suggestion Art. 18, para 4 of Berlin temporary constitution be amended to authorize forwarding resolution to Kommandatura instead sector military commandant.

Clay fully concurs with above comments but only on condition of a unified Germany. He holds strong opinion that a unified Berlin in a split Germany, even under some agreed *modus vivendi*, would be unworkable and to our disadvantage. He also considers such a move would be most unpopular with West Berliners who, in event of continued split, would desire to remain affiliated with the West.

Unable to obtain McCloy's views as he is out of town.

WEBB

<sup>1</sup> Ante, p. 921.



740.00119 Council/5-2849 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL NIACT

PARIS, May 28, 1949—6 p. m.

Delsec 1810. For President and Acting Secretary. In brief sixth meeting CFM three Western Ministers presented and explained agreed US-UK-French paper on German unity.<sup>1</sup> Vishinsky made brief reply but withheld substantive comment on paper.

Bevin as chairman opened meeting by stating that Western powers after giving careful consideration during past week to Vishinsky arguments believed that to accept Soviet proposal would be to (1) ignore US, UK and French public opinion, (2) repudiate promises of Potsdam, (3) cast aside evolution of four years in Germany, (4) ignore German opinion, (5) forget how far on road toward formation of German government CFM had progressed by time of London session. He said West powers could not see solution to problem as now presented. They had no antagonism toward USSR but rather genuine desire establish peaceful, coherent and democratic Germany. Bevin then circulated agreed Western paper which he stated was designed to meet whole of Point One on agenda and not just part of it.<sup>2</sup> He set forth its aims to reduce occupation of Germany, produce unified German government operating on well defined democratic principles, and bring Germany into comity of European nations.

Acheson and Schuman briefly supported paper Acheson underlining Bevin statement that West believed initial occupation period has come to end. He said it was time responsibility was turned over to Germans and Germans given chance to work out own democratic system of government. Schuman suggested West sought modify separation of Germany, abolish four zones and create modified control mechanism. Vishinsky in brief reply stated that advance agreement by three powers gave impression of presenting fourth with *fait accompli* and that at first glance he considered it was "hardly suitable document for quadripartite agreement". His tone was conciliatory and he said he would study document.

Next meeting 8:30 Monday.

Sent Department Delsec 1810, repeated London 342, Berlin 201, Heidelberg 6, Moscow 108.

<sup>1</sup> For the text of this paper, circulated as CFM/P/49/3, see p. 1041.

<sup>2</sup> Point One of the agenda was "Problems of German Unity, including economic principles, political principles and Allied controls."

740.00119 Council/5-2849 : Telegram

*The United States Delegation at the Council of Foreign Ministers to the Acting Secretary of State*

TOP SECRET

PARIS, May 28, 1949—7 p. m.

Delsec. 1811. Interesting confirmation of main Soviet objectives in this conference was obtained by thoroughly reliable American correspondent from Zhukov *Pravda* correspondent with whom he had lunch today. Zhukov apparently very frank in stating that chief objective of Soviet Union at this conference was to obtain a renewal on freest possible basis of trade between Western and Eastern zones; that Soviet Government did not believe possible and did not desire political unification of Germany but maintenance of status quo in political sphere. Zhukov complained that Western delegates must know that Soviet Government could not discuss Soviet reparations and Soviet AG's since they could answer neither yes or no on these questions. He rather played down importance of four-power control as a practical matter although admitting Soviet Government strongly desired revival of Allied Control Commission. He seemed to envisage principle of four-power control without much expectation that it would be practically operative on four-power basis in either Western zones or Eastern zone. Zhukov's views tended to confirm impression (with exception of attitude re four-power control) which we have received so far. Russians seem to be seeking merely *modus vivendi* at this conference and not seriously contemplating unification of Germany.

740.00119 Council/5-3049 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL

US URGENT

PARIS, May 30, 1949—8 p. m.

Delsec 1818. For President and Acting Secretary. Vishinsky opened seventh meeting CFM with reply to Western proposal submitted sixth meeting.<sup>1</sup> He made following points:

(1) Bonn Constitution<sup>2</sup> secret, undemocratic document, dictated by West and designed dismember rather than unite Germany;

<sup>1</sup> Under reference here is Document CFM/P/49/3, p. 1041.

<sup>2</sup> Vyshinsky was referring to the Basic Law for the "Federal Republic of Germany" (Bonn Constitution) which was adopted and promulgated on May 23, 1949, by the Bonn Parliamentary Council. A translation of the Basic Law is printed in *Germany 1947-1949*, pp. 283-305. For documentation relating to the drafting and approval by the Military Governors of the Basic Law, see pp. 187 ff.

(2) West aimed impose rule on Eastern Germany without participation of Eastern Germans and USSR;

(3) Western Occupation Statute<sup>3</sup> continued occupation indefinitely, at variance with interests of Germans and reserves excessive authority to Western Powers;

(4) Paragraph 2 Western proposal already accomplished in East, but not fulfilled in West;

(5) Paragraph 4 irrelevant;

(6) Proposal silent on question of Ruhr;

(7) Western position ignored just aspirations German people for early peace treaty; and

(8) USSR rejected principle majority vote for High Commission.

Vishinsky said Western paper showed West did not seek reach agreement with USSR and in view points made, Soviet Delegation must reject Western proposal. In Soviet opinion, political and economic unity could only be secured on basis Soviet proposals which would contribute to unity, lead to conclusion of treaty, termination of occupation and peace settlement in Europe.

Acheson said that what was important in Vishinsky statement was not argumentation, which was not entirely valid, but fact that it was Soviet rejection.

He noted that Western position actually far more responsive to just aspirations of German people than Soviet proposals. West offered Germans large measure self-government, allowed German people set up democratic constitution which had been ratified by large majorities, ruled out reparations from current production which certainly in German interest, and finally, took steps in direction eventual peace treaty, rather than merely going back to confusion of old quadripartite control.

Schuman asserted that everything in Western proposals and actions for past 18 months entirely consistent Potsdam. Fact that actions taken by three rather than four powers not fault of West. He said Western proposals not dictats, but basis for discussion. We were not imposing any system on Eastern Germans, but were proposing discuss Western constitution. If German people favored another system, he personally prepared accept verdict of general consultation of German people. Schuman challenged Vishinsky statement on dismemberment and specifically inquired whether Vishinsky position not at variance with Warsaw declaration.<sup>4</sup>

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<sup>3</sup> Under reference here is the Occupation Statute agreed to by the three Western Ministers in Washington, April 8, 1949, for their zones of Germany. For the text of the Occupation Statute, see pp. 179 ff.

<sup>4</sup> Not printed; for the text of the Warsaw Declaration of the Foreign Ministers of the USSR, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania, and Hungary, June 24, 1948, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307.

Bevin stated that Western Powers committed to establishment German government and certainly will not go back on pledge. Western Powers have sought keep in mind position of USSR during past 18 months and have now submitted reasonable and constructive proposals. He pointed out these were proposals for discussion and not dictats, and invited Vishinsky examine them fairly and accurately. Bevin stated that highly centralized German government cannot be accepted, and that general agreement reached on this at Moscow and London. He said that it appeared from Soviet proposals and arguments that USSR now rejects flatly idea of central German government. He laid stress on paragraph 4 Western paper as covering important points which had been major causes allied disagreement in past. In conclusion he urged Vishinsky not reject Western paper, but discuss it, since rejection would appear as Soviet refusal allow Eastern Germans reunite with West.

Vishinsky stated that differences of powers represented by fact Western proposals contravened Potsdam, whereas USSR stands on basis of Potsdam. He then concentrated his fire on decentralization of Bonn Constitution with involved effort to show that Soviet position consistent with Potsdam and with Warsaw declaration. Vishinsky postponed further remarks until next meeting 3:30 Tuesday.<sup>5</sup>

Sent Department Delsec 1818, repeated London 345, Berlin 205, Heidelberg 7, Moscow 109.

<sup>5</sup> Telegram Delsec 1817, May 30, from Paris, not printed, analyzed the implications of Vyshinsky's rejection as follows:

"Prompt and flat rejection of proposal confirms our belief that Soviets are not at present time interested in German unification but are aiming purely at *modus vivendi* primarily with a view to increasing east-west trade." (740.00119 Council/5-3049)

CFM Files: Lot M-88: Box 84: Reber File

*Memorandum by the Deputies for Austria of the United Kingdom, United States, and France to Their Foreign Ministers*<sup>1</sup>

TOP SECRET

PARIS, May 30, 1949.

1. The last session of the Foreign Ministers' Deputies for Austria was held in London from 9th February to 10th May,<sup>2</sup> 1949, when the Deputies suspended their talks in view of the negative attitude adopted by the Soviet Representative and in order to give the Ministers the

<sup>1</sup> Attached to the source text was a memorandum of transmission from the United States Deputy, Reber, to Secretary Acheson, not printed, which explained that the source text was the outcome of meetings among the Western Deputies since May 22 and represented the Deputies' joint proposals for the settlement of the outstanding issues of the Austrian Treaty.

<sup>2</sup> For documentation relating to this session of the meetings of the Deputies for Austria, see pp. 1066 ff.

opportunity to discuss the Austrian Treaty at their meeting in Paris. The Deputies agreed to resume their meetings not later than 25th June.

2. During their last session, the Deputies had completed two reviews of the eighteen outstanding Treaty Articles without, however, reaching full agreement on any one of them. The principal results of the meetings were (a) the withdrawal by the French Delegation of its proposal in Article 27 of the Treaty for certain restrictions on Austrian economic activities of military significance and (b) the declaration by the Western Delegations that no German assets should be made available as reparation from the Western Zones of Austria. A further development was the offer by the United States Delegation to agree to an increase in the lump sum payment by Austria to the Soviet Union, if, in turn, agreement could be reached on conditions of payment that would permit Austria to maintain its economic independence. Some progress has been made in regard to a solution of Article 26 (Disposal of War Materiel of Allied and German origin), Article 38 (Austrian Property in Germany and Denunciation of Claims by Austria on Germany) and Article 48 (Debts).

3. These discussions have shown that the deadlock arises from the failure of the United Kingdom, United States and French Delegations to obtain the agreement of the Soviet Delegation on three basic issues:—

- (a) The frontiers of Austria as of January 1, 1938 (Article 5) ;
- (b) No reparations (Article 34) ; and
- (c) The German Assets Settlement (Article 35).

On the assumption that the Soviet Union is not opposed to the early conclusion of a Treaty, the solution of these three problems should allow a speedy settlement of the other unagreed articles which are of lesser importance. Further progress on the treaty depends upon consideration of these three problems in relation to each other.

4. The Western Delegations have now to decide whether they are prepared to enter into a bargain whereby they would agree to meet Soviet insistence on a lump sum settlement of \$150 million in return for Soviet agreement to the Western attitude on frontiers, reparations and the complete Soviet withdrawal from Austrian industry not covered in the German Assets Settlement. This arrangement would include as an essential condition the relinquishment to Austria of all property held or claimed as German assets or war booty (except those oil assets and Danube Steamship Company properties transferred to the Soviet Union by other clauses of the Treaty and retained under Austrian jurisdiction) together with a general waiver of creditor claims arising out of the control of these properties after 8th May, 1945.

5. The present session of the Council of Foreign Ministers would appear to present a good opportunity for consideration of this bargain, which, if accepted by the Soviet Union, would enable the Deputies to continue their work usefully; but it should be considered as a whole, and no opportunity should be given to the Soviet Minister to separate the various points and accept only those which are favorable to him. It must therefore be kept to its simplest terms and involve only principles. Other points should be left to the Deputies for further negotiation. In the opinion of the Western Deputies, the compromise offer might have greater chance of success if made orally at a private meeting of the Four Ministers when discussion could be freer and the nature of the bargain more easily understood and if possible prior to their formal consideration of the Deputies report.

6. It is therefore recommended that, at the earliest favorable opportunity, one of the three Western Ministers should propose agreement to the payment by Austria of a lump sum obligation of \$150 million in six years, on condition that the Soviet Minister accepts Articles 5 (Austria's 1938 Frontiers) and 34 (No Reparations) and agrees to the relinquishment of Soviet claims to German assets (other than to oil and Danube Steamship Company properties transferred to the Soviet Union by other specific clauses of the Treaty) and of creditor claims, as set out in paragraph 4 above. If this proposal is accepted, the matter should immediately be referred back to the Deputies for settlement of the details. It could also then be suggested that the Deputies be instructed to complete their preparation of the Austrian Treaty text by a definite date, perhaps by 1st September, 1949.

7. If the foregoing offer is presented, an attempt should be made to avoid discussion of other issues by the Ministers. It would, however, be desirable to eliminate any question of the establishment of a special "autonomous area" in Carinthia. If necessary, special arrangements of a cultural and economic nature in favor of the Slovene-speaking population of the entire province of Carinthia could be substituted therefor.

8. As soon as the Deputies resume their meetings, they should discuss the means of payment of the lump sum. The United Kingdom, United States and French Deputies should endeavor to obtain agreement on the transfer to the Soviet Union of Austrian assets in Bulgaria, Hungary and Roumania as a partial payment of the \$150 million. If agreement on this point is impossible, the Western Deputies might agree that the obligation should be discharged entirely by other means.

9. In dealing with oil properties in connection with the offer, the Western Deputies could agree (a) to the transfer of rights to specific

oil production areas in Eastern Austria which would produce the equivalent of 60 per cent of the 1947 oil production (rather than their present offer of 58-60 per cent subject to determination of the actual properties involved) and (b) to rights to 55 per cent (rather than 47 per cent) of the oil prospecting areas in Eastern Austria, subject to determination of the actual properties involved and to a possible increase within the maximum of 60 per cent.

10. In dealing with Danube shipping, the Western Deputies could likewise agree to the transfer to the Soviet Union of a certain number of ships located in the Western Zones of Austria.

11. In return for Soviet agreement that the Treaty should contain no provision for the payment of reparations by Austria, the Western Deputies should be prepared to accept the following:

(a) Transfer to Yugoslavia of Austrian property, rights and interests within Yugoslav territory;

(b) Special arrangements relating to the water supply of the River Drau and to electric power furnished by the stations at Schwabegg and Lavamund;

(c) The inauguration of bilateral negotiations between Austria and Yugoslavia for the purpose of increasing trade between the two countries.

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740.00119 Council/5-3049

*Memorandum of Conversation, by the United States Member at the Council of Foreign Ministers (Acheson)*<sup>1</sup>

SECRET

[PARIS,] May 30, 1949.

Participants: M. Schuman  
The Secretary  
Mr. Jessup

After dinner at the Embassy this evening, I discussed with M. Schuman the next steps to be taken in our CFM proceedings. I said to him that it seemed to me that the time had come at which it would be desirable that someone talk privately to Vishinsky. I said that I thought it should be either he or I. Mr. Bevin is somewhat unpredictable and might be either provoked into an argument or might give Vishinsky an impression of too much yielding. M. Schuman interposed to say that he entirely agreed with me that it should be either he or I, that he had a high regard for Mr. Bevin and always got along well with him, but felt the difficulty I suggested would exist. He said that he thought it would be better if I saw Vishinsky. I told him that

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<sup>1</sup> The memorandum was prepared by the United States Alternate Member, Jessup.

I would entirely accept his judgment on that and that either he or I could do it. As our conversation progressed, he returned to this point and stated a definite preference that I should see Vishinsky.

I suggested that the manner of seeing Vishinsky should be arranged so that it would not attract attention in the press. If I should send word to Vishinsky just as the meeting of the CFM opened tomorrow that I should like to see him for about ten minutes in his office after the meeting, this would put him on notice and would pave the way for the afternoon discussion in the Council. After the meeting I could go down to his office without attracting attention. It seemed to me that none of us should attempt to answer Vishinsky's dialectics and that when he gets through with the continuation of his speech<sup>2</sup> I as Chairman might say that we seemed to have completed our preliminary discussion of Point 1 and that it would be desirable to proceed to Point 2; that it might be well to adjourn at that point and take up Point 2 on the following day.

In regard to the matters which should be discussed with Vishinsky, I had it in mind to say frankly that it appeared we were not reaching agreement under Item 1 and that before we embarked on the discussion of Item 2 I wished to have a frank talk with him and see if we could not approach that subject on a practical basis. I would ask him what he had in mind in regard to it. I might outline to him the thoughts which we have in mind if we are all agreed upon them. The general development would be the suggestion that we should first mention our right of access to Berlin and indicate our desire to get this clearly defined. We would not in the Council attempt to deal with all the details but, if we were agreed on the principle of our right of access by rail, road, and canal, we could refer the matter to Deputies to report back to the Ministers in four or five days. Our rights in the air are sufficiently clear and should cause no difficulty. The second point would be the question of the Berlin administration. On this we should stand for the principle of administrative unification under some kind of four-power control. This control would operate on the unanimity principle, but it would operate in a negative way. This means that action of the Berlin authorities would be valid unless unanimously disapproved by the four powers. M. Schuman at this point expressed some question whether this principle could be accepted, but on further discussion agreed that the Berlin situation was very different from the over-all German situation and for our part we could accept such a plan. This problem of administration in Berlin would also be referred

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<sup>2</sup> The reference here is to Vyshinsky's reply to CFM/P/49/3, which began at the Seventh Session of the Council on May 30, and which he stated he would continue at the next meeting.



to Deputies to refer back to us in four or five days. The third question would be that of currency. This we might leave to the Germans to work out with a provision that any suggestion they advanced would be accepted unless unanimously disapproved. M. Schuman raised some question about this. Mr. Jessup reminded him that in the paper we had agreed upon with Mr. Bevin before the CFM opened we had suggested this line of approach.<sup>3</sup> We noted that we would be safe in leaving it to the Germans since they could be counted upon not to suggest the solution of accepting the East mark as the sole currency and we would be content with either a third currency or the use of the West mark. M. Schuman did not dissent. I said that again this question would be referred to Deputies in the same way.

In discussing the question of the matters left to the Germans themselves, M. Schuman said he assumed we would not ask them to advise us in the CFM but that their work would come later. I agreed that this is what I had in mind. M. Schuman remarked that the currency question would lead us into the general matter of trade and that this was evidently the subject in which Mr. Vishinsky was chiefly interested. I agreed with this view and said that again the Ministers should agree on some general principles and then refer the matter to Deputies.

In regard to all of these above steps, I suggested that we should envisage a continuing process: the Ministers would first agree on some general principles; the Deputies would make these a little more precise and refer their conclusions back to the Ministers for approval; the subject would then be referred either to the Germans or to the High Commissioners for the elaboration of the details after the CFM had finished. M. Schuman evidently had not considered this procedure but seemed to find it very satisfactory.

Regarding the steps following my proposed private talk with Vishinsky, I said that it seemed to me we might arrange for a restricted meeting of the CFM on Item 2. I thought we might then go on to the third item on the agenda but should not spend much time on it. M. Schuman agreed with this and also agreed it was very desirable that we seek to reach agreement on the Austrian Treaty. He said that, if we could make the progress which I had suggested on Item 2 and reach some solution of the main problems connected with the Austrian Treaty, this session of the CFM would be a success and this would have a great influence in easing the general tension in Europe.

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<sup>3</sup> Jessup was probably referring to the Report to the Ministers on the Tripartite Conversations Preliminary to the Meeting of the Council of Foreign Ministers, May 20, not printed, a copy of which is in the CFM Files: Lot M-88: Box 140.

He stated that he thought we should try to conclude our work within two weeks. I agreed that this was very important.

The foregoing matters were left with the understanding that we would discuss them with Mr. Bevin at our meeting tomorrow morning.<sup>4</sup>

M. Schuman also mentioned his talk with the Ministers President of the French Zone on Sunday. When he talked with them, they had not received the last communication from the Military Governors regarding the Electoral Law, but he had discussed the matter with them in general and had urged them to take a favorable attitude.

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<sup>4</sup>The course of action indicated in this memorandum was discussed with Foreign Secretary Bevin at a meeting of the three Western Ministers before the Eighth Session of the Council on May 31. It was decided that Secretary Acheson would make the approach to Vyshinsky along the lines which he and Schuman had discussed. (Memorandum of a meeting of the three Western Ministers, May 31, not printed, CFM Files: Lot M-88: Box 140)

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### *Editorial Note*

The Deputies for Austria met informally at Paris four times from May 30 to June 1 to prepare their report as requested by the Ministers on May 23 at the first session of the Council. At the first of these meetings the three Western Deputies circulated a tripartite draft of the Deputies' report and the texts of the various unagreed articles were discussed. On May 31 the Deputies met twice with the Soviet Deputy. Zarubin agreed to use the tripartite draft provided article 35 (German Assets) was arranged in a tabular form based on the Soviet proposal of January 24, 1948, and provided the Western conditions affecting this article were set forth not in the body of the text, but as footnotes. Zarubin insisted that if this were not done, then the Deputies would have to submit separate reports to their Ministers and not to the Council. At the final meeting on June 1, the Soviet Deputy maintained his position. This was unacceptable to the Western Deputies, and two separate reports were presented; a Soviet one to Vyshinsky and a tripartite report to the Council.

The minutes of the four informal meetings of the Deputies for Austria are in CFM Files: Lot M-88: Box 113: Informal Meetings of the Deputies. A copy of the tripartite report including earlier United States and United Kingdom drafts is in CFM Files: Lot M-88: Box 140. Copies of the two reports were circulated at the Council as CFM/P/49/8 (Tripartite) and CFM/P/49/9 (Soviet) and are included in the documents of the Sixth Session in CFM Files: Lot M-88: Box 142: Documents. The text of the Soviet proposal of January 24, 1948, is printed in *Foreign Relations*, 1948, Volume II, Chapter VIII.

740.00119 Council/5-3149 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*CONFIDENTIAL      PRIORITY  
NIACT

PARIS, May 31, 1949—9 p. m.

Delsec 1827. For President and Acting Secretary. 8th meeting CFM, Acheson in chair, largely occupied with long elaboration by Vishinsky of previous Soviet arguments against Western proposals,<sup>1</sup> condemning legitimacy of tripartite actions since London CFM, and rejecting principle majority vote. Austrian deputies reported inability complete report in allotted time and Ministers agreed grant requested 24-hour extension, Schuman observing that Ministers themselves seemed to be even farther behind schedule. Ministers failed reach any agreement on request for hearing received from Third Congress of German People.

Vishinsky opened discussion by repeating objections to Western Occupation Statute.<sup>2</sup> He said he could not accept Acheson statement that Western proposals correspond with interests of German people, illustrating this with claim Occupation Statute conflicts with German desire for peace treaty, end of occupation and conclusion general European settlement. He expanded previous criticism of Statute for (1) implication of indefinite occupation and (2) wide powers reserved to Allied Governments. He said aim of Occupation Statute is to perpetuate split in Germany and in answer to Bevin request for substitute proposal, Vishinsky suggested that Occupation Statute would be unnecessary if Allies moved toward completion of German peace treaty.

Vishinsky then attacked Schuman statement that what Western Powers had done in past 18 months was consistent with Potsdam, citing various US-UK and US-UK-French agreements of this period as being direct violation Potsdam Agreement. He said formation Bizonia started ACC difficulties and refusal of West to submit information on London discussions<sup>3</sup> caused ACC collapse. Vishinsky concluded by restating Soviet position on unanimity rule. He said Western proposal of majority vote "must be rejected" and very fact of its submission demonstrates effort impose will on fourth party and complete split of Germany. He said whole Western position logical

<sup>1</sup> Circulated at the Sixth Session of the Council, May 28, as CFM/P/49/3. The text of the proposals is printed on p. 1041.

<sup>2</sup> Vishinsky was referring to the Occupation Statute agreed to by the three Western Ministers in Washington, April 8, 1949, for their zones of Germany. For the text of the Statute and documentation relating to its negotiation, see pp. 156 ff.

<sup>3</sup> The reference here is to the London Conference on Germany, February 23-March 6 and April 20-June 7, 1948. For documentation relating to this Conference, see *Foreign Relations*, 1948, vol. II, chapter I.

completion of various Western violations of Potsdam and asserted USSR cannot accept this position and must reaffirm Soviet proposals.

Schuman reminded Vishinsky it had proved impossible carry out Potsdam on quadripartite basis with unanimity principle and therefore it had been necessary divide community and move forward in fulfillment Potsdam and interests German people. All subsequent Western acts had continued in effort serve Potsdam and German interests. He said he not prepared accept Soviet proposals but at same time wanted make it clear there was not desire impose West proposals on USSR.

Vishinsky then raised question telegram received by CFM Secretary General from Third Congress of German People requesting hearing for their delegate. Schuman urged consideration this be put off till third point on agenda since Congress requested hearing on question German peace settlement. Bevin stated flat opposition until such time as CFM able reach some agreement itself. He quoted British position at London to effect UK willing consider question hearing Germans when CFM came to question of peace treaty. Vishinsky argued that this was time for CFM break precedent and hear German opinion. He called this fairly representative group and urged that delegation be called Paris. Acheson said he believed delegation should not be heard. When German peace treaty considered, it would be appropriate consider question and when time comes for hearing German opinion, CFM should receive only duly elected representatives. He said he could not consider this group in least representative of Germany but only of Eastern zone and USSR, adding that he would rather look to Vishinsky for official expression Soviet views.

Next meeting 3:30 Wednesday.

Sent Department Delsec 1827; London 349, Berlin 208, Heidelberg 8, Moscow 111.

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740.00119 Control (Germany)/5-3149

*Memorandum of Conversation, by the United States Member at the Council of Foreign Ministers (Acheson)*<sup>1</sup>

TOP SECRET

[PARIS,] May 31, 1949.

Participants: Secretary of State, Dean Acheson;  
Charles E. Bohlen, Department of State;  
Mr. Vishinsky  
Mr. Pastoyev

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<sup>1</sup> The memorandum was prepared by Bohlen. Another copy of this memorandum in file 762.00/5-3149 bears the handwritten interpolation "Held at Palais de Marbre Rose 6:45 p. m."

I told Mr. Vishinsky I had a suggestion which I hoped he would think about overnight. It seemed to me that we had perhaps discussed point one on our agenda sufficiently for the first go around, and that we might wisely now go on to consideration of the second point. We could always return to the first item anytime we wished. I said I hoped that we could discuss point two on the agenda in somewhat broader aspects than the actual wording would indicate. We would wish, for example, to discuss the administration of the city and how it might be unified as well as how the city was to be controlled by the Allied powers. There was also of course the question of the currency and the subject of a stable and workable basis for access to Berlin. We could perhaps under the same heading also discuss some more far-reaching subjects such as the questions of trade between the zones in Germany.

(Mr. Vishinsky asked Mr. Bohlen what we meant by the word "access". Mr. Bohlen explained to him that we meant communications between Berlin and the Western zones.)

Mr. Vishinsky said that the question of communications with Berlin had already been settled by the agreement in New York.<sup>2</sup>

I said that while this was true in part there was nevertheless a necessity for fuller discussion and understanding on that point. I said I hoped that early in the discussions on point two that it might be possible to deal with some of these questions in a closed session in order to avoid the complications of publicity. I added that not only were the subjects themselves complicated but there was also the question of procedure and that I had thought the Ministers might agree on a few fundamental directives and refer some of these questions to deputies or committees. I said I thought it might be wise to start off the discussion of point two tomorrow with a closed session.

Mr. Vishinsky said that he was entirely agreeable to the idea of closed sessions as well as open ones as he felt that publicity sometimes complicated their work.

I told him that I did not wish to raise these points at the open meeting tomorrow until I had had a chance to talk to him. Mr. Vishinsky expressed his gratitude for my having talked to him first.

He then inquired whether I thought it would be possible in connection with the Berlin currency to discuss the currency question as affecting all Germany.

I replied that I thought we could of course discuss it, but that I personally found it hard to see how we could reach any conclusion in the absence of some understanding for the unification of Germany

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<sup>2</sup> For the text of the communiqué issued at New York on May 5, 1949, see editorial note, p. 750.

as a whole. In regard to trade, however, there were subjects such as clearing arrangements which we could consider.

Mr. Vishinsky said he would have to think over the points under item two which I had raised and would probably have to consult his Government. He hoped, however, to have an answer tomorrow. As to a closed session, he could agree on that now, but he repeated he hoped to let me know tomorrow.

I told Mr. Vishinsky that if he had any information for me tomorrow it would be very helpful, of course, to have it, but if he was not ready to answer I might merely suggest at tomorrow's meeting that we pass on to point two and that it be in a closed session. I added that I hoped that in one of the closed sessions we might deal with the question of Austria.

Mr. Vishinsky said that would be possible and it certainly was not excluded.

DEAN ACHESON

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740.00119 Council/6-149: Telegram

*The United States Delegation at the Council of Foreign Ministers to  
President Truman and the Acting Secretary of State*

CONFIDENTIAL

PRIORITY

PARIS, June 1, 1949—9 p. m.

Delsec 1837. For President and Acting Secretary. Ninth meeting CFM with Schuman in chair heard brief statement by Vishinsky amplifying Soviet refusal accept Bonn constitution as basis for formation German Government and then moved to discussion of second agenda point on Berlin with agreement discussion could later return point one. Ministers engaged in sharp legal discussion on basis of allied rights in Berlin and principle of unanimity rule, with both Acheson and Bevin asserting that position adopted by Vishinsky indicated he was unwilling to reach any agreement this CFM session.

Vishinsky opened discussion by declaring in amplification of earlier remarks on federalism that USSR cannot accept provision of Bonn constitution which reserves supreme authority to *Laender* except insofar as specifically delegated to federal government. In response to Bevin statement at seventh meeting that USSR apparently no longer supports idea of central German Government, Vishinsky reaffirmed Soviet position of Moscow and London sessions in favor of central government. He said proposal for all German states council demonstrates Soviet desire facilitate this objective, adding that if US, UK and France desire USSR will discuss formation all German Government. But he added that Western proposals could not be accepted

on basis this discussion since they hinge on Bonn constitution which USSR considers undemocratic.

Acheson opened discussion on Berlin question by sketching in general terms nature of problem. He said all four powers agreed on desirability reuniting city and on necessity for allied control. As basic facts pertinent to Berlin question he pointed out (1) Western Powers in Berlin by international agreement antedating Potsdam but more fundamentally because of successful prosecution of war and resolution of their peoples, (2) all four powers are in Berlin and are going to stay, (3) Berlin is city and its administration must be designed for orderly operation routine aspects of municipality. Acheson said that if CFM approaches this question in sensible pragmatic way, it should be possible reach agreement. Broad problems and technical questions should be considered jointly, with view to securing new city-wide elections, new charter and constitution, and system of quadripartite control.

Schuman expressed view that progress should be possible on Berlin question since it smaller geographic area and presented practical rather than over-all political problems. What had previously been said about political systems should apply to Berlin, and on control mechanism question was merely method of voting. He expressed hope it would be possible achieve a technical solution on currency which perhaps might not apply to all Germany. Bevin added that there was agreement on four power control and main question to be settled was determination of powers to which unanimity applied and those which fell within competence of control body, with remainder being left to city administration.

Vishinsky replied that if US in Berlin by right of agreement, it necessary fulfill all terms of agreement which called for quadripartite administration of city on basis of unanimity. He said occupation powers in Berlin for purpose of carrying out administration of city and unanimity only possible basis for quadripartite administration. Unity of Berlin could only be established on previous basis with Kommandatura functioning as before. USSR willing examine question of whether some functions could be changed, but all those left must be handled by unanimous vote according to basic international agreements.

Acheson expressed regret Vishinsky not willing adopt realistic approach before taking fixed position. In effect Vishinsky said he would not consider western approach at all, which means CFM will not reach any agreement. Furthermore Vishinsky implied he does not want to reach agreement. Acheson corrected Vishinsky quotation on US posi-

tion in Berlin and then challenged Soviet legal argument on unanimity rule. He said documents Vishinsky cited were not source of our authority to be in Berlin but simply administrative arrangements. Furthermore agreements Vishinsky cited as basis for unanimity rule actually said military commanders would "jointly" handle affairs of Berlin. He pointed out that all our experience shows it impossible administer city on principle of unanimity, which is most arbitrary and dictatorial method of doing business. Acheson commented that Vishinsky had put himself in untenable position by expressing willingness abandon some areas of control while refusing examine question of whether other aspects of control could be handled on majority basis. Schuman contributed further legal arguments which prompted Bevin to remark he felt alone as only non-lawyer present. He said his approach was simple: somebody walked out of Kommandatura, split city resulted and CFM had now convened to reach sensible agreement. He favored careful examination of positions to see if agreement possible, rather than present polemics. If agreement not possible, issue should be faced right now. He further asserted UK would not accept return to old Kommandatura.

Next meeting 3:30 Thursday.

Sent Department Delsec 1837; repeated London 352, Berlin 209, Heidelberg 9, Moscow 112.

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740.00119 Council/6-249: Telegram

*The United States Delegation at the Council of Foreign Ministers to  
President Truman and the Acting Secretary of State*

CONFIDENTIAL

PARIS, June 2, 1949—9 p. m.

Delsec 1839. For President and Acting Secretary. At opening of tenth meeting CFM, Bevin in chair, Acheson circulated memo on Berlin question<sup>1</sup> proposing that Ministers adjourn briefly and reconvene in closed session to consider paper paragraph by paragraph. Memo proposed that:

1. Four allied commandants Berlin will arrange free city-wide elections under four-power control on basis of electoral procedure employed in October 1946.

2. City government to be constituted as result these new elections will be provisional government. It will have full and adequate powers of government and will function under organizational structure provided for in temporary constitution for greater Berlin of August 1946,

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<sup>1</sup> The memorandum was circulated as CFM/P/49/10.



appropriate reservations to be agreed upon being substituted for Article 36.<sup>2</sup>

3. Newly elected Berlin city assembly will be authorized draft permanent constitution for greater Berlin employing either draft of permanent constitution submitted to Allied Kommandatura in 1948, amending it, or submitting such new proposals as city assembly deems necessary.

4. Simultaneously with establishment provisional city government, four-power Allied Kommandatura will be reconstituted and function in accordance with principles to be agreed upon by four Ministers at this session of CFM.

5. Occupation costs will be reduced to minimum and will be determined by methods to be agreed on quadripartite basis.

In submitting paper Acheson explained he interpreted it as being broad enough cover for discussion purposes proposals on Berlin previously made by Vishinsky.<sup>3</sup>

Vishinsky stated that while waiting for translation so he could consider paper he would like continue discussion of previous meeting. He then made following points reference Acheson's statement at ninth meeting:

(1) While agreements establishing Kommandatura called for "joint" administration of Berlin, this had been interpreted in all implementing agreements as meaning unanimity.

(2) Facts do not support assertion that administration impossible on basis unanimity citing in particular Austrian control agreement and fact that previous Kommandatura accomplished much effective work.

(3) Unanimity not arbitrary principle but guarantee that majority cannot enforce will on minority.

(4) Rudeness of US Commandant, not unanimity principle, was reason for failure Kommandatura. Vishinsky added that unanimity was only possible method to be applied.

Bevin then reverted to Acheson proposal but Vishinsky wanted more time study proposal and reference documents suggesting instead CFM meet Friday afternoon in closed session. After some by-play on whether to meet twice on Friday and appropriate hours for such meetings, ministers agreed meet only once Friday at 3 p. m. in closed session.

Sent Department Delsec 1839, repeated London 359, Berlin 212, Heidelberg 10, Moscow 113.

<sup>2</sup> Article 36 of the Temporary Constitution for Greater Berlin stated that the Magistrat was subordinate to the Allied Kommandatura and that all legal enactments, ordinances, instructions, resignations, and appointments of the Magistrat had to be sanctioned by the Allied Kommandatura. For the complete text of Article 36, see Plischke, *Berlin*, p. 229.

<sup>3</sup> At the Ninth Session of the Council, June 1.

CFM Files: Lot M-88: Box 142: United States Delegation Minutes

*United States Delegation Minutes of the 11th (1st Restricted) Meeting of the Council of Foreign Ministers, Paris, June 3, 1949, 3:10 p. m.*

SECRET

## PRESENT

## U.S.S.R.

Mr. Vyshinsky (Chairman)  
General Chuikov  
Mr. Semenov  
Mr. Smirnov

## UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
General Robertson  
Lord Henderson

## UNITED STATES

Mr. Acheson  
Mr. Jessup  
Mr. Dulles  
Mr. Murphy  
Mr. Bohlen

## FRANCE

M. Schuman  
M. Parodi  
M. François-Poncet  
M. Couve de Murville

MR. VYSHINSKY (CHAIRMAN) opened the meeting at 3:10 p. m.

MR. ACHESON stated that he had circulated in the 10th meeting a paper on the question of Berlin [CFM/P/49/10<sup>1</sup>] with the proposal that the Ministers discuss this paper paragraph by paragraph. He had intended this paper to be broad enough to cover all proposals previously submitted on the Berlin question, and it was understood that in discussing the separate paragraphs there would be no final agreement unless the whole subject were agreed. Paragraph 1 provided for new city elections, on the basis of the 1946 Electoral Law, thus eliminating the necessity for drawing up a new electoral procedure. Certain modifications, however, might be necessary. [Mr. Acheson then read the text of USDel Working Paper/13 Rev. 1, June 3, 1949.<sup>2</sup>] Under Point (2), he noted that the provision concerning qualifications for voters arose from the fact that some of the people disqualified in 1946 had since been declared eligible to vote in all four Sectors.

MR. BEVIN said that he considered the USDel Working Paper/13 a good elaboration of Paragraph 1 of the proposal.

MR. VYSHINSKY noted that the US proposal coincided with the Soviet proposal for the reestablishment of the Berlin Magistrat. The Soviet Delegation desired clarification on the following points:

(1) He agreed that there should first be a provisional regime, but he felt the CFM should agree on the functions of this provisional regime in connection with the election.

<sup>1</sup> Substance transmitted in Delsec 1839, *supra*. All the brackets in these minutes are in the source text.

<sup>2</sup> *Post*, p. 1043.

(2) He agreed that the electoral law of 1946 needed some change, not only with respect to the right to vote but also on the method of voting.

(3) The old electoral procedure was restricted to registered political parties. He felt that consideration should be given to the social organizations and trade unions established in the Soviet Sector. This would entail some change in Paragraph 8 of the 1946 Law, which said that only large political parties have the right to nominate candidates.

(4) He desired to know what was meant by "quadripartite control" since the US proposal made no mention of a control body.

MR. VYSHINSKY said that he was not setting forth a formal position but simply raising questions to which he desired answers before a formal position could be submitted.

MR. ACHESON said that, as clarification, he would like to point out that four-power control had two aspects: (1) The controls of the temporary Magistrat, created for election purposes, to which each sector commander would appoint an equal number of representatives; and (2) The types of control covered in Paragraph 4 of the US paper, which would provide for supervision over German activities and handle problems which the Germans themselves were unable to solve. The trade union question was a point on which the Four Powers had disagreed for a long time, and it seemed unlikely that their differences could be reconciled at this meeting. It would be better to take as a basis for the electoral procedure a document on which there was previous agreement, citing in particular in this connection Paragraph 8 (1) of the 1946 Electoral Law.

MR. VYSHINSKY asked whether the US proposal accorded the right to nominate candidates only to political parties. Could a person be put forward as the candidate of both a political party and of a social group or trade union?

MR. BEVIN said that he would prefer to adhere to the previous provision which authorized candidates only from political parties. If the German people desired to do something else at another election, that would be a different matter. If the CFM would agree to retain Paragraph 8 (1), it would mean that this election could go forward speedily and thus help to solve the German problem. The idea of four-power control over the elections was designed to take care of the eligibility of voters.

M. SCHUMAN pointed out that while the list of candidates would be submitted under this provision by the established political parties, there was no restriction on the choice of candidates. According to the 1946 Law only registered political parties could present lists, but a candidate did not have to be a member of the party. He favored adhering to the provisions of the 1946 Law, since the elections would

serve other than purely municipal functions, in that the new assembly would be authorized to write a constitution. He therefore felt that authorizing trade unions to nominate candidates would be inappropriate, but he considered the point unimportant since the parties could nominate non-party candidates.

MR. VYSHINSKY again asked whether it would be possible for a list of candidates to be presented by a bloc of political parties or by a bloc including parties and non-party groups. He wanted to know whether the US proposal meant that social organizations could take no part in the elections.

MR. BEVIN said that he was against the bloc system. What the Germans might do in the future was entirely up to them, but the CFM should not depart from the 1946 procedure. If it were not possible to agree on this, no agreement could be reached.

MR. VYSHINSKY said he agreed with Mr. Acheson that any political party authorized to operate in one of the Sectors should be free to operate in all. He merely wanted to know whether it would not be appropriate to extend this to nonpolitical social organizations. He was not making a formal proposal but was merely trying to ascertain the answers to certain questions. He then suggested that the discussion move on to the second paragraph of the US paper.

MR. ACHESON stated that the second paragraph was designed to cover a step which would follow after the measures outlined in the first paragraph had been accomplished. He was proposing that the first elected government be provisional, that it be authorized to draft a new constitution, and that it be established on the basis of the 1946 Constitution. He was further suggesting that Article 36 of the 1946 Constitution be dropped, and that new methods of control be established. This was covered under Paragraph 4 of the US statement.

MR. BEVIN said that it was quite clear we wanted Article 36 deleted from the constitution. Otherwise he accepted the US position.

MR. VYSHINSKY raised the following questions with reference to this proposal:

1) In proposing the elimination of Article 36, is it intended to reject the principle of having the civil government under the control of the Kommandatura?

2) In what form will the Kommandatura exercise control over the Magistrat?

3) What is intended as a substitute for Article 36?

MR. ACHESON said he was in agreement that Article 36 should not be dropped until it was known what would take its place. He had previously pointed out that agreement on any part of this paper was dependent upon overall agreement. He also wanted to assure Mr.

Vyshinsky that it was intended to have a mechanism of control and that the type of control would be discussed under Paragraph 4.

MR. BEVIN agreed with this interpretation.

MR. VYSHINSKY said he understood that the question of Article 36 and Paragraph 4 was to be left open. The USSR was willing to examine the functions of the Kommandatura with a view to giving greater freedom to the German organs, but it had no specific proposal to make at this time. This was an important point and he would be ready at the next meeting to submit positive proposals on the functions of the Kommandatura. Meanwhile he would abstain from further questions.

MR. BEVIN said that his view was that Article 36 should come out of the constitution altogether. He considered it an Allied reservation and felt it was inappropriate in the constitution. He would be glad to consider the question of controls under Paragraph 4 but he did seek agreement that Article 36 come out of the constitution.

MR. ACHESON expressed the view that Mr. Vyshinsky's position was very wise and entirely consistent with Mr. Bevin's. He understood Mr. Vyshinsky to say he would examine the powers of the Kommandatura, turning some over to the Germans, identifying those left to the Kommandatura, and considering how the latter are to be exercised. Like Mr. Vyshinsky, he preferred to defer consideration of this question until the next meeting.

MR. VYSHINSKY said that since his colleagues agreed to consider Article 36 in connection with Paragraph 4, he would abstain from further questions. He felt, however, that Mr. Bevin had made a mistake when he said that Article 36 dealt with the rights of the Kommandatura. He considered that it dealt with the duties of the Germans and it was therefore appropriate to have it included in the constitution.

MR. ACHESON noted that the Ministers had already discussed Paragraphs 1, 2 and 4 of his paper. Paragraph 3 was designed to give authority to the provisional government to draft a new constitution. It was assumed that this would be a matter under quadripartite control. Paragraph 5 merely stated that occupation costs would be kept to a minimum.

MR. VYSHINSKY stated that he had some remarks to make on Paragraphs 3, 4 and 5, but no questions to ask. He felt that a good deal had been set forth and that it might be desirable to adjourn the meeting in order to give the Ministers time to digest these various points and prepare their positions.<sup>3</sup>

<sup>3</sup> In Delsec 1843, June 3, from Paris, not printed, the United States Delegation reported that the restricted session was the first business-like discussion in the Council, and analyzed the Soviet response to the Western proposals as an attempt to gain recognition and political stature for mass organizations in Western Berlin and as indicating concern lest the Magistrat be given too much freedom from Allied control. (740.00119 Council/6-349)

*Communiqué*

MR. BEVIN raised the question of a press communiqué and the Ministers agreed to release the following statement: "Communiqué of the Council of Foreign Ministers of June 3, 1949. Today under the chairmanship of the Foreign Minister of the U.S.S.R. Andrei Vyshinsky, a closed session of the Council of Foreign Ministers took place. The Ministers discussed the Soviet and US proposals relative to Berlin. The next meeting will be on June 4."

[The Ministers then agreed to meet in a restricted meeting at 3:00 p. m. June 4. The meeting adjourned at 5:45 p. m.]

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CFM Files: Lot M-88: Box 142: United States Delegation Minutes

*United States Delegation Minutes of the 12th (2nd Restricted) Meeting of the Council of Foreign Ministers, Paris, June 4, 1949, 3:30 p. m.*

SECRET

PRESENT

UNITED STATES

Mr. Acheson (Chairman)  
Mr. Jessup  
Mr. Dulles  
Mr. Murphy  
Mr. Bohlen

U.S.S.R.

Mr. Vyshinsky  
General Chuikov  
Mr. Semenov  
Mr. Smirnov

FRANCE

M. Schuman  
M. Parodi  
M. François-Poncet  
M. Couve de Murville

UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
General Robertson  
Lord Henderson

RECORD OF DECISIONS

MR. ACHESON (Chairman) opened the meeting with a procedural question concerning the record of decisions raised by the Secretary-General [CFM/P/49/14<sup>1</sup>]

MR. BEVIN suggested that each Delegation keep its own records but no report be made to the Secretary General until a report was made to a plenary session. (All agreed.)

*Berlin (Cont'd.)*

MR. ACHESON said it had been agreed to proceed at this meeting with a discussion of Paragraph 4 of the American proposal

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<sup>1</sup>Not printed. Brackets throughout the document appear in the source text.

[CFM/P/49/10<sup>2</sup>]. The proposition, as presented at the previous meeting, had been to leave as much authority as possible to the Germans, to determine the functions of allied control, and to set up the mechanism for exercising this control. Several days previously Mr. Vyshinsky had suggested that a key to this problem might be found in the Four Power Control Agreement for Austria.<sup>3</sup> With this in mind Mr. ACHESON wanted to outline a plan for dividing the powers between the Kommandatura and the city government.

I. The powers of the city government might be handled in the following manner:

(1) The municipal authorities of greater Berlin should exercise legislative, executive and judicial powers subject only to the reservation by the occupation authorities of powers in such fields as: (a) disarmament and demilitarization; (b) reparations, external restitution, decartelization, deconcentration, and the protection of foreign interests; (c) protection and security of the allied forces; (d) the care and treatment of prisoners; (e) quadripartite supervision of future elections; (f) control over relations with foreign authorities other than the occupying powers.

(2) The city government would not have authority without the previous written approval of the control body in matters such as the following:

(a) amendments to the temporary constitution and adoption of a new constitution; (b) internal restitution.

(3) All other action and legislation by the municipality in fields not specifically mentioned should be deemed to be within their competence and should become effective unless disapproved by the Kommandatura within twenty-one days after its submission.

II. The powers of the occupation authorities should be exercised in accordance with the following provisions:

(1) Actions of the Kommandatura would be by unanimous decision, but if unanimous agreement was not reached each Commandant would be free to take whatever action he considered appropriate in his own sector with respect to such matters as:

(a) protection and security of the allied forces; (b) control of the care and treatment of prisoners; (c) action to maintain the authority of the city government in case of disturbance.

(2) Occupation costs would be reduced to a minimum and would be determined by methods to be agreed upon by unanimous vote of the Kommandatura.

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<sup>2</sup> Transmitted in Delsec 1839, June 2, from Paris, p. 943.

<sup>3</sup> The reference here is to the New Control Agreement for Austria, June 28, 1946. For the text of this Agreement, see *A Decade of American Foreign Policy, Basic Documents, 1941-1949*, pp. 614-620 or Department of State *Bulletin*, July 28, 1946, pp. 175-178.

Mr. VYSHINSKY stated that in the absence of a written text of these proposals, he could make only a few comments. When he had previously spoken of the Austrian control agreement, he had in mind Article 12 of that agreement.<sup>4</sup> This specifically covered the principle of unanimity. He had not referred to Article 6, which provided for unanimous disapproval.<sup>5</sup> This article was peculiar to the situation in Austria, which had a government. Germany has no government, so the article would not apply. On the operation of the Kommandatura, he understood that Mr. Acheson's proposals provided for the principle of unanimity, but that if unanimity were not possible each commander had the right to take such measures as he considered necessary in his own zone. He considered this procedure quite the opposite of a principle of operating according to agreed decisions and one that could not be considered a method of coordinating control. The Soviet Delegation considered that it would be preferable to follow the statute of January 18, 1946 on the Allied Kommandatura of Berlin [USDel/Working Paper/16<sup>6</sup>], Article 3 of which specifically provided that only unanimous decisions would be valid. He believed it would be desirable to adopt this procedure which had been previously agreed upon. In general, the following principles should be kept in mind concerning the Kommandatura:

- (1) It should not deal with matters of high politics.
- (2) It should coordinate overall Berlin measures and have control over matters such as the protection of the interests of Berlin and assuring normal life within the city. He had certain proposals to make concerning the statute of the Kommandatura. In all other respects the statute would remain as it now was, including Article 3. If proposals were adopted, a discussion of Mr. Acheson's proposals would be unnecessary. Mr. VYSHINSKY then read the following Soviet paper.

<sup>4</sup> Article 12 read:

"The decisions of the Allied Council, Executive Committee, and other constituted bodies of the Allied Commission shall be unanimous.

The Chairmanship of the Allied Council, Executive Committee and Directorates shall be held in rotation."

<sup>5</sup> Article 6 read:

"(a) All legislative measures, as defined by the Allied Council, and international agreements which the Austrian Government wishes to make except agreements with one of the four Powers, shall, before they take effect or are published in the State Gazette be submitted by the Austrian Government to the Allied Council. In the case of constitutional laws, the written approval of the Allied Council is required, before any such law may be published and put into effect. In the case of all other legislative matters and international agreements it may be assumed that the Allied Council has given its approval if within thirty-one days of the time of receipt by the Allied Commission it has not informed the Austrian Government that it objects to a legislative measure or an international agreement . . . .

(b) The Allied Council may at any time inform the Austrian Government or the appropriate Austrian authority of its disapproval of any of the Legislative measures or administrative actions of the Government or of such authority, and may direct that the action in question shall be cancelled or amended."

<sup>6</sup> Not printed.



BERLIN AND THE CURRENCY QUESTION  
INTER-ALLIED KOMMANDATURA OF BERLIN  
(Proposals of the USSR Delegation)<sup>7</sup>

JUNE 3, 1949.

The Council of Foreign Ministers deems it necessary:

1. To reserve for the Inter-Allied Kommandatura the following functions:

- a. Control over the observance of the Provisional Constitution of 1946;
- b. Supplies;
- c. Problems of all city finance including all city budget, credits, prices and taxes;
- d. Problems of external trade of Berlin with the Western Zones and third countries;
- e. Control over fuel and electric power;
- f. City transport;
- g. Communications;
- h. Public security (police, etc.);
- i. Control over appointment and dismissal of responsible personnel in all city organs of government;
- j. Supervision over imprisonment of the persons sentenced by the Nuremberg International Tribunal;

2. The problems which fall within the competence of the City Assembly and all Berlin Magistrate may be dealt with by the Allied Kommandatura only if any of the four Commandants raises objection to a decision of the City Assembly and of the all Berlin Magistrate.

In this case the opposed decision shall come into force only after its approval by the Inter-Allied Kommandatura.

3. All decisions of the Kommandatura shall be adopted unanimously.

4. To make the appropriate changes in Article 6 of the Statute of the Inter-Allied Kommandatura of the City of Berlin of January 18, 1946.

MR. ACHESON pointed out that Mr. Vyshinsky had misunderstood him in saying that his proposal allowed the sector commandants to do what they chose in regard to all matters when there was not unanimous agreement. The powers of the Kommandatura should be exercised by unanimous agreement. In certain specific matters, if unity of action was not possible, each commander should be authorized to take independent action. The only matters where independent action was essential included:

- (1) the protection of occupation forces;
  - (2) the protection of prisoners;
  - (3) threat to the authority of the city government in his sector.
- With reference to Article 12 of the Austrian Control Agreement, the

<sup>7</sup> The Soviet proposal was circulated as CFM/P/49/15.

fact of the existence of a government in Austria was not pertinent, since he was proposing a government for Berlin as well. Mr. Vyshinsky had previously cited the Austrian Control Agreement as an example of the effective operation of the principle of unanimity. The reason that this principle worked in Austria was that unanimity had been modified in the Austrian Agreement. It provided that in some cases unanimity was presumed and in some cases independence of action was appropriate in the absence of unanimity.

MR. SCHUMAN said that Berlin was actually an exceptional case departing from all precedents in the matter of control. The Western Powers contemplated setting up a city assembly with well defined governmental powers. There were few examples of this anywhere else, and it was quite different from the situation in Austria. Mr. Vyshinsky had stated that the Interallied Kommandatura should not deal with general policy—or less with general policies than with the daily affairs of Berlin. His own view was diametrically opposed to this. The control mechanism should not enter into routine questions of the daily life of the city. The Soviet proposal reserved to the Kommandatura a tremendous range of authority. In particular, point (a) was too broad; point (b) covered what was properly a municipal function; and point (c) would give the Kommandatura such authority as totally to displace the local administration. In general, the occupation authorities should abandon more and more authority to the Germans, while retaining only supervisory powers. The reserved powers of the Soviet proposal, combined with the operation of the principle of unanimity, would obviously make the government of Berlin impossible. The Soviet proposals actually applied a more stringent control than the 1945 arrangement.

MR. BEVIN confessed his surprise at the Soviet proposals, especially in view of Mr. Vyshinsky's previous comments about his willingness to transfer powers to the Germans. He was particularly worried about point (i) which threw the principle of democracy to the winds. No Western state could accept this. The Soviet proposals placed absolute authority in the Kommandatura, which in turn operated under a rule which allowed any one person to prevent action on what he considered purely domestic issues. Furthermore, Paragraph 2 allowed any one person to suspend action on a municipal act. Was this proposal really put forward seriously when the Soviet Delegation knew that the Western powers and Western public opinion could never accept it? What had been proposed appeared to establish the most powerful veto that existed anywhere.

With reference to Mr. Acheson's last statement, MR. VYSHINSKY said they were not discussing the authority a commander enjoyed in his

own sector but rather the functions of the Kommandatura. Obviously, in emergency matters the commander had the right to take action. What was now under consideration were the acts which he took in connection with the other commanders. This had been previously settled in the statute of the Kommandatura, which should be followed in this case. With reference to the Austrian Control Agreement, he stated that Article 6 did not alter the situation, since everything done under Article 6 was done in accordance with Article 12. The principle of unanimity was upheld. Furthermore, Article 6 concerned relations between the Allied Council in Austria and the Austrian Government, and was therefore not pertinent to the operations of the Kommandatura. With reference to Mr. Schuman's point on control over constitutional questions, he said that his proposal was consistent with Paragraph 5 of the Occupation Statute for Western Germany.<sup>8</sup> With reference to the powers reserved to the Kommandatura in his proposal, it was not intended that the Kommandatura would carry out these functions but only that it would exercise supervision from the standpoint of control and coordination. He made these proposals quite seriously, and he wanted to note that Soviet public opinion did not like the tendency to dictation on the part of the other powers. The USSR desired to discuss the whole question seriously and patiently and to try to reach agreement despite the many differences of opinion. The Council was now dealing with the most acute problem of all, and he wanted patiently to seek agreement, although the USSR would never subordinate itself to the rule of the majority.

MR. ACHESON pointed out that nobody except Vyshinsky has been talking about majority decisions. The Western powers were merely proposing that the USSR accept as a basis for the Berlin Kommandatura the kind of arrangement they had accepted in the case of Austria. His proposal had been that four-power control operate through the Kommandatura, which should function for the purpose of controlling and not administering the municipal government. This control would

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<sup>8</sup> The paragraph under reference read :

"Any amendment of the Basic Law will require the express approval of the occupation authorities before becoming effective. *Land* constitutions, amendments thereof, all other legislation, and any agreements made between the Federal States and foreign governments, will become effective twenty-one days after official receipt by the occupation authorities unless previously disapproved by them, provisionally or finally. The occupation authorities will not disapprove legislation unless in their opinion it is inconsistent with the Basic Law, a *Land* Constitution, legislation or other directives of the occupation authorities themselves or the provisions of this Instrument, or unless it constitutes a grave threat to the basic purposes of the occupation."

For the full text of the Occupation Statute, agreed by the three Western Ministers in Washington on April 8, 1949, see p. 179.

operate in carefully defined areas according to the principle of unanimity, except in three areas where the local commanders would have a certain right to unilateral action. This provision was the same as in the Austrian Control Agreement. In all other cases the Kommandatura would still act according to the principle of unanimity, but would act negatively as in the Austrian Agreement. He was aware that Article 6 of the Austrian Agreement applied to the Allied Council and not to the Kommandatura, but the principle involved was the same. Mr. Schuman and Mr. Bevin had already pointed out the vast differences between the proposals. One had to do with a Kommandatura acting as a control authority in a limited field, while the Soviet proposal was for a Kommandatura acting as the governing mechanism in Berlin. The Soviet proposal boiled down to a single sentence: nothing at all could be done in Berlin if any one on the Kommandatura objected. The Four Powers could never cooperate if they tried to agree on every last detail of the city administration; they could only cooperate if they sought agreement on general principles and leave the details to the Germans. MR. ACHESON said he was willing to discuss this question as long as desirable, but before adjourning this meeting he wanted to know whether Mr. Vyshinsky had totally rejected the idea of a control mechanism based on the principle of the Austrian Agreement.

MR. VYSHINSKY said that he understood the proposals to involve this difference: the West wanted to apply a new rule to the Kommandatura, while the USSR wanted to maintain the old rule. It was a complete exaggeration to say that under the Soviet proposal nothing could be accomplished without the unanimous vote of the Kommandatura. Much had been accomplished before and much could be accomplished again. The Soviet Delegation believed that the control mechanism should operate according to the statute of 1946. Under this there were two categories of controls; (1) matters not within the competence of the provisional magistrate, such as control over the observance of the provisional constitution and the supervision of war criminals; (2) matters which fell within the competence of the magistrate, such as budget, finance, supplies, etc. The Kommandatura would not enter into this second category unless some objection were raised.

MR. SCHUMAN interrupted to excuse himself, and left Mr. Parodi in his place.

MR. VYSHINSKY answered Mr. Acheson's direct question by saying that he could not tell whether the Soviet Delegation agreed with the US proposal until he saw the proposal in writing.

MR. BEVIN said that to clarify the record on these proposals he would like to quote himself from an earlier meeting to the effect that

the UK would not accept the Kommandatura if it were reestablished on its former basis with its tendency to interfere with every aspect of the city life. If some sensible proposal were put forward, the UK was prepared to consider it point by point. The Western Powers, without fighting about the question of unanimity versus majority rule, had seriously sought a proposal on which agreement might be possible. They had therefore turned to the Austrian Agreement, on which there had been previous agreement. This was not offered as any "diktat", as Mr. Vyshinsky implied, but in a serious effort to reach a settlement. So far Vyshinsky refused even to consider the proposal. MR. BEVIN did not challenge the rule of unanimity under Paragraph 2 of the Soviet proposal but only the method by which it was to operate. Paragraph 2 in effect allowed one man to veto a municipal act. The UK preferred that the decision to veto be made by a unanimous decision. Under the present Soviet proposal one person on the Kommandatura could overthrow any act of the city body. In the case of Point (i) this one person could upset the vote of the electorate. It was no threat nor "diktat" to say that the UK would never accept this.

MR. VYSHINSKY insisted that Mr. Bevin was misinterpreting him. He considered it only appropriate that control over personnel be reserved to the Inter-Allied Kommandatura, since there had to be supervision to ensure that no Nazis were returned to office. He had quite sincerely set forth the Soviet ideas on this subject, but these thoughts were not new. Law 56 of February 1947 covered the appointment and dismissal of municipal officials and reserved to the Kommandatura authority much along the lines of the present Soviet proposal.

MR. ACHESON proposed that in view of the hour the meeting adjourn, and asked whether it was desired to have the next meeting open or closed. The Ministers were not making any progress, and he felt that it perhaps gave a false impression to continue longer in restricted meetings. Mr. Bevin said that he felt Mr. Acheson's proposals on the control mechanism should be examined in a restricted meeting. The Ministers agreed that the next meeting would be restricted and would convene at 3:30 p. m., June 6.

#### *Communiqué*

The Ministers agreed on the following communiqué:

"The Foreign Ministers with Mr. Acheson in the chair outlined today in closed session their consideration of the proposals of the United States and the Soviet Union relative to Berlin. The next meeting will be on June 6."

[The meeting adjourned at 8:00 p. m.]

CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the 13th (3rd Restricted) Meeting of the Council of Foreign Ministers, Paris, June 6, 1949, 3:30 p.m.*

SECRET

PRESENT

FRANCE

M. Schuman (Chairman)  
M. Parodi  
M. François-Poncet  
M. Couve de Murville

UNITED STATES

Mr. Acheson  
Mr. Jessup  
Mr. Dulles  
Mr. Murphy  
Mr. Bohlen

UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
General Robertson  
Lord Henderson

U.S.S.R.

Mr. Vyshinsky  
General Chuikov  
Mr. Semenov  
Mr. Smirnov

M. SCHUMAN (Chairman) opened the meeting at 3:30 by calling on Mr. Acheson for the submission of his proposal.

MR. ACHESON said that in submitting his paper he wanted to point out that it was his belief that the procedure whereby an inter-Allied body operated was in itself not a matter of principle. The Four Powers must reach agreement on a question of procedure, and agreements in the CFM must have unanimous approval; but once the agreement was reached the procedure itself was merely a matter of convenience. It was further the U.S. position that the mechanism of the Allied Control Council was not well adapted to Greater Berlin. He believed that the Austrian Control Agreement offered greater possibilities, and that the method of control established for the city of Berlin might well differ from the method applied to Germany as a whole. In submitting this proposal he was suggesting a control system applicable for the city, but was not putting it forward as a precedent for a control mechanism which might be applied to the country as a whole. With reference to this proposal, he had two comments to make: (1) The proposal was designed to be illustrative and was not a final U.S. position; (2) his proposal did not deal with the question of a currency for Berlin, on which he would subsequently submit proposals. MR. ACHESON then read the preliminary statement [CFM/P/49/19<sup>1</sup>] and the text of the U.S. proposal [CFM/P/49/18<sup>2</sup>].

<sup>1</sup> Post, p. 1046. All the brackets in these minutes are in the source text.

<sup>2</sup> Post, p. 1044.

MR. VYSHINSKY said that both the US and the USSR had previously submitted proposals dealing with the question of Berlin and that today he had another proposal to present to the CFM. Before going into this question, however, he would like to raise a question about paragraph 1 of the U.S. paper of June 2 [CFM/P/49/10<sup>3</sup>] dealing with the question of elections in Berlin. Did the U.S. intend that the four-power control mentioned in that paragraph would be exercised in the same manner as it was at the time of the 1946 election?

M. SCHUMAN inquired whether the Ministers wished to answer the question now or at a later time, and MR. BEVIN said that he would like to see both the U.S. and Soviet papers and determine exactly where the Ministers stood and the possible significance of the question before answering it.

MR. VYSHINSKY said that his question was very simple. He had previously made an objection to the wording of paragraph one with reference to the phrase "four-power control". He merely wanted to know what kind of control was envisaged in this proposal before determining whether or not to withdraw his objection. He did not believe that his question had any other significance, but he was prepared to withdraw the question and to continue with his document.

MR. BEVIN said that he was just an innocent juryman, so he wanted to be careful. MR. VYSHINSKY replied that he felt like the accused man, so he wanted to be even more careful. M. SCHUMAN said that as a jurist, he resented the suspicion cast upon the profession. MR. BEVIN said he was sure that it was a good international union.

In answer to the question, MR. ACHESON pointed out that on June 3 he had made certain proposals in elaboration of his June 2 paper on Berlin.<sup>4</sup> At that time he stated that the law of 1946 must be amended to provide for a temporary body to establish the electoral machinery. The Allied body designed to supervise the elections would be quadripartite in character and would operate in all four sectors of Berlin. Each commander would appoint representatives to serve on this body for the purpose of supervising the elections with a view to checking on possible intimidation, fraud, etc. In 1946 there had not been entirely free access to all four sectors. His proposal was that in this election there should be free access. If the CFM agreed on the principle, the military commandants in Berlin could work out the details.

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<sup>3</sup> Substance transmitted in Delsec 1839, June 2, from Paris, p. 943.

<sup>4</sup> The reference here is to USDel Working Paper/13 Revision 1, p. 1043.

M. SCHUMAN inquired whether Mr. Vyshinsky wished to make an oral explanation of his paper or whether he would be content to circulate it and to suspend discussion until a later time.

MR. VYSHINSKY said that he would like to make some explanation and would attempt to present the paper as briefly as possible. Over the weekend the Soviet Delegation had attempted to review all the proposals submitted to the CFM, both written and oral, having in mind in particular the Soviet proposals of May 24<sup>5</sup> and June 4<sup>6</sup> and the U.S. proposals of June 2. The paper he wished to circulate today attempted to take into consideration all these various positions and to present in one document a statement of the Soviet views on this question. He then read the text of his paper [CFM/P/49/20<sup>7</sup>] with brief statements relating the various paragraphs in his proposal to previous propositions discussed by the CFM.

#### *Next Meeting*

M. SCHUMAN raised the question as to whether the Ministers were prepared to postpone discussion, and they all agreed. He then inquired as to whether the next meeting should be restricted or open. MR. ACHESON said he saw no reason for continuing further with restricted meetings. MR. VYSHINSKY said he would be glad to accept the majority decision, and the Ministers agreed to adjourn until 3:30, June 7, when they would reconvene in plenary session.

[They agreed to release a communiqué simply stating that the Foreign Ministers, with M. Schuman as Chairman, continued their discussion of the US and USSR proposals on Berlin and that the next meeting would be a plenary meeting on June 7.]

MR. BEVIN said he wanted to be sure the text of the U.S. proposal was made available in Russian to the Soviet Delegation at this meeting so that it would be understood that it had been submitted to a restricted meeting. MR. ACHESON said he would be sure that the proposal reached the Soviet Delegation but he did not think the point made any difference. It was certainly agreed that no texts would be given out to the press this evening, but he felt they probably would be after the next open meeting.

[The meeting adjourned at 6:00 p. m.]

<sup>5</sup> See CFM/P/49/2 (revised), p. 1040.

<sup>6</sup> For the text of the June 4 Soviet proposals, circulated as CFM/P/49/15, see the United States Delegation Minutes of the 12th (2nd restricted) meeting of the Council, *supra*.

<sup>7</sup> *Post*, p. 1048.



740.00119 Control (Germany)/6-649

*Memorandum of Conversation, by Mr. Charles E. Bohlen of the  
United States Delegation at the Council of Foreign Ministers*

TOP SECRET

[PARIS,] June 6, 1949.

Participants: Ambassador Murphy  
Mr. Charles E. Bohlen  
Mr. Smirnov, USSR Delegation  
Mr. Semenov, USSR Delegation

After the meeting yesterday <sup>1</sup> Ambassador Murphy and I had about three quarters of an hour conversation with Smirnov and Semenov out of which the following points emerged:

1. The Soviet Delegation does not expect any agreement in regard to the unification of Germany as a whole. Semenov was very frank in stating that as "realistic" people the Soviet Delegation recognized that the differences between the Soviet Union and the Western powers on the problem of German unification were so great as to render very slight any possibility of reaching an agreement on that subject at this session of the CFM.

2. The Soviet Government is not prepared to give up in Berlin either its veto power in the Kommandatura or increase materially the liberty given to the German city administration. On this point both Smirnov and Semenov were very definite in stating that the Soviet Government could not give up its right of veto in the operation of the Kommandatura and that they would insist upon a degree of control equivalent to that which had existed before the breakdown of the Kommandatura. Smirnov particularly was very definite in stating that the Soviet Government needed the power of veto in order to prevent what he said was actually hostility to the Soviet Union on the part of the Berlin authorities. He said he thought that all the occupying powers would wish to have this power, but that in the case of the Soviet Union it was particularly necessary because Berlin was in the middle of the Soviet zone and what occurred there had direct and immediate effect throughout the Soviet zone. These statements were made in connection with the justification by Smirnov and Semenov of the Soviet veto of Reuter who had been elected Mayor of Berlin in 1946. They said the Soviet Government could hardly be expected to admit the appointment of so openly an anti-Soviet individual as Reuter to be Mayor of a city in whose occupation they participated.

Both Ambassador Murphy and I pointed out the incompatibility of an attitude of this kind with the principle of free elections; and that

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<sup>1</sup> The reference here is to the 13th (3rd restricted) meeting of the Council of Foreign Ministers, June 6. Apparently Bohlen prepared the memorandum on June 7, but dated it the previous day when the conversation had occurred.

the United States and the two other Western powers were prepared to risk the outcome of free elections which otherwise became meaningless.

3. While insisting upon the absolute necessity of retaining the veto etc., both Smirnov and Semenov were quite serious about the importance of reaching some arrangement here in Paris which would permit the "normalization" of the present situation in Berlin, of a split city, two police forces, etc.

4. The apparent modifications in the Soviet proposals of yesterday are apparent and not real. In reply to my question both Smirnov and Semenov stated that the powers apparently transferred to the Berlin city government under paragraph 9 of the Soviet proposals of June 6<sup>2</sup> would require approval of the Kommandatura before any city government action in those fields could go into effect. They were very clear and definite on the point that without such approval, which Semenov said could either take the form of positive approval or merely no objection on the part of the Kommandatura, the city government could not act in those fields.

When asked why, therefore, it was necessary to group these powers under a new paragraph, Smirnov rather vaguely said that these were arrangements in which the Kommandatura and the city government would exercise a dual authority.

Smirnov and Semenov had no suggestions for any more fruitful procedure in the CFM, but unanimously stated that reference to the Deputies of questions involving principles was useless as the Deputies could never make any progress if the Ministers were in disagreement.

In developing the Soviet proposition for the return to the previous system of Kommandatura control both Smirnov and Semenov insisted that in the past the system had worked very smoothly and it was only when large political questions affecting Germany as a whole had entered into the operation of the Kommandatura that real difficulties arose. They asserted that the proposal submitted yesterday confined the Kommandatura to matters of a practical municipal character which they maintained should cause very little dispute between the four occupying powers and had carefully excluded from the competence of the Kommandatura the larger political issues.

We pointed out to them that it was difficult, if not impossible, to keep political questions apart from those of city administration citing in this instance the case of the veto of Reuter.

The general impression created by this conversation was that the Soviet Government is anxious to find some arrangement for the city of Berlin since the present situation is obviously not to their liking but is not prepared to make much if any concession on the central

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<sup>2</sup> A reference to CFM/P/49/20, p. 1048.

question of the veto and the degree of control to be exercised over the German city government.<sup>3</sup>

<sup>3</sup> Delsec 1851, June 6, from Paris, not printed, summarized this conversation for President Truman and Webb (740.00119 Council/6-649).

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740.00119 Council/6-749 : Telegram

*The United States Delegation at the Council of Foreign Ministers  
to President Truman and the Acting Secretary of State*

CONFIDENTIAL      PRIORITY

PARIS, June 7, 1949—9 p. m.

Delsec 1859. For President and Acting Secretary. Eleventh meeting CFM.<sup>1</sup> Bevin in chair continued discussion second agenda item on Berlin with 3 Western Ministers offering careful detailed criticism of long statement by Vishinsky, largely repeating all Soviet proposals and arguments submitted to 3 restricted meetings. No area of agreement reached in discussion which will continue in next meeting, 3 p. m. Wednesday.<sup>2</sup>

In reviewing proposal on elections for Berlin, Vishinsky said USSR cannot accept US proposal for quadripartite supervisory body with equal representation to each occupying power. Berlin now split into 2 parts, and each part should be given equal representation on supervisory body. Vishinsky also said US proposal did not go far enough in revising 1946 law and CFM should reach definite agreement on extending franchise and on allowing social organizations and trade unions to nominate candidates. Soviet delegate would accept revision of Article 36 of 1946 Constitution but not its deletion which would mean rejection of right of Kommandatura to review acts of Magistrat. Vishinsky also refused accept control mechanism based on Austrian agreement.<sup>3</sup> Kommandatura should be responsible for coordination Allied measures and assuring life of city which concept underlay division of responsibilities set forth in Soviet proposal (Delsec 1853, June 3<sup>4</sup>). Kommandatura could only operate in this manner on basis of unanimous decision all matters. US proposals on functions of Kommandatura could not be accepted.

Acheson, in reply, said we not willing go back to 1946 statute of Kommandatura because it did not work before and would not work

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<sup>1</sup> The eleventh plenary meeting of the Council.

<sup>2</sup> At the Tripartite meeting of the Western Foreign Ministers before the meeting of the Council the Soviet proposal on the unification of Berlin (CFM/P/49/20, p. 1048) was examined and found unacceptable. A record of this meeting, not printed, is in the CFM Files: Lot M-88: Box 140.

<sup>3</sup> The reference here is to the New Control Agreement for Austria, June 28, 1946.

<sup>4</sup> Not printed; for the text of the Soviet proposal (CFM/P/49/20), see p. 1048.

now. We demanded realistic practicable control mechanism which would guarantee normal life in city. He asked Vishinsky whether it not true that under Soviet proposal any action by city Magistrat could be vetoed by any one member of Kommandatura. In effect, Acheson said Soviet proposal made everything but death subject to Kommandatura approval. US had proposed operating mechanism which had been successful in Austria and we believed principle involved could be applied Berlin. On election procedure, Acheson said he could not accept proposal which gave Kommandatura power to veto election results and could not accept Vishinsky parity formula which was not equitable on basis of population, of equality for sovereign states, or of vote at last election. Further we would insist according to our democratic principles that all candidates run on party platforms for which they stand. We did not object to having social organizations support duly-nominated party candidates.

Schuman said Soviet proposal open and deliberate effort go back to 1946 could be characterized by certain measure of contempt for all practicable experience of past. Western powers, on other hand, sought to enter new phase in which wider power and authority would be given to Germans. Analysis of Soviet proposal revealed no powers left to free decision of German authorities without possibility of intervention by Allies. Four powers can never go back to old basis if they truly desire establish sound and stable system.

Bevin stated that relative points of view now quite clear and there appeared to be fundamental divergence almost impossible to bridge. He amplified remarks previously made in opposition to Soviet electoral proposal, Kommandatura control over all civil personnel and Soviet one-man veto principle. Altogether, he said, this set up system which would make any progress impossible and suggested that as compromise CFM might consider holding Berlin elections and postponing final decision on Kommandatura and Magistrat. Vishinsky withheld further remarks until next meeting.

Sent Department 1859, repeated London 374, Berlin 226, Heidelberg 16, Moscow 119.

ACHESON

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740.00119 Council/6-749

*Memorandum by Charles C. Yost of the United States Delegation at the Council of Foreign Ministers to the Alternate Member at the Council (Jessup)*

SECRET

[PARIS,] June 7, 1949.

While in view of the Soviet attitude on German questions there seems little prospect of agreement on the Austrian treaty, I do not

believe this should be taken as a foregone conclusion. We considered at Vienna that, though the Soviets would probably prefer, purely from the point of view of their position in Austria, *not* to have a treaty, nevertheless their interests there are not so vital as to prevent their agreement if they see over-all advantage in so doing. If the Soviets should by chance feel, particularly in the light of almost total disagreement on other issues at the CFM, that their program of appearing to relax tension in the cold war requires some concession on their part, they might consider the Austrian issue as the one they could concede with least damage to their general position. If their interest in relaxing tension is slight, there will certainly be no treaty.

On the Austrian side, there are rather disturbing symptoms of increasing restiveness and impatience which may well boil over if there is no progress at this meeting and particularly if it is not perfectly clear that the Western powers have made every possible effort to push the issue to the utmost. This "boiling over" might take the form of

(1) A bilateral Soviet-Austrian *modus vivendi* on the German assets issue which would greatly increase the profitability of the Soviet-held enterprises;

(2) A refusal by the Austrians to pay further occupation costs which would confront the British and French with a dilemma and embarrass us indirectly;

(3) A demand for an early troop withdrawal *without* a treaty which would be less satisfactory to us than would a treaty.

In view of these factors vis-à-vis both the Soviets and the Austrians, it would seem desirable to press the Austrian issue as vigorously as possible before the CFM. It is suggested that in an opening statement the Secretary might wish to point out:

(1) That it is extremely difficult to justify a continued military occupation of Austria six years after the US, USSR and UK agreed at Moscow that she should be treated as a liberated country and four years after the end of the war;

(2) That we strongly urge agreement at this meeting on the three basic issues separating the four Powers and on explicit instructions to the Deputies to complete the drafting of the treaty by September 1;

(3) That as evidence of our good will we are prepared to go far toward meeting the Soviet position on German assets provided we can be assured this settlement will return these assets, except those reserved to the Soviets under the treaty, free and unencumbered to the Austrian economy;

(4) That, while this meeting of the CFM has so far failed to settle the basic obstacles to agreement on a German peace treaty, the Austrian peace treaty affords another opportunity to demonstrate to the world that cooperation among the Great Powers is still possible and still fruitful.

While these opening remarks will presumably be made in a private session to which the tripartite proposal on Austria is presented, they can, if the Soviets prove unyielding, be repeated later in a plenary session where they will serve not only to impress upon the Soviets the importance we attach to this issue but also to demonstrate to the Austrians that we have done our utmost to obtain a satisfactory settlement.

CHARLES W. YOST

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740.00119 Council/6-849 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL      PRIORITY

PARIS, June 8, 1949—9 p. m.

Delsec 1863. For President and Acting Secretary. Vishinsky as chairman opened twelfth meeting CFM<sup>1</sup> with restatement his earlier arguments in support of Soviet proposals on Berlin<sup>2</sup> followed by brief replies from Western Ministers and long discussion of Soviet proposal on Kommandatura veto. Acheson concluded meeting by raising for consideration and possible action at next meeting in accordance with reservation Schuman made at first meeting, fact that negotiations in Berlin not making progress and that four military commanders might be instructed complete negotiations not later than June 13.<sup>3</sup>

Vishinsky reiterated Soviet position on: (1) One to one parity formula for electoral commission; (2) authorizing social organizations to nominate candidates; (3) retaining Article 36 constitution; (4) unanimity principle; (5) Kommandatura review over appointment German administrative officials; (6) one man veto over acts of municipal authorities. He affirmed Soviet position is to maintain Kommandatura right to review acts of German authorities and not as in US proposals to reduce this right. Proper function of Kommandatura to regulate all affairs which are common concern of allies with respect to care and protection of Berlin. He said Soviet position in effect re-establishment of Kommandatura on basis 1946 statute restoration all Berlin magistrat, and holding new elections on basis 1946 electoral law with only such minor changes in old agreements as facilitated progress toward reconstruction of Germany.

Acheson and Vishinsky engaged in long discussion on extent and character of veto arrangement in Soviet proposal of June 6. Acheson

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<sup>1</sup> The twelfth plenary meeting of the Council.

<sup>2</sup> The reference here is to CFM/P/49/20, p. 1048, read by Vyshinsky at the third restricted meeting of the Council, June 6.

<sup>3</sup> For documentation relating to the negotiations among the four Military Governors in Berlin for the regulation of trade and communications to the city, see pp. 751 ff.

noted that Vishinsky in two and half hour speech had not answered question as to whether or not one man could stop any act of municipal authorities. Answer obviously affirmative. Soviet position boiled down to statement you can do what you like in Berlin so long as it is what USSR wants. Vishinsky subsequently asserted that answer to question was "no" as shown in Paragraph 8 of Soviet proposal, and said same unilateral veto could be founded [*found in*] Western occupation statute for Berlin.<sup>4</sup> Acheson said that Vishinsky wrong on both points. Answer to his question not in Paragraph 8 but in Paragraph 6 and 10 of Soviet proposal clearly reserving to one commandant power to suspend any municipal act. Further, Soviets had amended their proposal to make this stronger.<sup>5</sup> On other hand resumption of power in Western occupation statute could not be accomplished by single commandant. Substantially same provision included in US proposal of June 6,<sup>6</sup> Vyshinsky in reply said that Article 6 was principal provision of Soviet proposal and Article 10 only conditional.

Schuman also quoted from Western occupation statute for Berlin to deny Vishinsky claim that it reserved same powers as Soviet proposal. He said that control mechanism which could not operate even in period of tension had no value. Western powers would not accept Soviet concept of permanent allied trusteeship for Berlin. Henderson (substituting for Bevin) reiterated objection to one man veto of Article 10 of Soviet proposal for arbitrary power it gave Kommandatura over all aspects of city life, including even cultural affairs and education. Acheson in one statement reminded Vishinsky of action of Soviet representative on Kommandatura in vetoing election of several German officials by city assembly after 1946 election.

Sent Department Delsec 1863, repeated London 378, Berlin 229, Heidelberg 17, Moscow 120.

<sup>4</sup> For the text of the Western Occupation Statute for Berlin (Statement of Principles Governing the Relationship Between the Allied Kommandatura and Greater Berlin), May 14, 1949, see *Germany 1947-1949*, pp. 324-326.

<sup>5</sup> Under reference here is CFM/P/49/24 which provided a new text for paragraph 10 of CFM/P/49/20 (revised), not printed. For the text of the new paragraph, see footnote 3 to CFM/P/20, p. 1048. The text of CFM/P/49/20 (revised) is indicated by the footnotes to CFM/P/49/20, p. 1048.

<sup>6</sup> CFM/P/49/18, p. 1044.

740.001:19 Council/6-849

*Memorandum by Ambassador Murphy of the United States Delegation at the Council of Foreign Ministers to the Member of the Delegation (Acheson)*

CONFIDENTIAL

[PARIS,] June 8, 1949.

In accordance with your instructions, I attended today the meeting in Frankfurt under the arrangement made by the Western Military

Governors for consultation with representative German authorities regarding the current meeting of the CFM.

It was understood with the British and French that we would divide the subject matter—the French discussed the Western proposals regarding Item 1 of the agenda<sup>1</sup> and the Soviet proposals regarding Items 1 and 2,<sup>2</sup> and I discussed the US proposals regarding Berlin<sup>3</sup> and also references to Item 3 of the agenda<sup>4</sup> and eventual consideration of a *modus vivendi* both for Germany and Berlin. General Robertson spoke for the British, Mr. Seydoux for the French. The German representation included Ministers President Altmeier of Rhineland Palatinate, Arnold of North Rhine Westphalia, Brauer of Hamburg and Kopf of Lower Saxony; the President of the Parliamentary Council, Adenauer, the Lord Mayor of Berlin, Reuter, and Deputies Kaiser, Ollenhauer and Schmidt of the Parliamentary Council.

President Adenauer (CDU), in thanking the Allied representatives for the trouble they had taken to explain the Paris position, expressed no surprise regarding failure of the conference to progress toward an agreement on the German problem, pointing out that he understood that in a situation where there was such a basic conflict of ideas, an agreement would be most difficult to achieve.

Mayor Brauer (SPD) of Hamburg expressed the gratification of the German authorities over the thoughtfulness of the Ministers in desiring to keep them informed and requested that an expression of appreciation be conveyed together with the statement that the German authorities had complete confidence that the best interests of Germany were being sustained by the present attitude of the Western Ministers in the Council.

Carlo Schmidt (SPD) stated the opinion that it would be a grave mistake to replace a political agreement on Germany by an economic agreement which might only prove deceptive. He stated the conviction that should such an economic agreement be achieved, it would be only with the Soviet purpose of exploiting it for political advantages and in taking away from the German people in the Soviet Zone counter-values. He asserted that such an agreement could only reduce the German standard of living in the Western Zones and would nullify to a large extent the progress which has been made since currency

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<sup>1</sup> The reference here is to CFM/P/49/3, German Unity Including Economic Principles, p. 1041.

<sup>2</sup> For the texts of the Soviet proposals on German Unity and the Berlin question, see CFM/P/49/2 (revised) and CFM/P/49/20, pp. 1040 and 1048; and the minutes of 12th (2nd restricted) meeting of the Council June 4, p. 549.

<sup>3</sup> For the United States proposals on Berlin, see Delsec 1839, June 2, from Paris, p. 943, CFM/P/49/18, p. 1044, and CFM/P/49/19, p. 1046.

<sup>4</sup> The preparation of a Peace Treaty with Germany.



reform. Both Dr. Adenauer and Schmidt agree that the guiding principle of any economic arrangement should be that nothing should be done to accentuate Soviet dominance of the Eastern Zone. Schmidt emphasized that any exchange of goods would be bound to have both an economic and political aspect and that from an economic point of view it was self-evident that a maximum extension of trade would be desirable. If economic matters only were concerned, the Germans would give such a program full support. However, he said he spoke for the Social Democratic Party belief that the Soviet Union regards economics primarily as a means to a political end. It is unquestionable, he said, that the Soviet Zone is suffering acutely from the counter-blockade and he recommended that the Western Allies be prudent in any action which would surrender such an important weapon of the "cold war." The net benefit of concession in this regard would be the enhancement of the Soviet AG's and of direct benefit to the five-year plan.

Jacob Kaiser (CDU) expressed the view that what the Germans had heard from the Allied representatives, while not encouraging, is not, however, a disappointment. The Germans, he said, are happy to note that there has been no surrender of Western ideology and of vital principles to an alien and strange world.

The essence of the German reaction to the several topics discussed seems to be as follows:

1. All Germans present stated unequivocally that the overwhelming majority of Germans are wholeheartedly behind the position taken at the CFM by the Western Allies on German economic and political unity and on Berlin. The Germans understand that there is an unsolvable clash of principles, that German unity should not be bought at the price of freedom and that our principles should not be compromised for the sake of obtaining a temporary expediency or a *modus vivendi*.

2. Regarding Berlin, Reuter emphasized that our proposals are in complete harmony with his ideas and that the Soviet plan would be worse than the situation as it existed prior to the blockade for the reason that:

- (a) Internal matters of the City administration did not have to be submitted to the Kommandatura;
- (b) dismissals were subject to approval only in case of the police;
- (c) appointments of City officials were controlled only in accordance with Article 36.

3. Concerning the strike <sup>5</sup> it was felt that it would be highly advisable to settle it if only on a temporary basis because the strike

- (a) embarrasses the Western Ministers;

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<sup>5</sup> For documentation relating to the Berlin railroad strike, see pp. 840 ff.

- (b) obscures the situation in that it does not allow us to test the willingness of the Soviets to carry out the New York agreement;
- (c) could be settled more easily now while the CFM is in session than after its close. It was stated that even Reuter personally does not favor the strike. The main obstacle will be the recognition by the Soviets of UGO which they cannot do without a severe blow to their prestige.

4. Concerning elections there is a very strong feeling against accepting trade unions, the Kulturbund and other social organizations as assimilated political parties. The Germans hold that we should not make any concession in this respect.

5. In matters of East-West trade, the Germans are *very* reluctant to have any official contact with the economic bodies in Eastern Germany because

- (a) the East suffers more under the counter-blockade than the West;
- (b) the Soviets would use the exchange of goods for political purposes;
- (c) goods sent from the West would not go to the Germans but to the Soviets although the Germans would have to pay the price for the goods and thereby further reduce their standard of living;
- (d) any negotiation with the German economic commission would imply a political recognition of this Soviet body which would be fatal;
- (e) trade with the East would lead to a strengthening of the Soviets in Eastern Germany which must be avoided.

6. In the matter of the peace treaty, it was felt that the Germans understand that there cannot be a peace treaty discussion as long as there is no German unity or a government for all of Germany. The treaty should be negotiated with a German government. It would be well, in this connection, to put the question to the Soviets whether they still stick to the Oder-Neisse line. That is uppermost in the minds of all Germans irrespective of political opinion.

In an informal conversation with the leaders of the CDU and SPD Parties, I made several inquiries regarding the progress toward early elections for the German Federal Republic and was informed that the Ministers present are meeting on June 10 at which time it is believed that a date for the elections will be decided. The Social Democrats denied that they were seeking undue delay in the election for tactical party reasons and that undoubtedly their party would be willing to agree to elections around the first of August. The CDU position is that the elections should be held on July 17. I believe that some compromise date possibly at the end of July will be agreed.

I also had opportunity to discuss with Mayor Reuter the question of the Berlin railway strike. He is fully conscious of our desire to

see this strike terminated at the earliest possible moment and I informed him of our desire to be helpful if possible in any arrangement that could be made for the payment to the railway workers of 100% of their wages in D marks. As the Reichsbahn direction has already agreed to a payment of 60% of the wages in D marks, some arrangement for a limited period, possibly two months, could be financed by the Magistrat if the terms of the financial provision could be worked out. General Robertson has instructions to do his utmost to promote a settlement and he told me that he intended to have conversations about the matter in Berlin tomorrow. Mr. Dorr also discussed this question with General Hays, urging that every effort be made to find a respectable basis for an early solution.

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740.00119 Council/6-949 : Telegram

*The United States Delegation at the Council of Foreign Ministers to  
President Truman and the Acting Secretary of State*

CONFIDENTIAL

PRIORITY

PARIS, June 9, 1949—11 p. m.

Delsec 1869. For President and Acting Secretary. Sixteenth meeting CFM at end of long discussion on Berlin currency reached agreement on proposal for each Minister instruct his military commander in Berlin complete current discussions by June 13.<sup>1</sup> Vishinsky proposal for solution currency problem largely on basis August 30 directive<sup>2</sup> rejected by Western powers. Acheson suggestion that CFM might next move to discussion Austrian question not accepted, though possible willingness move to item 3<sup>3</sup> at Friday meeting indicated.

Acheson as chairman opened meeting by urging that without raising technical aspects of question for discussion, four commanders in Berlin be directed complete negotiations by June 13. Schuman and Henderson supported proposal but Vishinsky said he did not consider there was any delay in Berlin and therefore no need for special directive. He would be glad consider sending such message but first needed specific information on why present discussions unsatisfactory and to consider formulating in CFM specific directives on points at issue in Berlin. At end of meeting Vishinsky reopened question with statement he then had information from Berlin he needed and would be glad concur in proposal send messages.

Vishinsky outlined Soviet proposal on Berlin currency question stating that it was based entirely on August 30 Moscow agreement and

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<sup>1</sup> For documentation relating to the discussions of the Military Governors in Berlin on trade and communications, see pp. 751 ff.

<sup>2</sup> The text of the August 30 Directive to the Military Governors in Berlin is printed in Telegram 1776, August 27, *Foreign Relations*, 1948, vol. II, p. 1085.

<sup>3</sup> Preparation of the Peace Treaty with Germany.

on December 23 report of UN committee of experts.<sup>4</sup> He proposed: (1) introduction of single currency for whole of Berlin, (2) use of German mark circulating in Soviet zone as this currency, (3) establishment of quadripartite commission to supervise currency according to recommendations in committee of experts report. He argued that division of Berlin not obstacle to introduction of single currency and that report of committee of experts provided useful basis for discussion of currency question by CFM.

In reply Acheson noted that position western powers on August 30 directive had been fully explained before in Security Council<sup>5</sup> and that Vishinsky himself had vetoed Security Council resolution which would have lifted blockade and established East mark as sole Berlin currency. He stated that: (1) West not bound by August 30 agreement since condition precedent to agreement never fulfilled. (2) It is impossible devise workable system for single currency in divided city and would be difficult even in unified Berlin. Neutral experts did not solve this problem and their proposals as unacceptable today as when submitted. (3) Since CFM unable agree on administrative unification of Berlin there was no prospect Ministers could agree on single currency.

Schuman stated that August 30 directive presupposed measure of administrative unity then existing in Berlin. There has since been complete split in city which cannot be ignored. Administrative unity is essential in order meet various problems involved in establishing single currency and adequate guarantees for two sections of city and for Soviet zone currency itself. Henderson and later in meeting Bevin supported arguments of Acheson and Schuman.

Vishinsky reiterated argument that August 30 directive still valid noting that US in voting for October Security Council resolution and twice in Marshall letters<sup>6</sup> accepted validity of agreement. Regardless of this point, however, USSR still offered it as basis for discussion. He said Western powers were refusing consider currency question at all

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<sup>4</sup> Not printed; for the text of the preliminary recommendations of the Technical Committee on Berlin Currency and Trade, December 23, 1948, see *Germany 1947-1949*, pp. 245-256 or the Department of State *Documents and State Papers*, May 1949, pp. 763-771.

<sup>5</sup> Documentation regarding the Berlin Question before the Security Council at the Third (Paris) Session of the United Nations is in *Foreign Relations*, 1948, vol. II, pp. 1197 ff.

<sup>6</sup> The references here are unclear. The minutes of the sixteenth meeting indicate that Vyshinsky was referring to the statement by the three Western powers after the Security Council Resolution was vetoed that they would continue to negotiate and try to implement the resolution. Vyshinsky stated further that Secretary Marshall had said the United States would be guided by the principle of the August 30 Directive. The minutes also show that Secretary Acheson noted the willingness of the United States to proceed on the basis of the Security Council Resolution. This willingness had been expressed twice after the vetoing of the resolution, but had not been accepted by the Soviet Union. The minutes for this meeting of the Council are in CFM Files: Lot M-88: Box 142: United States Delegation Minutes.

and if that their attitude toward agenda CFM might as well go home. Acheson replied that US found Soviet proposal unacceptable and would not agree to it simply because at earlier time, under different conditions, we had tried to make August 30 directive work. He pointed out powers were discussing currency question, but that instead of endless and pointless discussion of past 2½ weeks on questions where agreement seemed unlikely it might well be profitable turn to Austrian question. Vishinsky insisted that order of agenda must be followed and that next meeting should start by ascertaining whether any Minister still wished discuss item 2.

Explanatory note: CFM Secretariat has now decided to number open meetings in sequence of all meetings held though retaining separate internal numbering for restricted meetings. Meeting reported Delsec 1859 <sup>7</sup> should therefore be corrected to fourteenth and meeting reported Delsec 1863 <sup>8</sup> to fifteenth. All records and USDel minutes will follow this numbering system.

Sent Department; repeated London 384, Heidelberg 19, Moscow 123, Berlin 234.

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<sup>7</sup> *Ante*, p. 962,

<sup>8</sup> *Ante*, p. 965.

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### *Editorial Note*

On June 10, Acting Secretary Webb reported on the progress of the Council of Foreign Ministers at a meeting of the Cabinet. He noted that there was "... no real indication that the Russians were prepared to do the things necessary to reach an understanding even with respect to the unification of Berlin." Webb's record of this meeting and of another meeting the same day with President Truman at which he left a status report on the Council of Foreign Ministers, neither printed, are in file 740.00119 Council/6-1049.

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740.00119 Council/6-1049: Telegram

*The United States Delegation at the Council of Foreign Ministers to  
President Truman and the Acting Secretary of State*

CONFIDENTIAL

PARIS, June 10, 1949—midnight.

Delsec 1879. For President and Acting Secretary. Seventeenth meeting CFM Schuman in chair took up item 3 of agenda without reaching agreement on any proposal. Vishinsky in strong propaganda plea submitted specific proposals for conclusion of German treaty, and Acheson suggested these proposals be referred to Deputies with in-

structions report back in 3 days. At Vishinsky's request Ministers agreed not to meet Saturday but to convene again Sunday 3:30 p. m.

Vishinsky opened discussion by pointing out that although Western Powers agreed place currency question on agenda they had failed submit any proposals. Bevin in reply stated that no proposals put forward because Ministers had been unable agree on preliminary arrangements which were conditional to any settlement of currency issue. When discussion moved to item 3 of agenda Bevin amplified this argument by stating there existed no basis for consideration of peace treaty until other aspects German question settled. London and Moscow discussions on peace settlement dealt with procedural questions, all of which antedated by situation which has since developed.

Vishinsky then made earnest propaganda plea for serious consideration by CFM of German peace treaty, stating that conclusion of treaty had been urged by third session of General Assembly <sup>1</sup> and was fundamental to world settlement which all democratic and peace-loving states desired. He said Germany important in system of world economy and cannot be left outside family of democratic nations. Western Powers instead of proceeding with preparation of peace treaty had saddled Germany with Washington occupation statute calling for indefinite occupation. He proposed that Ministers examine paragraph by paragraph CFM Document 47/L/20 of December 6, 1947 <sup>2</sup> to see if differences could be resolved and tabled paper proposing that:

(1) Within period 3 months governments of US, UK, France and USSR shall present drafts of peace treaty with Germany to CFM.

(2) Draft peace treaty with Germany shall provide for withdrawal of occupation forces of all powers within one year from conclusion of peace treaty.

(3) Consideration of procedure for preparing peace treaty shall be concluded at current session of CFM.<sup>3</sup>

Acheson pointed out that peace treaty was set as agenda item 3 in order which implied logical progression through substance of German problem. Since no agreement reached on first two items, it difficult deal with third. Proposals previously made to study procedure for peace treaty assumed that simultaneously progress could be made toward creation of central German government. Instead four powers had

<sup>1</sup> The reference here is to the Resolution of the United Nations General Assembly, November 3, 1948, calling for "the final settlement of the war and the conclusion of all peace settlements". Documentation relating to this resolution is in *Foreign Relations*, 1948, volume I.

<sup>2</sup> Not printed; CFM/47/L/20 was a reproduction of CFM/D/L/47/G/78 Revised with the amendments made by the Ministers at the Fifth Session of the Council, which in turn was a revised version of CFM/47/M/125 submitted to the Fourth Session of the Council in Moscow, April 12, 1947. For the text of CFM/47/M/125, see *Foreign Relations*, 1947, vol. II, pp. 452-460. The text of CFM/D/L/47/G/78 Revised is indicated in the footnotes to CFM/47/M/125.

<sup>3</sup> The text of this proposal was circulated as CFM/P/49/29.

failed agree on unification and it was therefore waste of time consider peace treaty which raised exactly same questions. US<sup>1</sup> had always favored earliest possible conclusion of German peace settlement, but before considering treaty it was necessary determine kind of Germany we would have, extent of its area, reparations liability, and status of German-owned property in Eastern zone. Acheson said he felt Vishinsky's statement largely for propaganda purposes. If Vishinsky wished make appeal to Germans he suggested unilateral withdrawal of Soviet occupying forces to bring their 340,000 troops for area and population half that of Western Germany to level proportionate to 270,000 troops maintained by three Western states. He then proposed that Soviet proposals, which did not appear worth serious consideration of Ministers, be referred to Deputies with instructions to report back in 3 days. Meanwhile CFM might proceed with consideration of Austrian treaty.

Schuman said Western Powers perfectly willing discuss any aspect of question and so far had offered only constructive proposals. But peace treaty involved final states [*status?*] of German settlement, adding manifold to questions CFM already unable to settle. He further noted that USSR at London had insisted that peace conference not be called until central government established and that present Soviet proposals ignored proper consultation with other Allied Powers. He supported Acheson proposal to refer Soviet proposals to Deputies.

Bevin in strong final statement said that overabundance of ego and virtue demonstrated by Vishinsky in effort prove USSR alone sought peace treaty for Germany not quite proper. He challenged Soviet delegate to read record of Moscow and London conferences and reach conclusion but that USSR had always been stumbling block in Allied efforts achieve settlement. He quoted extensively from record of London discussions to demonstrate UK support for early conclusion of just and equitable settlement, stating that UK position remained same today as in fact did arguments of Vishinsky remain same as those of Molotov despite all practical experience of past. He said UK perfectly willing consider all proposals, continue negotiations and exchange of views through diplomatic channels and seek sound solution at subsequent CFM session but he was not willing sit through same tireless arguments day after day.

Vishinsky reserved what he called extensive remarks until next meeting and asked that CFM not meet on Saturday. Acheson protested this delay in view of understanding reached on time at New York,<sup>4</sup> and Ministers agreed to meet Sunday.

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<sup>4</sup> The reference is to the agreement recorded in the communiqué of May 5; see editorial note, p. 750.

Sent Department; repeated London 388, Berlin 242, Heidelberg 20, Moscow 125.

740.00119 Council/6-1049

*Memorandum of Conversation, by the United States Member at the Council of Foreign Ministers (Acheson)*<sup>1</sup>

SECRET

PARIS, June 10, 1949.

Participants: Mr. Bevin  
Mr. Schuman  
Mr. Acheson

Present:\*

After the adjournment of the CFM this afternoon, Mr. Bevin asked Mr. Schuman and me to speak to him privately for a few moments. He then read us the following account of a conversation between Mangeot of Reuters and Zhukov, the *Pravda* correspondent:

"During the course of the conversation Zhukov made it clear that what he said represented the view of the Soviet Delegation to the CFM.

Zhukov started by saying that his Delegation were very astonished and surprised that the Western Powers 'would not discuss the currency problem'. Their understanding during the Malik-Jessup talks<sup>2</sup> was that the lifting of the blockade on their part would be followed by a sympathetic discussion of currency on the part of the Western Powers. Mr. Acheson in refusing to discuss it was simply 'double crossing' them and it was as bad as 'oriental carpet bagging.'

On the subject of the U.S. proposals for Berlin administration and the Kommandatura,<sup>3</sup> Zhukov said that they amounted to asking Chuikov to leave Berlin. Such a suggestion was naive.

He then referred to a recent *Times* leading article which had mentioned Vyshinsky's proposal for an economic council for Germany,<sup>4</sup> and he was interested in this. He asked if it represented the British view.

Mangeot then asked whether he thought it was possible, in the absence of general agreement, to have an accommodation between the Powers. Zhukov made it emphatically clear that an accommodation was very much desired.

Mangeot asked whether a single currency for Berlin must be accepted in principle before such an accommodation could be discussed.

<sup>1</sup> The memorandum was prepared by Jessup.

\*M. Couve de Murville and two other members French Staff, Sir Ivone Kirkpatrick, Mr. Patrick Dean and two other members British staff, Mr. Jessup. [Footnote in source text.]

<sup>2</sup> For documentation relating to the Jessup-Malik talks, March 15-May 4, 1949, in New York, see pp. 694 ff.

<sup>3</sup> For the texts of the United States proposals on Berlin and the Kommandatura see Delsec 1839, June 2, p. 943 and CFM/P/49/18 and 19, June 6, p. 1044.

<sup>4</sup> For the text of the Soviet proposal for an economic Council for Germany, see CFM/P/49/2 (Revised), May 25, and footnotes thereto, p. 1040.



Zhukov evaded the question by saying he was not an expert on currency but asked Mangeot what his view was on this point. Mangeot replied that speaking personally he felt that a limited agreement was still possible provided that first principles were not abandoned.

Zhukov then said that he feared that if we had another meeting like yesterday's someone would suggest going home. 'It is very near 12 o'clock' he said. Neither Mr. Acheson nor Mr. Vyshinsky had shown signs of really talking on such an accommodation, and he asked Mangeot whether he thought that either you or Mr. Schuman would be prepared to arrange some kind of 'get together.' Mangeot agreed that there was always difficulty in getting to grips at meetings between Delegations and quoted the Washington Agreement<sup>5</sup> as an example of the advantages of less formal contact, and thought that it should be possible to exchange ideas without commitment. Zhukov agreed entirely but said that the recent secret sessions were useless for this purpose as the gist of them had been reported in the French Press. Was there no chance, Zhukov asked, of getting a really secret meeting? Since neither Mr. Vyshinsky nor Mr. Acheson seemed likely to take the initiative it could only come from yourself or Mr. Schuman. He added 'I think it would be a great pity if this opportunity were missed.'

Zhukov was serious and friendly throughout the conversation and a further interview is taking place tomorrow. Both interviews were arranged at Mangeot's request." (Signed—J. L. W. Price)

Mr. Bevin said that he did not know whether there was anything in it but he thought it was worth exploration. He wondered if it would be desirable for him to see Vishinsky and sound him out along the lines of the *Modus Vivendi* paper<sup>6</sup> but without showing him the paper or going into too much detail.

Mr. Schuman said he had seen Vishinsky at lunch today at the Elysee Palace and that Vishinsky had taken the initiative in speaking to him. Vishinsky indicated that the Four Ministers must have the "possibility of continuing." He referred to work on procedures on the peace treaty apparently as affording an opportunity of contact among the Four. Mr. Schuman indicated that Vishinsky was unwilling to carry the conversation much further and was somewhat evasive.

I told them that Vishinsky had invited me to dinner tomorrow night. After some further conversation in which it was apparent Mr. Bevin was anxious to try a conversation with Vishinsky, Mr. Schuman said he thought it was a good thing to do and I agreed. Mr. Bevin said he would go to see him at the Soviet Embassy tomorrow morning. I raised the question of press comment which such a visit would evoke, but it was decided that this was not a serious obstacle.

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<sup>5</sup> The reference here is to the Tripartite Agreements on Germany signed by the three Western Ministers in Washington, April 8, 1949. For documentation relating to these Agreements, see pp. 156 ff.

<sup>6</sup> Bevin was referring to a paper then in the process of revision regarding the continuation of consultations on Germany. For the text of this paper, presented at the 19th meeting of the Council, June 12, see USDel Working Paper/32 Rev. 5, p. 1051.

We agreed that we would meet at the Quai d'Orsay at three o'clock tomorrow afternoon. At that time, Mr. Bevin will tell us about his conversation and we will discuss the *Modus Vivendi* paper.

DEAN ACHESON

740.00119 Council/6-1149: Telegram

*The Secretary of State to President Truman and the Acting Secretary of State*

TOP SECRET      PRIORITY

PARIS, June 11, 1949—9 p. m.

Actel 60. For President and Webb only. In as much as we have dealt with all points on the agenda relating to Germany, this would appear to be a good time to review indications of Soviet policy and attitude on question of Germany as reflected thus far at present session of CFM. In order to avoid any possible confusion between what is Soviet policy and what is Soviet presentation and tactics at meetings of this character, the two subjects will be separated.

1. *Soviet Policy on Germany*

With reference to Soviet policy in regard to Germany, this conference so far has produced no appreciable change on any question relating to Germany. On every subject discussed Soviet position has not departed in any important respect from positions adopted at previous meetings on Germany or Warsaw communiqué.<sup>1</sup> There has, however, given the different circumstances, been different emphasis which falls within field of presentation and tactics rather than policy. For example, on question on all-Germany government, Vishinsky while professing support for their previous proposals on this subject, introduced in fact his proposal for German state council in lieu of all-Germany government. The fact that at this conference, as distinct from others, question of unanimity and the veto in control mechanism for Germany has been a main topic for discussion does not represent any departure from Soviet policy. The principle of unanimity and the veto has been and continues to be a standard and major factor in Soviet attitude toward any international body. At previous CFM meetings question did not arise since the control mechanism on basis of unanimity was still in existence and, therefore, presented no problem for Soviet policy. It is therefore quite natural that when problem of restoring quadripartite mechanisms, which have collapsed in Germany, is under discussion that Soviet Union should place major emphasis on veto question particularly since West powers were suggesting a modification of that procedure.

<sup>1</sup> For the text of the Warsaw Declaration of the Foreign Ministers of the USSR, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania, and Hungary, June 24, 1948, see Ruhm von Oppen, *Documents on Germany*, pp. 300-307.

In regard to Germany chief difference which has emerged at this conference has been extremely defensive nature of Soviet position in pursuit of same policies. This new element is, in our view, to be explained by changed circumstances which have forced Russians in defense of their existing position in Germany to stress their determination to retain absolute unilateral control over that which they hold in Germany. It is factor of control over Western [*Eastern?*] Germany and their sector rather than any expectation of ability to interfere with developments in West zones that appears to us to underlie the almost hysterical Russian insistence here upon "principle" of unanimity. Heretofore they evidently had hoped to use their secure position in Eastern Germany as springboard for extension of their influence into Germany as whole. Success in the West and visible anti-Soviet development of German opinion have forced them to fall back on protection of what they have. Extreme sterility of the Soviet propositions in regard to Germany appear to us to arise from this basic fact.

## 2. *Soviet Policy Toward West Powers*

Despite rigidity of their position on Germany and their determination to yield nothing which might impair their existing control, there is evident Soviet desire not to have failure of conference destroy possibility of maintenance of future contact on four power basis. Apart from its main purpose of propaganda Soviet proposals for preparation of peace treaty are in part at least motivated by this desire to keep four power mechanism and future meetings of CFM in being. They may be genuinely concerned at possibility of real international isolation of Soviet Union and its satellites. This desire may well lead them into some form of *modus vivendi* to deal with existing situation of relationship between two parts of a split Germany and a split Berlin. Although it does not appear that our bargaining position in regard to trade is as large as we may have thought it, this does not mean, however, that Soviets are indifferent to trade possibilities but simply that at this time it is difficult to see how trade can go much beyond level of 1948 trade agreement.<sup>2</sup>

## 3. *Presentation and Tactics*

It is in field of Soviet presentation and tactics that there has been contrast between this meeting and previous ones. At Moscow and London meetings Soviets were visibly playing up to German sympathies and posing as great champion of German unity, peace treaty,

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<sup>2</sup> The reference here is to the 1948 Trade Agreement between Bizone and the Soviet Zone, November 25, 1947. An extract from the text of this Agreement is printed in *Germany 1947-1949*, pp. 483-485.

etc. Here on contrary in relation to question of German unity, Russian proposals dictated by, it would appear, policy considerations referred to above, have been to say least almost hopeless from German propaganda point of view. Return to Potsdam and the degree of control demanded over Berlin are hardly positions which would be attractive to any Germans. Soviets were not prepared to risk their position of control in Eastern Germany for sake of any propaganda angle under present circumstances. Therefore, positions which Vishinsky was forced to take by his government made it virtually impossible for him to develop any pro-German propaganda until the discussion reached German peace treaty, a completely theoretical subject which involved no risk to Soviet policy. Vishinsky, therefore, on third point of agenda, treated question of German peace treaty almost exclusively from propaganda point of view for German ears and for purposes of Soviet peace offensives.

On general propaganda line Vishinsky is obviously seeking to present Soviet Union as only country interested in peace which came to conference with genuine desire to reach agreement as contrasted with allegedly negative attitude of West powers who do not desire agreement and cooperation with Soviet Union. Should conference break down without any result whatsoever these themes will, of course, become standard Soviet propaganda to prove that West powers are embarked on an aggressive, warlike, policy.

Although there may be some shifts and even surprises in Soviet position, thus far it can be summarized as follows:

1. Fundamental determination not to be drawn into any agreement in regard to Germany which would involve a weakening in any respect of their absolute unilateral control over Eastern Germany and Eastern sector of Berlin.

2. An apparent desire, however, not to see collapse of four power association and contact.

3. Their continuing and visible concern over effect on developments in their zone of independent Western control of three sectors in Berlin.

Foregoing analysis does not attempt to deal with Soviet attitude on Austria, as up to present there have been no real indications.<sup>3</sup>

ACHESON

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<sup>3</sup> Another draft of this telegram, dated June 9, which reported the surprise of the United States delegation at the failure of the Russians to grasp the propaganda initiative, was attached to a memorandum from Bohlen to Acheson in file 740.00119 Council/6-949. In his memorandum, not printed, Bohlen expressed his surprise at the absence of Soviet propaganda, but also stated his belief that the Soviet tactics had not been very different from what was anticipated before the meeting of the Council.

762.00/6-1149

*Memorandum of Conversation, by the United States Member at the  
Council of Foreign Ministers (Acheson)*<sup>1</sup>

TOP SECRET

[PARIS,] June 11, 1949.

Participants: USSR—A. Vishinsky  
V. V. Pastoyev, interpreter  
US—Dean Acheson  
Philip C. Jessup

After dinner at the Soviet Embassy last night I asked Vishinsky's interpreter to inquire whether I would be abusing the privileges of a guest if I discussed some business questions. With the utmost alacrity, Vishinsky moved his chair so as to permit a conversation apart from the other members of our staffs who were at the dinner.

I began by telling him that Mr. Bevin had reported to me his talk with Vishinsky yesterday.<sup>2</sup> I had discussed this with Mr. Bevin and had thought it over. As a result I had wanted to talk frankly with Mr. Vishinsky. I said I had come to the conclusion that it would not be possible for us at this meeting to reach agreement on the main underlying questions. On the other hand, people everywhere were expecting us to get some results from this conference and I considered it very desirable that we should do so. It seemed to me there were certain specific things which we might agree on. They would be small steps but they could be useful.

I then proceeded to outline the points covered by our "Modus Vivendi" paper.<sup>3</sup> I said that among the points upon which we might reach some agreement was first the question of trade. We might be able to improve the trade between the Western and Eastern parts of Germany. If the goods coming from the West into East Germany went on beyond the Eastern Zone, that was not a matter which need cause us any difficulty. Vishinsky interrupted at this point to obtain clarification and I repeated my statement. Further in regard to trade, it seemed to me that it might be possible to take some elements of Vishinsky's suggestion about an organization composed of representatives of German bodies in the West and East. It seemed to me it might be done in some other way but that we could arrange for the Germans themselves to have talks with each other in trade matters. Meanwhile our representatives in Germany at the highest level could discuss these matters.

<sup>1</sup> The memorandum was prepared by Jessup.

<sup>2</sup> No record of Bevin's report on his conversation with Vyshinsky has been found in Department of State Files.

<sup>3</sup> The reference here is to USDel Working Paper/32 Rev. 5, June 12, 1949, p. 1051.

The second point which I had in mind was the possibility of agreeing on some procedure which would enable our representatives to talk together in Berlin about matters affecting the administration of the affairs of the city. Again I emphasized that I had in mind nothing elaborate.

The third point I mentioned was that we needed to have assurance regarding access to Berlin. I said the New York Agreement was very good as far as it went but it did not go far enough. I pointed out that the minor officials on the spot would undoubtedly get into quarrels about details and that this could again result in friction between the governments. I therefore thought it necessary that we should agree here on something which would avoid these difficulties, which might well create a most serious situation.

In the fourth place, I suggested that we should agree on some arrangement for continuing the contacts among the Four. I thought we should be able to maintain the continuity of our discussions. I again indicated that I did not have in mind any elaborate organization but something which would be a first step even though small.

Finally, I said there is the question of the Austrian Treaty and that it seemed to me the differences there were not very great and that we ought to be able to settle them here at this meeting in Paris. I mentioned specifically that the Soviet claims could be discussed.

I then said that, if Mr. Vishinsky agreed, it seemed to me that the most useful thing would be for the four of us to have a small private meeting tomorrow. I suggested that it should be just the Four Ministers with one interpreter each. Vishinsky interrupted to say that he thought each Minister could also bring one adviser. I said anything he wished was satisfactory to me. I said that I thought that in this private meeting we should have a very frank discussion and explain our views to each other. If we meet in the way I indicated it could be done without attracting too much attention. The procedure I anticipated was that no paper should be tabled by either side so that the other party would have to either accept it or reject it. Thus we would avoid putting in a Western proposal which the Soviets would have to accept [*reject?*] and on the other hand we would have to accept. If we could agree on the general lines, we could work out a joint paper together. If we were unable to agree in our private conversation then we would need to go back into our plenary sessions and fight it out vigorously and honorably. Vishinsky expressed full agreement with this point of view.

Vishinsky then said that there was one other matter which he felt we should discuss in our private talk and that was the question of the procedures for the Peace Treaty. He said he was not suggesting that

we should discuss the substance of the Treaty but merely the procedures for working it out. I told him very frankly that I simply was not in a position to reach a final agreement in Paris on the Peace Treaty procedures. I said that I had concentrated in preparing on the basic substantive questions which we were discussing here and that I frankly was not thoroughly informed on all of the details of procedure. In my opinion the London CFM document<sup>4</sup> contemplated an extremely involved and difficult procedure with all sorts of committees and reviews and that I thought something simpler could be done. However, I was not in a position to do it myself. I reminded him that I had just recently come into the consideration of these matters whereas he was what we call an old master. (Vishinsky interrupted to say in Russia they called it an "old wolf.") I said that before I could make any contributions on this subject I would need to talk to the President and with my associates in the State Department in Washington. Vishinsky said that he recognized what I had said and that of course he had been involved in this for a long time. He had in mind only taking some steps on this subject just as I had indicated that some steps could be taken on the other matters. I told him that I would have no objection to having somebody study this question of procedures before we meet again in order that when we did meet they could present something to us. I said that this might be done through the diplomatic channel or in some other way. In any case, I agreed that if Mr. Vishinsky wanted to talk about this also at our private meeting tomorrow, I was entirely willing to do so.

Vishinsky then spoke of the Austrian Treaty. He said that the Yugoslav claims are different from the Soviet claims. He said "they are not our claims". He said we should be able to reach some agreement on the Soviet claims. He said after all there were only three points of major difference between us. He had no desire to delay the conclusion of the Austrian Treaty.

On the general point Vishinsky said that it was also clear to him that we were not yet ready to settle among ourselves the basic questions. I thought that we might be able to agree on methods for continuing our consideration of them. He accepted fully my suggestion of our private conversation. He then noted that of course in the plenary sessions we must all state our positions. With this I agreed.

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<sup>4</sup> Acheson was referring to CFM/47/L/20, not printed, which is a reproduction of CFM/D/L/47/G/78 Revised with the amendments made by the ministers at the Fifth Session of the Council of Foreign Ministers. The latter document is in turn a revision of CFM/47/M/125 submitted to the Fourth Session of the Council in Moscow, April 12, 1947. For the text of CFM/47/M/125, see *Foreign Relations*, 1947, vol. II, pp. 452-460; the text of CFM/D/L/47/G/78 Revised is indicated in the footnotes to CFM/47/M/125.

We then touched very briefly on the question of the conclusion of this session and Vishinsky agreed that there was no reason why we could not conclude our work during the coming week.<sup>5</sup>

DEAN ACHESON

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<sup>5</sup> Acheson described his conversation with Vyshinsky to Bevin and Schuman in separate conversations on June 12, before the eighteenth meeting of the Council. (Memorandum of Conversation, June 12, CFM Files: Lot M-88: Box 140: Tripartite Meetings of the Ministers)

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740.00119 Council/6-1249: Telegram

*The United States Delegation at the Council of Foreign Ministers  
to President Truman and the Acting Secretary of State*

CONFIDENTIAL

PARIS, June 12, 1949—9 p. m.

Delsec 1887. For President and Acting Secretary. Eighteenth meeting CFM Bevin in chair, continued general discussion third agenda item on preparation of German peace treaty, with Vishinsky replying to Western criticism of Soviet proposal submitted to seventeenth meeting<sup>1</sup> and West Ministers again replying to Vishinsky. Ministers failed reach agreement to refer peace treaty question to deputies for study and report. Ministers agreed this exhausted item three on agenda, but Vishinsky refused agree move on to item four until it determined that no Minister had further remarks on first three items. Meeting adjourned until 3:30 Monday with subject of discussion left open.

Vishinsky said that all arguments raised against Soviet proposal were artificial, and that while Western powers proclaimed desire for peace treaty they actually worked toward development of split Germany. In his opinion work on preparation of peace treaty could parallel rather than follow consideration of question of German unity. USSR had submitted positive program in proposals for creation of All German states council and reestablishment of Allied Control Council, Berlin Kommandatura and Magistrat. These proposals had all been rejected. Soviet delegation still defended its proposal, but was willing refer matter of peace treaty to deputies. Vishinsky answered Acheson's suggestion about troop withdrawal by asserting that USSR has only 200,000 troops in Eastern Germany while Western powers had over 400,000 occupation troops, which Acheson termed 50 percent over estimate of what we know to be true, and 50 percent under estimate of what we believed to be true.

Acheson stated that procedure for and substance of peace treaty must go hand in hand. It would be impossible prepare treaty drafts

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<sup>1</sup> For a telegraphic report of the seventeenth meeting of the Council including the text of the Soviet proposal for preparing a German Peace treaty, see Delsec 1879, June 10, p. 972.



for Germany divided into separate states, founded on different concepts of democracy and individual rights, and with basic questions like reparations, economic potential and frontiers unanswered. Western powers had submitted to CFM constructive proposals which gave Germans large measure of authority develop self-government along democratic lines. These proposals would have brought Germany close to peace treaty, but they had been rejected by Soviets. Judging by deeds rather than words Western powers had shown themselves far readier than USSR to work toward German peace settlement. Soviet proposals were neither logical nor sound, though US willing to study them through deputies or some other mechanism, and they also contained element of cruelty in raising false and unrealistic hopes in Germany.

Schuman noted that Vishinsky's implication that Western powers rejected entire Soviet approach not valid. Western states agreed to study proposals on peace treaty, though he adhered to position that peace settlement not possible without German unity and that no commitment on troop withdrawal possible before consulting allies and determining nature of final German state.

Bevin reaffirmed his statement of seventeenth meeting that he was willing refer Soviet proposals to UK Government, to study them carefully and exchange views through diplomatic channels in effort see if agreement could be reached at subsequent CFM session. Without any play for German opinion he wanted state categorically that UK would not agree: (1) submit treaty drafts in three months in view of present situation in Germany or (2) make any commitment about withdrawal of troops, in interests European security, without more knowledge about conditions in Germany. Bevin found that many things agreed to in London on treaty procedure must now be changed and therefore he did not believe deputies could reach much agreement in three days. However, he agreed without any implied commitment to four Ministers to refer entire question including his proposal for reference to governments to deputies for report by Tuesday morning.

Vishinsky refused accept this statement of proposal. He went [on] to review Soviet proposal, asking specific question as to why three points not acceptable to other Ministers. He reaffirmed Soviet support for principles involved in London agreement on procedure, stating that if Bevin desired changes in principles these changes should be raised in CFM and not in deputies. Bevin said UK insisted Soviet proposal be referred to governments for study. If Vishinsky refused accept his phraseology for referring question to deputies, matter was dead. Acheson added that he found much in Vishinsky's statements designed solely for propaganda effect. He considered matter of peace

treaty and troop withdrawal too serious to play with in propaganda terms. Four powers had serious responsibility in matter on which peace of world depended.

Sent Department Delsec 1887, repeated London 394, Berlin 249, Heidelberg 21, Moscow 127.

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CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the 19th (4th Restricted) Meeting of the Council of Foreign Ministers, Paris, June 12, 1949, 8 p. m.*

SECRET

PRESENT

UNITED KINGDOM

Mr. Bevin  
Sir Ivone Kirkpatrick  
Lord Henderson  
Interpreter

U.S.S.R.

Mr. Vyshinsky  
Mr. Smirnov  
Interpreter

FRANCE

M. Schuman  
M. Parodi  
Interpreter

UNITED STATES

Mr. Acheson  
Mr. Jessup  
Interpreter

(Mr. Vyshinsky suggested that Mr. Bevin continue in the chair.)

BEVIN : We have met here in private to see if between us we cannot mend some of the broken strands and come to some possible agreement. The audience is gone, the curtain is down. We are now in the dressing room behind the stage. It is our hope that we could look into a few detailed matters and see if we cannot try to fix things up for this. We will dispense with polemics. Perhaps it will be best if I ask Mr. Acheson to say a few words to open the discussion.

ACHESON : This is my suggestion. Having gone through three items on our agenda, it appears to me quite clear that we will not reach any great decisions on the subject of Germany. It occurs to me that the best chance for progress for us would be to try to tackle some more modest problems. In this direction, there are possibilities, both as regards Germany and as regards Austria. I would like to speak on the German problem, and Mr. Schuman will speak with respect to Austria. First as to method. It would be better, if possible, for us to arrive at some common conclusions here on a quadripartite basis and to announce our decision on that basis rather than to say that agreement was reached on the basis of a proposal from one or the other of us

subsequently modified or amended as agreed between us four. I think it would be better if we were to work the thing out among ourselves and merely announce it as a Four-Power agreement.

Now as to Germany, we could provide for continuing contact and cooperation on a Four-Power basis by setting up this Four-Power contact on a continuing, informal basis. Perhaps in this way our areas of agreement could grow and success in this work could lead to new conferences for consideration of broader questions, so that when we next have our meeting we would be much closer together on some of the basic problems which are before us. So it is my suggestion, in as much as we all agree that German unity is desirable, but that we so far have not been able to bring it about, that the four Occupying Authorities continue to meet and consult on a Four-Power basis. Our purpose, in fact all our purposes, would be to try to mitigate the difficulties which have resulted from the division of Germany and the division of Berlin. The first, and perhaps the biggest, problem for us would be to try to expand trade between the Eastern and Western Zones of Germany. Perhaps we could point out that when speaking of increased trade we do not only mean that it should be greater than it is now, for now it is very small, but that it should be greater than it was in 1947 and in 1948 and that, of course, there should be a better balance in this trade. Another purpose of our meetings could be to facilitate the movement of persons and information between East and West. Another important purpose would be to try to solve the questions which are common to an administration of Berlin divided into four sectors. Many questions will arise here; but if the four Commandants meet in a spirit of cooperation and goodwill, they could do a great deal towards facilitating such problems as transport, supplies, electric power, etc. Provided there is cooperation and goodwill, much progress seems possible. We might also provide that in order to assist the Occupation Authorities, the Germans themselves could be called on to help. We could get German experts, as well as German organizations existing in the Eastern and Western Zones, to meet together and to prepare proposals designed to facilitate trade between the Eastern and Western Zones. In other words, we could bring the Germans in to help the Occupation Authorities.

A fifth matter which the Occupation Authorities should work out under principles which would be laid down by the Foreign Ministers would be arrangements for facilities and communication between Berlin and the Western Zones of Germany.

Here is a matter susceptible of much serious trouble unless it is cleared away by action at higher levels, because, with the best will in the world, lacking such clearance, discussions for working out the

New York Agreement in Berlin would necessarily be vague. The officials at the lower level on the spot may differ as to what was or was not the situation on March 1, 1948, or what authority existed. Some points were matters of practice and others were the subject of decisions; in such cases, it is necessary to decide whether to take the decision or the actual practice. If the situation is left to itself, it may become very inflammable.

We suggest that the Occupation Authorities work out a clear agreement as to facilities and that this should be worked out on the basis of principles to be agreed upon by the Ministers. The needs of Allied nationals in Berlin in respect to transportation of persons and goods should be met. Transportation needs between Berlin and the Western Zones of Germany of the population by rail, by road and by water should be facilitated by the Soviet Union. In order to solve the road transportation problem, we suggest that the Western Powers operate and maintain the Autobahn from Helmstedt to Berlin, which is one of the many roads. This would be one road on which their traffic would be concentrated. I understand that it is a fact that all crossroads pass either above or below it preventing interference with traffic on other roads. If the Western Powers operate this road, they would have to undertake to permit all Eastern Zone traffic wanting to use it to pass freely, but it would be their road to maintain so that no question or friction would arise.

(Mr. Vyshinsky interrupted to ask that this part of the translation dealing with the Autobahn be repeated.)

These proposals are modest. They are designed to decrease the possibilities of friction and to increase the possibilities of cooperation. All of us feel very fortunate for having been relieved of the tense and unfortunate situation which existed prior to the New York Agreement and we all look with apprehension to any slipping back to those conditions. If we can avoid that and if we can provide for cooperation in the trade matters which I spoke of and in the conduct of the city of Berlin, I am sure we will have made a good start towards facilitating the discussion of various subjects which will come up at our next meeting. This suggestion is a whole. The parts of it are interdependent. It is a kind of a whole which should be extremely helpful to us in our future work. I have a memorandum here which embodies all I have spoken of just now,<sup>1</sup> and I will be glad to give a copy to Mr. Vyshinsky. We have a Russian translation. If these ideas, as well as those on Austria, commend themselves to Mr. Vyshinsky, we might perhaps issue a common, joint communiqué and not put them forward as the plan of either side.

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<sup>1</sup> For the text of this memorandum (USDel Working Paper/32 Rev. 5), see p. 1051.

VYSHINSKY: We must, of course, look over very carefully the English and Russian texts. The questions are of great importance and especially as we have no agreement on the more fundamental problems, I must ask for time to look over and study the suggestions made, and I will then be in a position to give you my answer. Of course, the aim of the memorandum and of Mr. Acheson's words represents a desire common to us all. For me, it is only a question of evaluating the practicability of the suggestions which have been made.

BEVIN: I hope it offers a basis for what we can do at this session. We must begin on a modest scale, and if we do we can develop it on proper lines.

SCHUMAN: First of all, I would like to state my agreement with my two colleagues. After all, perhaps the experimental basis rather than anything definitive is the best basis for Germany at present. The Austrian question is, of course, different and in some respects it is simpler. Austria is a liberated, not vanquished, country. It has a government, which is recognized by the Four Powers. Furthermore, our Deputies have done much work on the Austrian Treaty. They have held a total of 163 meetings; and as a result, the points of view are now much closer. A total of only 18 questions have been left in disagreement, but in fact only 3 large problems remain to be solved; and if we can find a solution for them, I am almost certain that all of the problems can be easily solved. What are these 3 questions?

First, we have the frontiers between Austria and Yugoslavia. We believe that there is no reason to change the frontiers of Austria as they were fixed before the war without any objection. The second question is that of the Yugoslav reparation demand on Austria. But in accordance with our obligations under Potsdam, we do not believe it possible to accept these claims. Finally, there is the problem of German assets in Eastern Austria. Under Potsdam, these were given to the Soviet Union. Now we agree to surrender these, but the question remains to fix the sum total. The Soviet Union thinks it should receive a total of 150 million dollars. We wish to declare that, if all of the questions can be solved, there will be no difficulty with respect to this sum. I will not go into the details of this question. These details are embodied in a memorandum which I hereby pass on to Mr. Vyshinsky.<sup>2</sup>

In conclusion, if we can agree on the three major questions, we can then pass the entire matter to our Deputies, who should finish their work by September 1. I believe the four of us should particularly desire a solution of the Austrian question; first, because Austria is rightfully impatient and sees no reason why it should be kept in its present

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<sup>2</sup> *Post*, p. 1053.

state, and second, because meeting here in private, we are trying to find a solution which we can present to the public opinions of our nations and the world. I believe that the conclusion of a peace treaty with Austria would convince the peoples of the world of our peaceful and constructive intentions. Here is the memorandum, Mr. Vyshinsky. I have no English translation.

(Mr. Vyshinsky indicated that the Russian and French texts are sufficient for him. Mr. Schuman indicated that he had no final French text . . .<sup>3</sup> After the meeting, Mr. Parodi told Mr. Vyshinsky he would send him a French text.)

VYSHINSKY: I should first like to ask Mr. Schuman a question. He spoke of the three major problems and, in particular, of the problem of the German assets in Austria in connection with which he mentioned a global sum of 150 million dollars. But Austrian assets include other things besides that global sum. There are 8 other questions not mentioned by Mr. Schuman and which are mentioned in Article 35. Must these also be regulated, or am I to understand that there are no difficulties in that connection?

SCHUMAN: I have a memorandum on that question.<sup>4</sup> I have consulted the Deputies and they say that they are almost certain of arriving at an agreement on the 8 questions if there is agreement on the global sum. As I said, there are 18 outstanding questions, all of which with the exception of the 3 major problems I mentioned, are relatively unimportant. That is why we suggest that after an agreement on these 3 major problems, we pass the whole question back to the Deputies who will settle the entire matter.

ACHESON: Did Mr. Vyshinsky's questions relate to oil property and shipping on the Danube?

VYSHINSKY: Yes.

SCHUMAN: These questions are expressly reserved.

ACHESON: May I explain? I understand that, under the French proposal,<sup>5</sup> certain Danube shipping properties and rights to oil properties are to be ceded to the Soviet Union in addition to a sum of money. These two transfers, plus the sum of money, are to be considered as a final release on the part of the Soviet Union to all reparation claims on Austria. I also understand that the Deputies are so close to an agreement on the Danube shipping and the oil rights that, if we are able to decide the question of boundaries and the question of reparations, they can come to a rapid agreement.

<sup>3</sup> Omission in the source text.

<sup>4</sup> The memorandum under reference has not been further identified.

<sup>5</sup> Acheson was referring to CFM(47) (L)8, November 27, 1947. For the text of this document, see *Foreign Relations*, 1947, vol. II, p. 799.

SCHUMAN: The proposal was made by France in 1947 and the Soviet Delegation agreed to take it as a basis for discussion, and there was disagreement only on the sum additional to the Danube shipping and oil rights.

VYSHINSKY: Referring to Yugoslavia. We had an earlier agreement that all Austrian assets in Yugoslavia should go to Yugoslavia. How about that?

SCHUMAN: I am afraid I could not answer that question without consulting the Deputies.

BEVIN: I understood that it was proposed in Moscow that, if all the Austrian properties in Yugoslavia were to be ceded to Yugoslavia, this would end all claims of Yugoslavia on reparations from Austria.

VYSHINSKY: Does this agreement remain in force?

BEVIN: I believe it was an *offer*.

VYSHINSKY: Does this offer remain?

BEVIN: Yes. It was an offer, not an agreement.

VYSHINSKY: This is right.

BEVIN: The main point was that there would be no change in frontiers and that Yugoslavia and Austria would cooperate in the joint development of the waters, and Austrian property in Yugoslavia should satisfy Yugoslav claims on the reparations from Austria. That still stands. If the main points are settled, the main points are: what areas the Soviets would exploit, what properties would be theirs in the Danube shipping, and third, the amount.

VYSHINSKY: Oil refineries? Oh, yes, that is agreed. There is also a question of the rights of the Slovene and Croat minorities in Austria. It is a question of interest to us.

SCHUMAN: That question is subject to direct settlement between the Austrian and Yugoslav Governments, and the Austrian Government is ready to come to an agreement on this, but that is not part of the Peace Treaty. All these questions will be for the Deputies to solve. Our memorandum does not list the 18 questions; but, as I said before, the Deputies are convinced that, if the 3 major problems are settled, there will be agreement on all.

VYSHINSKY: Here is my answer. The Soviet Government feels that the Yugoslav demands as regards frontiers and reparations are just. We, the Soviet Union, are not demanding any reparations from Austria. This was agreed to in Potsdam. But we could not, there, make an agreement on behalf of Yugoslavia, because Yugoslavia was not present. We feel that Austria has caused Yugoslavia much damage, and that it would be just for Austria to compensate Yugoslavia for this damage. We also feel that the Slovenes and Croats should be allowed to join Yugoslavia. We cannot, however, postpone the Aus-

trian Treaty indefinitely, and problems which present difficulties cannot be a permanent obstacle to a settlement. So we must find a way to shunt the obstacles aside, in order to prevent further delays in the conclusion of a peace treaty with Austria. The Soviet Union is ready to work on this and to seek means to do away with obstacles.

If the three Powers, USA, UK and France, are ready to come to an agreement with us on all disagreed questions, I think this will help a general agreement and make possible the conclusion of a Peace Treaty with Austria, in spite of the outstanding differences on Yugoslav claims.

BEVIN: Now, how shall we deal with these problems? You, Mr. Vyshinsky, will probably want to study what has been said and the memorandum on Germany. At the same time, we have an open meeting scheduled for tomorrow, at which the Austrian question is slated to come up. How shall we deal with it, and how shall we meet again? I am in your hands. I am quite willing to have another meeting like this, or perhaps say something in a public session on Austria and then go into a private session. As you wish.

VYSHINSKY: My difficulty is that we must study the memorandums and, as the questions raised are of importance, I must get instructions from my Government. My examination of the documents will take time. I cannot send a telegram to Moscow before tomorrow morning. Then I must wait for an answer. Perhaps the public meeting scheduled for tomorrow will be of little help, and we could settle all outstanding questions in a secret meeting such as this on the day after tomorrow.

SCHUMAN: What would be the topic of discussion at our next public session?

BEVIN: Oh, Mr. Vyshinsky can find some quotations.

VYSHINSKY: I give the floor to Mr. Acheson on such matters now. Incidentally, in respect to Item One of our Agenda, I have a similar proposal to make, consisting of providing for contact between the Eastern and Western Zones, but I am waiting for further instructions on this and will then be ready to discuss it.

BEVIN: In an open or a closed session?

VYSHINSKY: It makes no difference.

BEVIN: We could have an open session tomorrow. The question is, when do we meet like this again?

VYSHINSKY: As soon as I have my answer I can tell you.

BEVIN: Would it be in the afternoon?

VYSHINSKY: Yes. Should we meet at all tomorrow? Why do we not postpone our meeting until Tuesday? We may meet here first and then in open session.



BEVIN: Then tomorrow we will take a day off. On Tuesday we will await a call from Mr. Vyshinsky and then meet here privately before the session and announce the open session later.

ACHESON: May I bring up just one other question? It is now 9:20 and when we go out from here the newspaper men will be wondering what we have been doing. I suggest that we might tell them that we have been discussing future meetings and that we decided we would make more progress by taking a day off tomorrow. I would say no more than that.

BEVIN: We could say that we are taking Monday off instead of Sunday.

VYSHINSKY: Agree.

SCHUMAN: Agree.

740.00119 Council/6-1349: Telegram

*The Member of the United States Delegation at the Council of Foreign Ministers (Acheson) to President Truman and the Acting Secretary of State*

TOP SECRET

PARIS, June 13, 1949—7 p. m.

Actel 67. Eyes Only for President and Webb. This telegram supplements my Actel 65 June 12.<sup>1</sup> Texts of two papers handed Vishinsky last evening have now been transmitted Delsec 1888 June 13 and Delsec 1891 June 13.<sup>2</sup>

Our *modus vivendi* paper was drafted to capitalize on what appears to be very serious Soviet desire reestablish participation in four power activities. At same time, for reasons frankly explained by us in CFM, it is not now possible to establish formally Allied Control Council or Kommandatura in Berlin since we would either have to accept old basis of operation, which is not now feasible, or else spend endless time working out modified arrangements. Accordingly, our plan contemplates accepting principle of continued quadripartite talks but without any formalization in definite organizations at this time. Similarly, in connection with participation of Germans in future discussions of expansion of trade, we have avoided setting up any such formal body as Vishinsky originally proposed but have provided that Germans can discuss these matters under the auspices of the occupation authorities.

We anticipate that Vishinsky will come back with suggestion that paragraph four of our proposal be expanded into something approach-

<sup>1</sup> Not printed; it reported on Acheson's conversation with Vyshinsky on June 11. A memorandum of this conversation is printed on p. 980.

<sup>2</sup> Neither printed; for the texts of the *modus vivendi* on Germany and the Statement for Possible Use in Connection with the Austrian Treaty, see pp. 1051 and 1053.

ing his original suggestion for all-German state council. We are making anticipatory studies to see if we could accept any language which might meet him part way but we are clear that his proposal, in its present form, would be equally unacceptable to us and to the Western Germans. The Soviets may contemplate that if they can get us to agree to establishment of some such formal German body, we would then have to agree to some reestablishment of Allied Control Council to control Germans. We shall avoid falling into this trap.

In regard to paragraph five of our *modus vivendi* proposal, we have felt the final paragraph regarding transfer to Western operation and maintenance of Helmstedt-Berlin autobahn was worth trying out although we have very little expectation that Vishinsky would accept it. We do think that if he declines this proposal we will be in more advantageous position to ask him what alternative he suggests to give us the assurances we require concerning access.

I emphasized in our secret meeting last night that all of our proposals were part of one package. Particularly with reference to point 5, I made clear that we can make no agreement regarding future contacts and cooperation or regarding increased East-West trade unless we have satisfactory assurances on communications with Berlin. Actually, if Soviets unwilling fully accept paragraph five our proposal, we would consider watered-down version first four paragraphs eliminating, for example, paragraph 3(a) item.

At meeting last night Vishinsky gave no hint of his reaction to our proposals on *modus vivendi* but, as indicated in Actel 65, his response on Austrian treaty was encouraging. After emphasizing the justice of the Yugoslav claims to compensation from Austria and the justice of the desire of the Slovenes and Croats to join Yugoslavia, he said that we cannot postpone Austrian treaty indefinitely, and that problems which present-difficulties cannot be a permanent obstacle to a settlement. He went on to say that we must, therefore, shunt the obstacles aside in order to prevent further delays in the conclusion of the Austria peace treaty. He raised some details concerning the transfers of German assets, but all three Western Ministers said they were sure deputies could agree on these details if agreement reached on total amount to be paid to Soviet in complete satisfaction their claims. Again we made it clear that our agreement to their demand for \$150 million was tied in with their agreement on the other two principal points. In answer to a question of Vishinsky's Bevin assured him that the offer made at Moscow regarding surrender of Austrian property in Yugoslavia still stands. In answer to another question of Vishinsky's on the Slovene and Croat minorities, Schuman said that this could be handled by

direct settlement between the Austrian and Yugoslav Governments which the Austrian Government was ready to make. Vishinsky did not dissent on any of these points but, on the other hand, did not commit himself finally.

Have included some of the above details to give you the flavor of these private talks which we plan to continue tomorrow. We are taking every precaution to prevent leaks to the press. At this moment we are inclined to think that there is reasonable chance of winding up CFM Thursday with an agreement on the three Austrian treaty points and on some kind of *modus vivendi* along lines which we suggested.

ACHESON

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740.00119 Council/6-1449: Telegram

*The United States Delegation at the Council of Foreign Ministers to the Acting Secretary of State*

TOP SECRET      PRIORITY  
 NIACT

PARIS, June 14, 1949—3 p. m.

Actel 69. Eyes Only Webb and Rusk. Re Telac 81, June 13.<sup>1</sup> Following indicates development of draft *modus vivendi* paper (see Delsec 1888<sup>2</sup>) and our general thinking on problem you raise.

Earlier drafts this paper contained explicit references to "established right of access" or "right of access". Bevin and Schuman, however, strongly opposed such references on grounds (1) we might seem to question validity of our right by making point of its reaffirmation in this document and (2) what we are chiefly interested in is not theoretical assertion of right but practical performance. Schuman even wished to omit paragraph 5 from this paper and submit it as separate proposal which would not be tied to trade and machinery for continuing consultation.

Over and above opposition of British and French, we were impressed by following considerations. If reference to "established right of access" is included in document it seems unlikely, in view of Stalin's

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<sup>1</sup> Not printed; in it the Department expressed its concern about the *modus vivendi* and particularly paragraph 5 which seemed vague, adding "If your estimate is that Soviets are seriously seeking some *modus vivendi* and that we can therefore rely upon loosely worded general agreement as face-saving for them, such consideration not generally understood here and would require careful public treatment to avoid impression that we have not sought much less obtained clear definition and reaffirmation of our right of access to Berlin." (740.00119 Council/6-1349)

<sup>2</sup> Not printed; it transmitted the text of the draft tripartite *modus vivendi* which is printed on p. 1051.

attitude last August,<sup>3</sup> Vishinsky would agree and we would risk losing any CFM decision whatsoever on access. Moreover, if reference to "right of access" were included in Western proposal, it would be impossible to drop reference during negotiations without giving impression we were uncertain of right. Best solution, all things considered, seemed therefore to omit explicit reference at outset.

Our conviction is that, if Soviets accept paragraph 5, even excluding reference to autobahn, this will in fact constitute recognition of our right of access and tacit abandonment of Stalin's contention we had lost our right. We consider this would be significant and valuable step even if terms of paragraph are vague. On this point we felt (1) that it would be impractical for Foreign Ministers to negotiate here detailed agreement which would cover all desiderata regarding movement of persons and goods to and from Berlin, and (2) that no matter how detailed agreement might be Soviets can, if they wish, find means of evading its implementation. Reduction to writing of agreement with Soviet is illusory victory and definitely dangerous inasmuch as it might mislead our Congress and public to believe all difficulties removed and therefore no need maintain state of readiness. We believe, therefore, that paragraph 5 represents approximate extent of agreement Foreign Ministers could hope to reach at this meeting. We recognize moreover that paragraph on autobahn, which was included over strong objections of British and French, will probably not be accepted by Soviets and may have to be substantially modified or dropped altogether.

You will have received from Berlin through Army text of statement handed Russians in Berlin at conclusion of negotiations there yesterday.<sup>4</sup> While Berlin negotiators failed to secure any Soviet signature to a document, we believe outcome of those talks is of definite value. Supplementing New York agreement,<sup>5</sup> which in itself is partial reversal of Soviet position that we have lost our rights, it constitutes further acknowledgement and implementation. If supplemented by negotiations contemplated in paragraph 5 our paper, it might well produce actual operating situation which would give us as much satisfaction as the situation makes possible.

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<sup>3</sup> For documentation regarding the tripartite talks with Stalin and Molotov in Moscow during August and September, 1948, see *Foreign Relations*, 1948, vol. II, chapter 4.

<sup>4</sup> Under reference here is the report of the Western Occupation Authorities on the Berlin Discussions on Transport and Trade, June 13. For the text of this report, see p. 815.

<sup>5</sup> For the text of the communiqué issued at New York on May 5, 1949, see editorial note, p. 750.

Reference your specific questions about our draft, paragraph 5(1) is intended to cover requirements of occupying powers only and paragraph 5(2) supplies for Berlin population. Distinction is based on fact that requirements of former are limited and can be precisely calculated, whereas in case of latter "requirements" are flexible and we desire Soviet agreement to facilitate whatever volume of goods it may prove physically possible to move. As to other "agreements and arrangements" British pressed hard for specific reference New York agreement but we felt it wiser to keep language general in order to cover both earlier agreements on access and any understandings which might emerge from current negotiations in Berlin.

We definitely want to maintain our original position that our right in Berlin and therefore our right of access does not depend on any agreement but on our common conquest of Germany.

Statement made in Actel 31, June 2<sup>6</sup> expressed a hope the fulfillment of which now seems impossible for reasons already indicated. Although the proposed *modus vivendi* would be a very modest outcome of CFM, we do not think it would be a damaging result and that in many ways it would represent a distinct advance.

In small secret meeting scheduled 3:30 this afternoon, if Vishinsky indicates general favorable attitude toward *modus vivendi* paper as a whole but flatly rejects autobahn provision under paragraph 5, I intend to ask him what alternative he suggests to safeguard our requirement. If he has nothing to offer, I intend to ask him whether he intends to deny our right of access and to assert a right to reimpose the blockade. Depending on actual situation, I may continue to state that, if that is Soviet position, I had to warn Vishinsky that they were creating very serious situation in regard to which we reserve right to take such measures as may be necessary. I would further say that I shall be compelled to state this position publicly in the plenary session. If Vishinsky is completely negative on whole *modus vivendi* proposal, we shall probably not introduce the paper but in final plenary will indicate the agreement we have tried to reach. We would say that, while we have not reached agreement here, we are ready, any time Soviet changes mind, to consult with them on (1) East-West trade, (2) situation in Berlin, (3) facilitation of access. We would then reassert our rights in Berlin and right of access. Would conclude by suggesting that any time Soviets wish to discuss these matters if they will so inform us we will enter discussions.

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<sup>6</sup> Not printed; in it Acheson had stated that he would make every effort to obtain a clear definition and reaffirmation of the United States right of access to Berlin. (740.00119 Control (Germany)/6-249)

CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the First Part of the 20th (5th Restricted) Meeting of the Council of Foreign Ministers, Paris, June 14, 1949, 3:30 p. m.*

SECRET

## FIRST PART

## PRESENT

U.S.S.R.

Mr. Vyshinsky (Chairman)  
Mr. Smirnov  
Mr. Pastoyev

## UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
Mr. Peyton-Smith

## UNITED STATES

Mr. Acheson  
Mr. Jessup  
Mr. Bohlen  
Mr. Reber  
(for Austrian  
Discussion)

## FRANCE

M. Schuman  
M. Parodi  
Interpreter

MR. VYSHINSKY said that the Soviet Delegation had studied the two memoranda (USDel Working Paper/39 and USDel Working Paper/32 (Rev. 5)<sup>1</sup>) submitted last Sunday taking into account the oral statements made by the three Ministers at the time and he was in a position to give an answer to both of these papers.

1. On the Austrian Treaty since it appears that the three other Ministers were prepared to meet all Soviet claims of former German assets as set forth in the Soviet paper of January 24, 1948,<sup>2</sup> the Soviet Delegation saw no objection to the payment of \$150,000,000 for the transfer by the Soviet Union of the properties indicated in that memorandum. The Soviet Government, therefore, was prepared no longer to support Yugoslav claims on reparations and on the frontier question. It was likewise acceptable that the Deputies should be instructed to complete the drafting of the treaty by September 1, 1949. It would appear, therefore, that the four powers were agreed to settle the Austrian Treaty on the basis of M. Schuman's memorandum. He stated that he must recall that the Soviet Government still considers the Yugo-

<sup>1</sup> The reference to USDel Working Paper/39 is in error since this paper was not presented until the second part of the 20th meeting. Vyshinsky was referring to the Tripartite memorandum presented to Mr. Vyshinsky at the 19th Meeting which is printed on p. 1053. For the text of USDel Working Paper/32 Rev. 5, see p. 1051.

<sup>2</sup> The reference here is to the Soviet proposal on German Assets in Austria (Article 35), circulated at the first meeting of the Austrian Deputies in February, 1948, as CFM (D) (L) (48) (A) 1. The text of this proposal is printed in *Foreign Relations*, 1948, vol. II, chapter VI.

slav claims as justified both in regard to reparations and the frontiers, but since the three other powers would not agree, the Soviet Union was prepared to meet their wishes and would not insist on satisfaction of these claims in return for satisfaction of the Soviet Union of its claims to German assets in Austria and with the understanding that Yugoslavia would obtain the Austrian assets in Yugoslavia.

2. In regard to the German question the Soviet Delegation was ready to accept as a basis for discussion Mr. Acheson's memorandum (USDel Working Paper/32 (Rev. 5)). The Soviet Delegation, however, had certain changes and additions. Mr. Vyshinsky then introduced his amendments and additions to the Secretary's memorandum (USDel Working Paper/42<sup>3</sup>). Mr. Vyshinsky read through the amendments and when he came to point 5 he said that the Soviet Government had had difficulties in regard to point 5 as set forth in Mr. Acheson's memorandum. He stated that the Soviet Government could not accept the proposal to turn over to the Western Allies the Helmstedt Autobahn. This road was in the Soviet Union [*zone?*] and there were no grounds in their view for creating a Danzig corridor.

M. SCHUMAN said he thought as regards Austria they could consider that they were agreed on the four basic questions which he listed as follows:

1. The payment of \$150,000,000 by the Austrian Government to the Soviets for the properties previously held by the Soviets.

2. No reparations from Austria. The Yugoslavs could get Austrian assets in Yugoslavia.

3. The frontiers of Austria remain as they were, and

4. All other claims of a financial nature against Austria arising out of these properties, covered in Article 48 bis, and past claims for occupation costs would be waived.

MR. VYSHINSKY said he did not understand the last point; that M. Schuman's memorandum had only contained three and that the question of claims dealt with under Article 48 bis of the draft treaty was quite a different subject and was unagreed.

M. SCHUMAN said he had been in error, but what he had in mind is that any future charges or claims concerning the property relinquished to the Austrian Government should be covered by the payment of the \$150,000,000.

MR. VYSHINSKY said that the \$150,000,000 was only for German assets and not for other claims. He said that 48 bis was still unagreed and that the Deputies should consider it, but that it was not covered in M. Schuman's memorandum.

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<sup>3</sup> Not printed; the amendments introduced by Vyshinsky to USDel Working Paper/32 Rev. 5 are indicated in the footnotes to that paper.

Mr. BEVIN inquired whether Mr. Vyshinsky meant the claims under 48 bis only or those arising out of the control of the property to be returned to Austria.

MR. VYSHINSKY said that they were both as there might be certain claims in connection with the property. It was agreed that there should be an intermission to study Mr. Vyshinsky's proposals and statements and that the three Ministers would communicate with Mr. Vyshinsky regarding the time for a later meeting that afternoon.

[At this point there was an intermission to allow the Western Ministers to study the Soviet amendments to USDel Working Paper/32 Rev. 5.]<sup>4</sup>

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<sup>4</sup> Brackets appear in the source text.

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CFM Files: Lot M-88: Box 140: Tripartite Meeting of the Ministers

*Record of a Meeting of the Foreign Ministers of the United States, the United Kingdom, and France*<sup>1</sup>

SECRET

[PARIS,] June 14, 1949.

This meeting<sup>2</sup> was devoted to an examination of Vishinsky's counter-proposal on a *Modus Vivendi* for Germany which had just been submitted to the CFM.<sup>3</sup>

The Ministers agreed that the changes proposed by Vishinsky in the preamble and in paragraphs 2 and 3 (a) of the tripartite proposal<sup>4</sup> were acceptable.

It was agreed that the proposed revision of paragraph 3 (a) (ii), which cut out reference to Eastern and Western sectors of Berlin and lumped the whole of Berlin together with the Eastern Zone, could not be accepted. It was thought that Vishinsky might be intending either to include exports of all Berlin in the total balance accruing to the Eastern Zone or to obtain some sort of recognition that Berlin formed a part of the Eastern Zone, or, possibly, to provide the basis for a claim that we could not ship goods into Berlin except in proportion as the Eastern Zone shipped to the Western Zones. It was agreed that we should stick to the language of our proposal.

In regard to Vishinsky's revision of paragraph 5 on access, Mr. Acheson pointed out that striking out the paragraph on the Autobahn removes the effective guarantee of free access, whereas striking the

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<sup>1</sup> This record was prepared by Charles W. Yost of the United States delegation.

<sup>2</sup> The meeting took place during the intermission of the 20th meeting of the Council.

<sup>3</sup> Not printed; the text of this counter-proposal is indicated in the footnotes to USDel Working Paper/32 Rev. 5, p. 1051.

<sup>4</sup> USDel Working Paper/32 Rev. 5.



provision for the negotiation of an agreement on this subject means merely that the Commanders shall maintain normal communications and transport in their own zones but does not obligate the Soviet Commander to permit us to use the communications and transport facilities in his zone. Mr. Bevin expressed the view that if the second part of the Soviet paragraph was read in the light of the first part that the latter had some substance. Mr. Schuman pointed out there was no reference to the movement of goods or persons but merely to the maintenance of communications. Mr. Bevin felt that the movement of goods and persons might be covered in paragraphs 3 (a) and (b). Mr. Acheson replied that if we were dealing with people of good will, the Soviet draft might be satisfactory but that we have had equally good statements from them in the past which have proved to be worthless.

This paragraph merely states that the Soviets would keep communications functioning but does not say that they will not reimpose the blockade as they would be saying if they had accepted our paragraph. He suggested that the Western Ministers not take a final position today on the Soviet draft of this paragraph but inquire of Vishinsky whether in fact he does not intend to reimpose the blockade. If so, could he not find clearer words to express this thought.

As to Vishinsky's paragraph 6 in regard to German economic bodies, it was agreed that we should stand on the text of our paragraph 4. It was pointed out that Vishinsky's proposal would establish a German Economic Council which would in fact probably have much wider functions than those relating to trade.

Mr. Bevin inquired whether we are in fact going to agree at this CFM on a *Modus Vivendi* for Germany. Mr. Acheson replied that we are if we can get it. Mr. Bevin expressed the view that we would not get the Autobahn. Mr. Acheson declared that it would be a mistake to agree to something which might give the appearance of being a substantial agreement but which in fact would amount to nothing at all. He pointed out that there was a danger that if we did so the result might be to defeat the Military Assistance Bill in the US Congress without in fact obtaining our objectives.

As to a communiqué to the press after the meeting, it was agreed that if there should be agreement on Austria this could be announced. If not, the communiqué would have to be purely non-committal.

Mr. Acheson raised the question as to whether the memorandum of understanding drawn up by the representatives of the three powers in Berlin<sup>5</sup> should be published today or alternatively whether Vishinsky should be asked if he had any objection to publication tomorrow. Mr. Bevin expressed the view that it would be a mistake to issue this memo-

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<sup>5</sup> *Ante*, p. 815.

randum officially while the discussions were still continuing here in Paris. He was in favor of it being published at the proper time but he preferred not to complicate today's discussion by raising the question with Vishinsky. He felt that the Ministers might say they had received the report; that they regretted it was not a Four Power report; that it will have to be published at some time; and then ask Vishinsky whether he has any comment to make upon it.

It was also agreed that no final positions on the Soviet paper as a whole would be taken at this afternoon's meeting but Vishinsky would be drawn out by a series of questions which would make his intentions clear.

CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the Second Part of the 20th (5th Restricted) Meeting of the Council of Foreign Ministers, Paris, June 14, 1949, 7 p. m.*

SECRET

## SECOND PART

### PRESENT

#### U.S.S.R.

Mr. Vyshinsky (Chairman)  
Mr. Smirnov  
Mr. Pastoyev

#### UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
Mr. Peyton-Smith

#### UNITED STATES

Mr. Acheson  
Mr. Jessup  
Mr. Bohlen  
Mr. Reber  
(for Austrian  
Discussion)

#### FRANCE

M. Schuman  
M. Parodi  
Interpreter

M. SCHUMAN said he wished to explain what he had had in mind concerning Austria since there had certainly been a misunderstanding. He said the paper they were now submitting<sup>1</sup> was merely to make

<sup>1</sup> The paper read as follows :

"The Ministers have agreed :

(a) that Austria's frontiers shall be those of January 1, 1938;  
(b) that reparations shall not be exacted from Austria, but that Yugoslavia shall have the right to seize, retain or liquidate Austrian property, rights and interests within Yugoslav territory; and

(c) that, on condition that the settlement includes the relinquishment to Austria of all property, rights or interests held or claimed as German assets or war booty (except those oil assets and Danube Shipping Company properties transferred to the Soviet Union by other clauses of the treaty and retained under Austrian jurisdiction) and a general waiver of creditor claims arising out of control or operation of such property, rights and interests after May 8, 1945, the Soviet Union shall receive from Austria \$150 million in six years." (CFM Files : Lot M-88 : Box 140 : Minutes and Records of Decisions)

clear the points set forth in his memorandum on Sunday.<sup>2</sup> He said what they had in mind was that all claims arising out of property to be relinquished to Austria would be covered by the \$150,000,000 payment and that there would be no further claims concerning this property against Austria.

MR. VYSHINSKY said that M. Schuman's explanation far from clearing up the situation merely increased the confusion. This was apparently a new and additional demand which was not acceptable to him. He said that Article 35 and the eight paragraphs set forth in the Soviet document of January 24, 1948<sup>3</sup> reported the Soviet claims concerning German assets in Austria. He had understood that they would be satisfied in return for the withdrawal of Soviet support for the Yugoslav claims. He had never understood that the \$150,000,000 would cover all claims to these properties. He would, however, have no objection to the Deputies examining this point.

M. SCHUMAN said he wished to be perfectly clear that there was no question of Article 48 bis, which was in any event to go to the Deputies, but from the text of the memorandum on Sunday he thought it had been quite clear that all these claims were waived. He then read the appropriate sentence from the document to the effect that if the Soviet Government would in exchange for this payment agree that there should be no further undefined obligations in connection with the final settlement on German assets, then their claim for \$150,000,000 might be met.

MR. VYSHINSKY said that he considered this question of charges on this property as one of the still open points in regard to the treaty which he felt should go to the Deputies. He said he was not stating that he would refuse M. Schuman's suggestion but that he just did not know what the nature of the claims were or in what amount. He repeated that he had given up support of the Yugoslav claims in return for satisfaction of all Soviet demands on German assets as set forth in the June [January] 24, 1948 proposal.

As to war booty referred to in the present paper which he had just received, this was a new subject which he also felt should go to the Deputies.

MR. BEVIN said that they had tried in this document to carry out the sense of M. Schuman's memorandum which to him meant very clearly that all future claims in regard to the property relinquished to Austria would be waived by the Soviet Government in return for \$150,000,000. Article 48 bis was a totally different matter and should go to the Deputies.

<sup>2</sup> *Post*, p. 1053.

<sup>3</sup> The text of the Soviet proposal, CFM(D) (L) (48) (A)1, concerning German assets in Austria is printed in *Foreign Relations*, 1948, vol. II, p. 1448.

MR. VYSHINSKY then read from his record of what he had said earlier this afternoon <sup>4</sup> to the effect that the Soviet Delegation had no objection to M. Schuman's memorandum which consisted of the satisfaction of Soviet claims to German assets in return for a withdrawal of their support for Yugoslav claims. He said that this involved the \$150,000,000 payment, the oil rights, and the shipping. It said nothing about the question of certain types of claims on the property. As to war booty that meant cannon, tanks, machine guns, etc. which had been captured and which he felt had nothing to do with German assets. He was, however, prepared to refer the question of war booty to the Deputies. It was possible, of course, that certain enterprises which the military had claimed as war booty might be discussed. He said that if there was a genuine desire to contract a treaty he thought that M. Schuman's memorandum as he understood it afforded a basis, but if there was an insistence on the waiver of these possible claims on the property he would have to refer the matter to his Government.

MR. BEVIN said that in his view the payment of \$150,000,000 meant that certain German assets held since the end of the war by the Soviet Union would be returned without charge to Austria.

M. SCHUMAN denied that it was a new demand. He said the quid pro quo for the \$150,000,000 was the relinquishment of these former German assets to Austria without charge.

MR. ACHESON said that he felt that they should treat the two types of German assets in Austria the same way. He pointed out that in the Soviet proposal it was stated that the property which was to go to them was to be without obligation or encumbrance and that he felt a similar understanding should apply to the former German property which was to be left to Austria.

On the subject of war booty he said they did not have in mind cannon or war material of that nature but industrial property which might have been claimed as war booty. He said from that point of view it made little difference whether it was claimed as a German asset or as war booty but that under the terms of M. Schuman's memorandum except for the specified exceptions concerning oil properties and shipping the Soviet Government was to return all this property without charge to Austria.

MR. VYSHINSKY said there was a practical problem here and he would try and give an illustration. He said it was true that the value of German assets to be returned to Austria would be without claim, but there were certain of these properties which the Soviet authorities had improved. For example he said of a given number of enterprises

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<sup>4</sup> Vyshinsky was referring to the first part of the 20th meeting of the Council, the minutes of which are printed on p. 997.

five were to remain with the Soviet Union and five to go back to Austria. What would be the case if in the five to go back to Austria there had been Soviet loans or other financial assistance which had resulted in the installation of new machinery, new construction, or general improvements. These improvements could not be considered German assets but were in effect a contribution from the Soviet Union which they could hardly be expected to give free of charge to the Austrians. He stated that they would return what was German but they could not return what had been added in the way of improvements by Soviet means without compensation. He said in the case of Austria there had been no improvements made by Austrians in any property held by the Soviet authorities since the end of the war. He stated it was a complicated problem and he was quite willing for the Deputies to discuss it.

MR. ACHESON then said he felt that in our understanding the \$150,000,000 relinquished all claims in respect of this property against Austria and he thought it would be wise for Mr. Vyshinsky to consult his Government on this point. In the meantime they would think it over.

MR. VYSHINSKY repeated that they were prepared to accept the \$150,000,000 for German assets turned back to Austria but that this would not cover in their view Soviet improvements. He repeated that the Soviet proposals on German assets were those contained in the draft of Article 35 submitted on January 24, 1948 by the Soviet Deputy and that these were accepted and he thought the other open questions in the treaty could be settled by the Deputies.

#### *German Modus Vivendi*

MR. ACHESON said he had a number of questions concerning the Soviet amendments and additions to the *modus vivendi* paper.<sup>5</sup> His first one dealt with Soviet changes in paragraph 3(a) (ii). He did not see under existing circumstances from an economic point of view how there could be a balance between the Western zones on one hand and the Eastern zone and Berlin on the other, that the economic and financial situation in Berlin was such that he just did not see how any such balance could be achieved and inquired whether this meant that nothing could go from the West to Berlin unless it was compensated by an equivalent from the Eastern zones.

MR. VYSHINSKY said that their objection to Mr. Acheson's draft was that it appeared to lump the Western sectors of Berlin with the Western zones of Germany whereas in fact Berlin was in the Soviet

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<sup>5</sup> The text of the *modus vivendi* paper with the Soviet amendments indicated in footnotes is printed on p. 1051.

zone. Also he said he thought that Berlin should be regarded as a whole and not by sectors.

MR. ACHESON said that he was not raising any questions of prestige but merely one of practical economic and financial arrangement which was about all that could be covered in a *modus vivendi*. He just did not see how it could possibly work as formulated by Mr. Vyshinsky.

MR. VYSHINSKY then said that if there was any difficulty about this point why not omit the entire paragraph and leave this question to be worked out on a practical basis in the future.

MR. ACHESON said they would look at it overnight and see what could be done with new language. He said that his difficulty with the Soviet redraft of paragraph 5 was that it appeared to leave to each occupying authority to take the measures to ensure normal functioning of the subjects mentioned and that it would be up to each of them to do what they saw fit. Furthermore, he said that in his view it was quite possible for railways, roads, water, etc. to function normally and still not ensure the movement of persons and goods; that functioning was one thing and the use made of the facilities was another. (Mr. Vyshinsky had difficulty in understanding this point in some measure because of the fact that the word "functioning" in Russian has a somewhat less technical connotation than it does in English and more nearly includes the concept of utilization.) Mr. Acheson added that what we were interested in was a guarantee that the blockade would not be reinstated.

MR. VYSHINSKY said that if a service was functioning normally, it meant that it was transporting normally people and goods and that he felt as to restrictions that the words "improve and supplement existing agreements" on this point made it clear that the communications were to be improved and not restricted.

MR. BEVIN said in a few words what they meant was that there would be no new blockade of Berlin.

MR. VYSHINSKY said that the only blockade of Berlin now was due to the strike <sup>o</sup> which had occurred in the British and American sectors through no fault of theirs.

MR. ACHESON pointed out that the Soviet draft had eliminated the instructions to their representatives in Germany to work out an agreement to give effect to these principles.

MR. VYSHINSKY indicated that he would have no objection to the re-insertion of that thought if Mr. Acheson had in mind the idea of reciprocity concerning the counter-restrictions.

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<sup>o</sup> Vyshinsky was referring to the strike of the Berlin railroad workers who wanted to be paid in Western marks. For documentation relating to this strike, see pp. 840 ff.

Mr. ACHESON said that what we wished to have perfectly clear was that our access to Berlin would be unobstructed.

Mr. VYSHINSKY said that they did not wish to take on obligations which they might not be able to fulfill; for example, in point 5(i) of Mr. Acheson's paper there was no limit as to the amount of facilities which might be needed to satisfy Western requirements; that we were now asking for 16 trains, later on we might decide that this number should be greatly increased and it would be impossible to meet it, and the Soviet Union, therefore, would be at fault in the agreement. He said that if we were agreed on the fundamentals of some of these problems, it would be possible to reach a juridical agreement, but since they were not, the best that could be done would be a gentlemen's agreement. He pointed out that their agreement would be made public and would constitute a moral and political undertaking to be executed in good faith on each side. He said their objection to 5(ii) was that it was one-sided and merely called on the Soviet authorities to do something but stated nothing about any reciprocal engagement. As to the movement of persons, he thought that they could perhaps expand point 3(b) if such was desired.

Mr. ACHESON said he would like to point out that in our draft 5(i) referred only to the needs of the Allies which would of necessity be limited and that furthermore we had proposed to run the Helmstedt Autobahn in a desire to be helpful. He said that if this had been accepted it would have been made quite clear that there was no intention of reimposing the blockade, that there were many roads from Berlin to the West and one would be sufficient to take care of all the needs of the occupying powers by road. As to Mr. Vyshinsky's point concerning 5(ii) and the obligation of the Soviet authorities, that was merely because all the facilities in question ran entirely through the Soviet zone.

Mr. VYSHINSKY repeated that in regard to the movement on the roads, 3(b) could perhaps be expanded.

It was agreed that the Ministers would study these papers overnight and meet in secret session tomorrow at 3:30 to continue the discussion.

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740.00119 Council/6-1449: Telegram

*The United States Delegation at the Council of Foreign Ministers to  
the Acting Secretary of State*

TOP SECRET      NIACT

PARIS, June 14, 1949—midnight.

Actel 71. For Webb from Acheson. The Conference will end on Thursday. Bevin, Schuman must go Luxemburg on Friday<sup>1</sup> and we

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<sup>1</sup> For documentation on the meeting of the Foreign Ministers of the Brussels Pact Powers, June 22, see volume IV.

all agree this fortunate. So we must make some broad decisions. If the President has guidance for us we should be grateful. The problems are these: The Russians want to accept 150 million to buy some but not all of their claims against Austrian industrial property. This is a way of raising the ante after they seemed to have agreed. I think we should stick by this point and if necessary throw the whole matter back to the Deputies for a detailed accounting.

On Germany the issue is also simple. We can, we think, get language which will go a good way to state Russian assurance that they will not attempt to reimpose the blockade, if we give reciprocal assurances against counter measures. We must be careful here to protect A and B lists.<sup>2</sup> But the question is do we want this and are we willing to pay the price?

In view of NSC papers on this general point<sup>3</sup> I should think something to make the blockade less likely was important. Since our real protection against the blockade is our own and Western European strength we all understand that NAP and MAP are more important than Russian promises. So an illusory agreement is worse than none. On balance unless President disapproves we shall try for Austrian agreement on lines above and for an agreement on Berlin which in our judgment adds something more than we now have to difficulty of reimposing blockade. If we are not satisfied that we have these we shall leave these matters for further discussion.

We are meeting Wednesday at 3:30 Paris time, therefore any message should be sent by telephone.

ACHESON

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<sup>2</sup> Under reference here are lists of goods and materials whose export to the Soviet Union and its satellites were prohibited (A) or limited (B) by the United States; for documentation on United States policy on East-West trade, see volume v.

<sup>3</sup> For documentation relating to consideration by the National Security Council of possible courses of action if the Soviet Union were to reimpose blockade, see pp. 818 ff.

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740.00119 Council/6-1949: Telegram

*The United States Member at the Council of Foreign Ministers  
(Acheson) to the Acting Secretary of State*

TOP SECRET

PARIS, June 16 [15,] 1949—11 p. m.

Delsec 1900. In agreement with my Western colleagues we arranged a secret meeting this evening<sup>1</sup> of the four Ministers for the purpose

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<sup>1</sup> The meeting took place on June 15 at 6 p. m. at the Quai d'Orsay. The minutes of the meeting are in CFM Files: Lot M-88: Box 142: Private Meetings.



of bringing up the question of the Berlin railway workers strike. At the meeting, I said that it was not my purpose to go into the causes or responsibilities for the origin and development of the strike but to inquire whether the Ministers could be helpful in finding a solution. I emphasized that the information put out by the Soviet-licensed press and radio had cast doubt on the understanding which it was believed had been arrived at between General Howley and the Soviet Commandant<sup>2</sup> with the result that the strikers by an overwhelming vote had decided against returning to work. This situation made it extremely difficult to hope for progress in the development of an understanding regarding the German problem. I inquired whether Vishinsky might wish to suggest ways and means of arriving at a prompt and satisfactory solution. Bevin spoke at length along similar lines and Schuman indicated approval of this effort to arrive at a solution of a vexing problem.

Vishinsky professed surprise and some irritation that the question of the Berlin strike should be brought up at this late stage in the present meeting. The strike was organized in the American sector and was not the responsibility of the Soviet authorities. Speaking for himself, he did not approve of strikes and he noted that no measure had been taken by the American authorities to suppress it such as jailing those persons who are responsible. Much damage had been caused by the strike. He could not confirm or deny any offer which might have been made by the Reichsbahndirektion but had heard of an offer of 60 percent payment of wages in West marks. He had no authority to undertake negotiations on this subject but did offer to put the question to Moscow.

This conversation with Vishinsky brought out in sharp relief the Soviet attitude toward trade unions and the principle of strike as well as the exceedingly narrow latitude enjoyed by Vishinsky. At the end of the meeting it was agreed to meet again Thursday afternoon at which time it is hoped that Vishinsky may have received additional instructions from his government.

ACHESON

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<sup>2</sup> Under reference here is General Howley's statement to the Berlin railroad workers that the Reichsbahn management was prepared to pay them 60 percent of their wages in West marks.

CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the 21st (6th Restricted) Meeting of the Council of Foreign Ministers, Paris, June 16, 1949, 3:30 p. m.*

SECRET

PRESENT

UNITED STATES

Mr. Acheson, Chairman  
Mr. Jessup  
Mr. Dulles  
Mr. Bohlen

FRANCE

M. Schuman  
M. Parodi  
M. Couve de Murville

U.S.S.R.

Mr. Vyshinsky  
Mr. Smirnov  
Mr. Pastoyev  
Mr. Zarubin

UNITED KINGDOM

Mr. Bevin  
Sir I. Kirkpatrick  
Lord Henderson  
Mr. Dean

*Austria*

MR. VYSHINSKY said he had not yet received his instructions concerning the German paper sent him on June 15 by Mr. Schuman (Annex 1<sup>1</sup>) but would give them a reply on Austria. He said that his colleagues would remember that the Soviet Delegation had objected to the inclusion of war booty in the original paper on Austria from Mr. Schuman;<sup>2</sup> that he was now prepared to meet the views of the Western powers by excluding from War booty transport, military, industrial equipment, barracks, etc. He said the Soviet Delegation would not insist on excluding such property from that covered by the \$150,000,000. The Soviet Delegation was prepared to accept the Western point of view in regard to the waiver of creditor claims but thought that this should be made more complete by specifying that all manner of claims and taxes on property transferred to the Soviet Union and likewise to Austria would be waived. He said it was a reciprocal waiver and should apply to any claims on such property since May 8, 1945

<sup>1</sup> Vyshinsky was referring to USDel Working Paper/32 Rev. 6, June 15, p. 1055.

<sup>2</sup> Under reference here is the Tripartite paper submitted by Schuman on behalf of the three Western Ministers, June 14th, at the 20th meeting of the Council. For the text of this paper, see footnote 1 to the United States Delegation Minutes of the 20th (5th Restricted) Meeting, p. 1001.

and up to the time of its factual transfer. He emphasized he included taxes in this category. He further stated as indicated in the memorandum which he was now circulating (Annex 2<sup>3</sup>) that there should be in the treaty guarantees for the rights of Slovene and Croat minorities in Austria.

MR. BEVIN inquired whether it would not be sufficient to state that Austria would be required to protect the rights of these minorities since he felt that it would be very complicated for the Council of Foreign Ministers to try and write a minority statute into the treaty.

MR. VYSHINSKY agreed that that would be sufficient.

MR. ACHESON said he understood that the oil properties which would be under Soviet concession under 1(a) and 1(b) of the Soviet proposal of January 24, 1948<sup>4</sup> would be specifically listed in the treaty and that the Deputies would specify the exact extent and location of the properties.

MR. VYSHINSKY confirmed this understanding and said it was so provided in the January 24 paper.

MR. ACHESON said there was the question of the Danube shipping. The Soviet proposal was that 100 percent of the assets of this company would include certain docks and facilities in Vienna itself. He said that they would like to propose that while the Soviet Government would get 100 percent of these assets that there be substituted for these docks in Vienna other property such as ships from the Western part of Austria to make up the 100 percent of the value of the company's assets in Eastern Austria.

MR. VYSHINSKY said that 100 percent was 100 percent and that he could not accept the present possibility of substituting other property for the wharves and repair facilities in Vienna and that he would have to consult with his experts and get instructions.

MR. ACHESON said that this was not a new point since it had been discussed by the Deputies, but he was not sure that Mr. Vyshinsky understood that there was not a question of reduction in value but a substitution.

MR. VYSHINSKY said he understood but that there was difficulty in operating a steamship company without repair facilities. He said from the Soviet point of view it would be better to settle the matter right now particularly in view of the concessions they had made on other points.

MR. BEVIN said he wanted to be sure that the Deputies would in effect list very specifically all the oil properties in order to avoid any further misunderstanding.

<sup>3</sup> For the text of this Soviet memorandum see p. 1057.

<sup>4</sup> The text of this proposal, CFM(D) (L) (48) (A) 1, is printed in *Foreign Relations*, 1948, vol. II, p. 1448.

Mr. VYSHINSKY again confirmed this point reading from the Soviet proposal of January 24 which provided that such properties be marked on a map.

(There was an hour's intermission and the Ministers reassembled at 5:45.)

Mr. ACHESON said they had redrafted their paper of June 15 (Annex 3<sup>5</sup>) inserting the amendments proposed by Mr. Vyshinsky in his memorandum<sup>6</sup> in the light of their earlier conversation today. He said they had only included those parts of the memorandum which were put forth as amendments to the June 15 document, but that if Mr. Vyshinsky preferred they could also include the explanatory observations. He said there were two additions, the proposal for dealing with the properties of the Danube shipping company and the other concerning the specific listing of properties.

Mr. VYSHINSKY said he felt they should settle the matter of the shipping company upon the basis of the Soviet proposal. He said a port lost its value if there were no repair facilities and that the question was more than just the value in money. He repeated he would have to consult his experts and that if the other Ministers insisted on referring the matter to the Deputies as proposed he would have to get instructions from Moscow which he could not receive before Saturday. He said he wished to deal with the question of Austrian jurisdiction over the properties transferred to the Soviet Union. It was true that they would be under Austrian jurisdiction but with the reservations contained in the Soviet paper of January 24, 1948; namely, that Austria could not eliminate this property without Soviet consent nor place obstacles on the export of profits in freely convertible currency or in production. He said also there was the question of the

<sup>5</sup> On June 15, the paper submitted to Vyshinsky at the 20th Meeting of the Council (footnote 1 to minutes of the second part of the 20th Meeting, p. 1001) was revised by the three Western Ministers and the new text sent to the Soviet Member on their behalf by Schuman. This new text read:

"The Ministers have agreed:

(a) that Austria's frontiers shall be those of January 1, 1938;

(b) that reparations shall not be exacted from Austria, but that Yugoslavia shall have the right to seize, retain or liquidate Austrian property, rights and interests within Yugoslav territory; and

(c) that, on condition that the settlement includes the relinquishment to Austria of all property, rights or interests held or claimed as German assets and of industrial and transportation equipment in Austria held or claimed as war booty (except those oil assets and Danube Shipping Company properties transferred to the Soviet Union under other paragraphs of Article 35 of the Treaty and retained under Austrian jurisdiction) with reciprocal waivers of creditor claims arising out of control or operation of such property, rights or interests after May 8, 1945, the Soviet Union shall receive from Austria \$150 million in six years;

(d) that the Deputies shall resume their work promptly for the purpose of reaching agreement not later than September 1, 1949 on the draft treaty as a whole."

(CFM Files: Lot M-88: Box 142: Minutes and Records of Decisions)

<sup>6</sup> *Post*, p. 1057.

settlement of any disputes which might arise in connection with these properties and that they felt that should be settled through bilateral negotiation with the Soviet Union. He said that what they had in mind of course was to protect this property against possible nationalization by Austria as a means of depriving the Soviet Union of these assets.

MR. ACHESON suggested the Deputies consider this problem and that we had proposed a ten year period during which Austria could not nationalize any of these properties. He said it was a complicated question and he personally was not familiar enough with it to settle it here.

MR. VYSHINSKY stated that the Deputies had tried and failed, that the Soviet Government could not accept the situation whereby the Austrian Government could take from them this property. He emphasized that his Government insists on this point and he felt that it should be dealt with by the Ministers. The property would be under Austrian law subject to the reservations he had mentioned in order to protect Soviet interests. He said that he had thought that in relinquishing support of the Yugoslav claims and in accepting the \$150,000,000 with a waiver of outstanding claims on such property that the Soviet Government would receive satisfaction on the eight points of the January 24 proposal. He said the question of jurisdiction was a serious legal matter. All three Western Deputies had agreed in principle that there should be some reservations but then this had arisen in regard to the time period. He said that it was impossible to accept the ten year period since in regard to the concessions for exploitation and exploration they ran for 30 and 33 years. He said property rights are property rights and that possibly when paradise came to earth these could be eliminated but that it was impossible in a treaty to forecast when paradise would come to earth. He said that if Austria was in a position to expropriate these properties the agreement concerning their transfer to the Soviet Union would be meaningless. He could not agree to the elimination of the reservation concerning profits and convertibility; otherwise these Soviet properties would be working for somebody else. He said the Soviet Government could not accept any such situation.

MR. BEVIN inquired whether Mr. Vyshinsky meant that these profits [*properties?*] could not be nationalized for the period of the concession.

MR. VYSHINSKY said not without Soviet consent, but that when the concessions ended all Soviet rights lapsed.

MR. BEVIN pointed out that certain properties such as the shipping company did not have any time period but appeared to be in perpetuity.

MR. VYSHINSKY said that this was correct. That in regard to the concessions the Soviet rights would lapse when the concession ended

but that in regard to the shipping company there was no time limit. Mr. Vyshinsky said that he could not accept Mr. Acheson's proposal to send this question to the Deputies since he felt that this was a very important question and not similar to the question of the definition of war booty.

MR. ACHESON said he thought that the same principle applied to all property, that there should be a definite time limit set.

MR. BEVIN inquired whether Mr. Vyshinsky seriously expected them to agree that any country would oblige itself not to nationalize forever an industry such as shipping. He said the question of the oil properties was clear, that there was no time limit on the properties of the shipping company.

MR. VYSHINSKY asked whether Mr. Bevin seriously thought that the Soviet Union could agree to receive the shipping assets today and have them taken away tomorrow without their consent. He said words like "socialization" and "nationalization" had no meaning in this connection. They could not accept the situation in which what they received would be taken away from them. He repeated that in regard to the concessions, when they expired all rights would lapse, but in regard to the shipping properties and the refineries there was no time limit. He added that they had built their agreement on the basis of accepting the Soviet positions on the German assets in return for the abandonment of the Yugoslav claims and \$150,000,000. It made no difference in his opinion whether the property was a ship or a factory, that to speak without diplomatic subterfuge they could not accept the right of Austria to take this property away from them.

MR. SCHUMAN remarked that these were German assets and that in effect the Soviet Government was succeeding to the position of the German owner and they, therefore, could not get more rights than the previous owner had. To do so he felt would prejudice Austrian sovereignty. He agreed that there should be no discrimination against these properties but did not feel that Austria should be required to take on greater obligations or restrictions on their sovereignty than had been the case with the previous owner. He said that under the Soviet proposition it would in effect be a disguised form of reparations from Austria.

MR. ACHESON said he thought there was a fundamental misunderstanding here. He gathered that Mr. Vyshinsky had felt in accepting Mr. Schuman's memorandum of last Sunday<sup>7</sup> that we would accept all eight points in the Soviet proposal of January 24, 1948. He said as a matter of fact that as he understood the situation that by their agreement here they had settled 1(a) and 1(b) of these points; 2, 3,

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<sup>7</sup> June 12, p. 1053.

and 4 were agreed by the Deputies; 5 and 6 had likewise been settled here; but 7 and 8 were still open and he felt should go to the Deputies. They were not asking Mr. Vyshinsky to abandon his position on 7 and 8 anymore than they were abandoning theirs and they could go to the Deputies without prejudice to any position. He said he felt the Deputies could agree upon a reasonable period during which the Austrian Government could not nationalize these properties and could work out the principle of compensation for any such action after that period. He said he was merely mentioning one of the possibilities that the Deputies could work on. He said the question was whether they could record here the large measure of agreement they had reached or whether because of the failure to reach an even larger accord they should have no agreement at all.

MR. VYSHINSKY said he could not accept Mr. Schuman's statement that they were successors of the German Government. It was impossible to confuse the Soviet and Hitler Governments, that he must object in principle even to the formulation of the question. Soviet relations with Austria stem from the war and Austrian participation therein. The Moscow Declaration of 1943 made it plain that Austria must bear responsibility for her actions. Austrian troops had fought in the Soviet Union, and on the subject of German assets there was a new legal relationship between the Soviet Union and Austria arising out of this fact of responsibility. It was, therefore, impossible to state that the Soviet Government did not have greater rights in this respect than the German Government. He must reject entirely Mr. Schuman's thesis on this point. He said the Soviet Government was prepared to deal on an equal basis with Austria but with certain reservations concerning these properties. He said that this was not reparations and could not be compared with reparations. These properties would be under Austrian law. The Soviet Government could not be dependent upon the control of the Austrian Government. He said that Mr. Acheson had spoken of a misunderstanding concerning the agreement of all eight items. He had understood Mr. Schuman's proposal too involved a settlement of Article 35 on German assets to give satisfaction to the Soviet demands. He said, however, that this was not the point if they could agree on the substance. Mr. Acheson was right in saying that it was necessary to reach agreement on fundamental questions and that the Soviet Union's point 7 was fundamental and most important. If that point was not agreed they would be at the mercy of the Austrian Government, and that they could not accept. He repeated they could not refer so fundamental a question to the Deputies particularly when the Western Deputies wished to limit their rights. He

said that without a settlement on this point it would be difficult to go forward in this matter.

MR. BEVIN said he thought there were two points; one on the Danube shipping which involved the question of transit docks in Vienna and the other on the question of Austrian jurisdiction. He said he thought they might pass over this question and think it over overnight.

MR. VYSHINSKY said he could not agree to its going to the Deputies, but he thought it was wise to think it over overnight.

MR. BEVIN said that all they asked was to refer it to the Deputies without prejudice.

MR. VYSHINSKY said he could not agree to send this question to the Deputies. On shipping he would have to await the report of his experts concerning the docks. Point 7 he emphasized is a fundamental question and he must state that if there is no agreement on this point then there is no agreement on any of the questions they have discussed—frontiers, Yugoslav reparations, the \$150,000,000. He could not agree to drop point 7 as that would render the other agreements valueless. He would not even suggest such a thing to his Government. He said he felt the discussion on what might at first glance appear to be a purely legal question had shown that it had large political implications involving sovereignty etc. Mr. Vyshinsky said he thought they were all Allies who had fought against the common enemy but here it appeared that there were three Allies and that he was somehow in the capacity of a representative of the German Government.

MR. SCHUMAN said that Mr. Vyshinsky's argument was without foundation. He merely made the juridical point in regard to ownership and there was no question, of course, of any suggestion that the Soviet Government was the successor to the German Nazi Government. He was merely interested in the fact that they were being asked to impose a heavy burden upon Austria.

MR. ACHESON emphasized that they were not asking Mr. Vyshinsky to give up his position nor were they in advance refusing his proposition, but it was merely that the matter required further study by the Deputies. He asked if he was right in understanding Mr. Vyshinsky to say that unless we agreed here to his position on point 7 and on shipping there was no agreement whatsoever.

MR. VYSHINSKY read from his record of what he had said on June 14 in which he had stated his understanding that in return for the frontiers, reparations, and the \$150,000,000 all Soviet claims concerning German assets would be satisfied. He said of course he understood that all this was conditional since nothing had been finally agreed on. He felt that the questions under 7 and 8 were serious and that if they insisted that they go to the Deputies he would have to consult his Government.



Mr. SCHUMAN remembered that they had given a large measure of satisfaction to the Soviet claims but that on 7 and 8 they needed the new draft and the experts might find a formula. He said he understood the Soviet Government could not be put into a position where they could be evicted from these properties by unilateral Austrian action but he said that they must also find an action that would not infringe on Austrian sovereignty.

Mr. BEVIN said that Mr. Vyshinsky's remarks looked rather like an ultimatum since they were to accept all eight points or face a breakdown.

Mr. VYSHINSKY remarked that there was no ultimatum and pointed to Soviet concessions as well as Western concessions to indicate that they were proceeding through mutual concessions and not through an ultimatum.<sup>8</sup>

#### *Germany*

Mr. ACHESON then asked Mr. Vyshinsky if he had instructions yet on the German question:

Mr. VYSHINSKY said he had and he could briefly outline them and would give them in writing later in the evening (Annex 4<sup>9</sup>). He said there was one small difference and one important one. The Soviet Government was prepared to accept the present language of paragraph 5 but requested the inclusion of a reference to transit traffic. He said the

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<sup>8</sup> The substance of Vyshinsky's position on the Austrian Treaty was transmitted to the Department of State in Delsec 1909, June 17, from Paris, not printed (740.00119 Council/6-1749) and discussed at the Under Secretary's Staff meeting June 17. The Director of the Policy Planning Staff, Kennan, expressed his opinion on that day as follows:

"If Vishinsky's demands are accepted, there is sure to be serious trouble in the future between the Soviet Union and Austria. The Soviet Government, through its property holdings in Austria and its right for export of profits in the form of output or freely convertible currency, will have what it wants: namely, an ample arsenal of pretexts for quarrels with, and differences with, the Austrian Government. These will end in new demands and encroachments from the Russian side. In all of this, we will be powerless to help the Austrians by virtue of the bilateral clause and the Austrian Government will be in many respects at the mercy of the Soviet Government."

(PPS Files: Lot 64D563: Box 20029: Chron File)

<sup>9</sup> The Annex under reference here read as follows:

"The Delegation of the USSR agrees with the proposals set forth in the document: 'Provisions as to permanent consultations concerning Germany,' received from Mr. Schuman on June 15, provided the following changes are introduced in this document:

1. Paragraph 3(a) (ii) should be worded as follows: 'There must be an equilibrium in the movement of essential goods and in the movement of not-so-essential goods between the Western Zones, on the one side, and the Eastern Zone and Berlin, on the other side.'

2. In paragraph 5 after the words: 'concerning the movement of persons and goods and communications between the Eastern Zone and the Western Zones and between the Zones and Berlin' to add the words: 'and also in regard to transit.'"

(CFM Files: Lot M-88: Box 142: United States Delegation Minutes)

important difference was that the Soviet Government had suggested the elimination of 3(a) (ii) since they could not seem to agree on language for this paragraph.

(The meeting then adjourned to reassemble at 11:00 P. M.)

### *Procedure*

MR. ACHESON said he had a suggestion concerning the procedure for the rest of this session as follows: (1) The Soviet Delegation would if possible let them have by noon on Sunday their observations on the Austrian treaty; (2) The Ministers would meet four hours after they had received these observations in closed session; (3) The final plenary session of the conference would take place on Monday, preferably in the morning. This procedure was accepted by the other Ministers.

### *Germany*

MR. ACHESON then turned to the German question and said he would like to know exactly why the Soviet Delegation proposed to delete from the paper Point 3(a) (ii), dealing with balance of trade. He said it seemed to us that unless the question extending credit was involved, which no one had proposed, it was obvious from a practical point of view that a balance in trade would have to be achieved. He emphasized that he was dealing with the practical aspect of the matter and not one of prestige but that it was clear that in any expansion of trade as envisaged in 3(a) (i) that the balance would have to be achieved between the two areas in Germany in which different currencies circulated.

MR. VYSHINSKY said that Berlin cannot be separated geographically or economically from the Soviet Zone in which it was located. He understood that the three Western Ministers did not wish to emphasize this point and they [*he?*] appreciated that point of view. It was apparent, however, that no language could be found which would adequately express on this point what they had in mind. The new Western formula said in different words the same thing as the previous one. He thought therefore it was better to leave this question to practical solution through a trade arrangement or other practical measures.

MR. ACHESON then inquired if the Soviet Delegation thought it was possible to retain 3(a) (i) if 3(a) (ii) was deleted since the agreement would then call for an increase of trade without indicating one of its fundamental bases, namely, that it should be balanced.

MR. VYSHINSKY said he saw no difficulty on that point and suggested retaining 3(a) (i). There are of course two problems but he felt that the second could be dealt with in a trade agreement.

MR. ACHESON said he thought that they would like to think over the question of the deletion of 3(a) (ii).

MR. VYSHINSKY agreed and said he understood that they would think over this German question and discuss it further on Monday.

MR. VYSHINSKY had one more question which he could either bring up now or on Sunday.

MR. ACHESON said it would be helpful to know what the question was so they could think it over in the interval.

MR. VYSHINSKY said he had no concrete proposals to make at the moment on the subject he wanted to raise but that he wished to draw the attention of his colleagues to the matter of the functions of the Berlin Kommandatura. It was for this reason that he had been anxious to return to Point 1 when the matter was raised in the open session. It seemed to him that their differences concerning the principle of unanimity were connected with the functions of the Kommandatura. He would like to know if the attitude of his colleagues on the question of unanimity might be different if they could agree that it would apply only to certain fundamental points. If so, it might be worthwhile to examine the termination of the functions of the Kommandatura. If, however, his colleagues felt that the subject had been exhausted, he would not waste the time of the Council. If they did not, he was prepared to submit his views either in writing or orally.

MR. SCHUMAN remarked that it was difficult to separate the question of the functions of the Kommandatura from the problem as a whole.

MR. BEVIN said he thought that they had covered the subject very fully and that in fact Mr. Vyshinsky had knocked them out in the first round.

MR. VYSHINSKY said he would not insist on this point but he did not wish the chance to go by to talk such matters over with his colleagues.

MR. ACHESON stated he thought that our proposals had made very clear what functions we proposed to leave to the Kommandatura, what functions were to go to the City Government, and what functions would require unanimity. However, if Mr. Vyshinsky had some new proposals he would of course be glad to receive them.

MR. BEVIN suggested that any proposals which Mr. Vyshinsky might have might be communicated to the governments for study before the next CFM. MR. VYSHINSKY said he saw that it was hardly expedient to raise the question at this session.

### *Austria*

MR. ACHESON, turning to the Austrian question, said he hoped they might get some clarification on the Soviet views on Point A of their January 24, 1948 proposals. They had discussed the other seven items but had not discussed Point A. He drew Mr. Vyshinsky's attention to

the relationship of this question and Articles 50 and 57 of the draft treaty.

MR. VYSHINSKY stated that Article 50 related to restitution and matters affecting UN property and Article 57 to other types of dispute. In regard to German assets, however, the Soviet Delegation proposed a special procedure because of the nature of the problem, namely, settlement through bilateral negotiation which however by common consent would not exclude arbitration.

MR. ACHESON said he was aware of the Soviet proposal but he did not see why the other procedures for settlement of disputes would not also apply to the case of German assets. He saw no reason why Soviet property in Austria should be on a different status than property of other members of the UN. He said he thought this was a question which could well be sent to the Deputies to examine.

MR. VYSHINSKY stated that Paragraph 8 sets forth the procedures that propose to deal with the disputes concerning German assets. He said this property would go into the Soviet Union or another country only after the most careful examination and specific listing of the property in question. Therefore, there could be no dispute in regard to what was a German asset or what was not. That would all be settled by the treaty itself. Therefore, the disputes that might arise would be of a secondary nature which could be easily settled and should be settled by bilateral negotiations. It was not necessary to verify the property which might not be the case in regard to property in general owned by other countries such as, for example, Argentina. The proposal for the global sum and the specific listing of the properties not covered by that sum settled that question in regard to the Soviet assets. He did not think, therefore, it was necessary to invoke the machinery provided for in Articles 50 or 57.

MR. ACHESON remarked that the fact that it was simple should make it more amenable to the regular procedures. He stated, however, that as Mr. Vyshinsky well knew, every Foreign Office had a number of disputes which required arbitration which was the accepted form of dealing with such difficulties.

MR. VYSHINSKY said he did not see how there could be any objection to the procedures set forth in these clauses of the treaty since they were representative of the four Ministers who were actually drawing up the treaty. Mr. Vyshinsky repeated that, in their view, a special procedure should be set up with the special question of German assets, namely, settlement of disputes by bilateral negotiations.

The meeting broke up with the understanding that the Soviet Delegation would by noon on Sunday transmit to the other delegations its views on Austria and that four hours thereafter the Ministers would meet in closed session.

740.00119 Council/6-1749 : Telegram

*The United States Delegation at the Council of Foreign Ministers to  
the Acting Secretary of State*

SECRET      PRIORITY  
NIACT

PARIS, June 17, 1949—10 a. m.

Delsec 1909. At today's secret session <sup>1</sup> Vishinsky agreed following terms settlement Austrian Treaty:

- (a) Austria's frontiers shall be those of January 1938.
- (b) Treaty shall provide that Austria shall guarantee to protect the Slovene and Croat minorities in Austria.
- (c) Reparations shall not be exacted from Austria but Yugoslavia shall have right to Austrian assets in Yugoslav territory.
- (d) Rights to 60 percent of oil exploration and exploitation areas equivalent to 60 percent 1947 production areas shall be transferred to the Soviet Union subject to agreement on the specific properties involved.
- (e) The Soviet Union shall receive from Austria \$150 million in six years subject to the relinquishment to Austria of all property, rights or interests held or claimed as German assets and to a reciprocal waiver of claims and charges. Although the Soviets agreed to relinquishment of industrial and transportation equipment in Austria held or claimed as war booty, they qualified their acceptance by a note referring only to industrial enterprises of military character but agreed that the term could be further clarified by Deputies.

Vishinsky insisted upon full compliance with Soviet proposals that the USSR will receive 100 percent of Danube shipping properties in Eastern Austria (including docks in Vienna). That assets transferred to the USSR shall be subject to Austrian law but exempt from nationalization without a time limit, that export of profits may either be in the form of output or freely convertible currency, and that the settlement of disputes shall be through bilateral negotiations. He has refused to agree to any compromise on these points even at risk of jettisoning agreement reached so far, stating Soviets agreed to our proposal for frontiers on understanding they would receive satisfaction on the eighth point of their proposal.<sup>2</sup> He said his instructions on this point were explicit. At the end of tonight's session, the matter was left with our insistence that these matters be referred to Deputies for further study and Vishinsky's insistence that his instructions were that question of exemption of nationalization and right to export profits was essential part of Soviet proposal. He has, however, agreed

<sup>1</sup> The 21st (6th Restricted) meeting of the Council, June 16.

<sup>2</sup> The reference here is to the Soviet proposal on German Assets in Austria, CFM(D)(L)(48)(A)1, January 24, 1948, which is printed in *Foreign Relations*, 1948, vol. II, p. 1448.

to ask for further instructions from his government and states that no reply can be received before Saturday at the earliest.

Consultations with British and French tonight indicate that, although they attach great importance to preventing Soviet Union through acquisition of permanent dock facilities in Vienna from obtaining strategic foothold there and are likewise opposed to settlement of disputes by any other means than arbitration, they have some doubts whether these two issues should prevent agreement on treaty.

Gruber, too, was consulted this evening, while strongly urging that we continue to endeavor to exchange ships for dock facilities, likewise feels that failure to achieve agreement on this point should not prevent the conclusion of treaty. He points out that Austria has other facilities to maintain river traffic with the West and the Danube traffic with the East is in any event dependent upon Austria's relation with the Soviet Union. He does not attach the same importance to the settlement of dispute procedure as do the Western delegations. He is, however, consulting Vienna tonight and will give us the final views of his government Saturday morning at the latest.

We are meeting with British and French later today and will comment further on Soviet position but would welcome prompt transmittal your views.

Sent Department for action; repeated (for information) London 410, Moscow 138, Vienna 42.

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740.00119 Council/6-1749: Telegram

*The United States Delegation at the Council of Foreign Ministers to the Acting Secretary of State*

SECRET

PARIS, June 17, 1949—6 p. m.

Delsec 1910. Following is CFM situation re both German and Austrian questions. Re German question we, French and British agree to accept Vishinsky's proposals sent you in Delsec 1908.<sup>1</sup> In discussion of deletion of paragraph 3(a)(ii) of our *modus vivendi* paper,<sup>2</sup> Vishinsky made it clear he finds it impossible accept new drafting because of prestige considerations relative to linking of Berlin with Western zones. He agreed that if question of balance as explained by Secretary actually arose, it could be settled in any trade agreement or negotiations. We contemplate explaining this point in final statement in closing plenary. We see no objection accepting his reference to transit in paragraph 5. Accordingly, at secret session Monday after-

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<sup>1</sup> Not printed: for the text of Vyshinsky's proposal, see footnote 8 to the minutes of the 21st (6th Restricted) meeting of the Council, June 16, p. 1009.

<sup>2</sup> Under reference here is USDel Working Paper/32 Rev. 6, p. 1055.

noon, we will presumably reach agreement on *modus vivendi* paper as thus modified.

Re Austria, both we and British had further full discussions with Gruber this morning after he had had several telephone conversations with Vienna. Austrians are clearly in frame of mind to yield on all eight points of Soviet requirements on German assets<sup>3</sup> in order get treaty. Bevin takes practically same view. Schuman is more inclined to hold out strongly on certain points. After discussion of three delegates, memo was sent Vishinsky this afternoon giving further indication our position on four points which remain in dispute. Text follows in immediately following Delsec.<sup>4</sup>

Re Danube shipping, information received from Gruber reveals that transfer of dock properties claimed by Soviet would not seriously interfere with Austrian economy and in Gruber's opinion would represent no security hazard since occupation forces withdrawn and Austrian controls reestablished. Docks would be under Austrian jurisdiction and, therefore, police control. Gruber further informs us DDSG only held leases on these docks, title being in Austrian Government. Re ship repair yards, Gruber is also satisfied Austrians have adequate other facilities and no harm in transferring Karneuberg yards to Soviet. Three Western delegates would be prepared concede this, specifically if Vishinsky demands it. We three also agree unnecessary hold up treaty by refusing making [*to make?*] further concessions concerning prolongation of leases to dock properties, and even perhaps transfer of actual title to property. On this point, however, we all consider we have strong logical argument and hope concession would be unnecessary.

Re question alienation in Soviet proposal No. 7, we are prepared to meet them. Re export of profits, we also are ready meet Soviets but will insist strongly on interpretation contained in papers being sent Vishinsky today.

On procedures for settlement of disputes in point eight of Soviet proposal, Gruber feels no concern and we are prepared concede full acceptance.

While we recognize that Soviets may be pressing us for further concessions, their concession on Yugoslav claims and waiver of additional claims for German assets and war booty are substantial. Our current examination problem and consultation with Austrians and

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<sup>3</sup>The text of the Soviet proposal on German Assets, CFM(D)(L)(48)1, January 24, 1948, is printed in *Foreign Relations*, 1948, vol. II, p. 1448. The references below to points seven and eight of the Soviet proposal are to the numbered paragraphs of this document.

<sup>4</sup>The text was transmitted in Delsec 1915, June 17, not printed (740.0011 EW (Peace)/6-1749). For the text of this memorandum, see p. 1058.

French and British convinces us that advantages of securing agreement main issues Austrian treaty at this CFM outweigh disadvantages of acceptance Soviet points.

Sent Department Delsec 1910, repeated Vienna 43, Berlin 269, London 414.

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740.00119 Council/6-249: Telegram

*The Acting Secretary of State to the United States Delegation at the  
Council of Foreign Ministers*

SECRET      PRIORITY  
NIACT

WASHINGTON, June 17, 1949—8 p. m.

Secdel 1702.<sup>1</sup> Our comments on Delsec 1909 June 17<sup>2</sup> as follows:

We consider Vishinsky's counterproposal must be judged both in terms of Sov tactics in present negots and its ultimate effect on our policy respecting Aust in post-treaty period as affecting entire US position in Central Europe. Since US objective is to maintain Aust in Western orbit after completion treaty utmost care must be taken in settlement to provide that a basis is not created for exercise undue pressure by Sovs against Aust Govt. Means shld be provided making possible continuous Western support in Aust efforts oppose Sov demands and encroachments arising from property settlement. We realize under compromise solution for Ger assets question certain property rights wld be given to Sovs and such rights will constitute a future risk. We consider, therefore, any concession beyond settlement envisaged in original compromise proposal<sup>3</sup> and recent Western offer<sup>4</sup> must be judged in terms its ultimate effect on Aust relations with Western Europe. We cannot afford put Aust in position of dealing directly with Sov Union on all disputed questions in Treaty without providing some means for Western support.

We believe Vishinsky's counterproposal shld be considered as Sov bargaining tactic rather than a substantive step toward a mutual agreement on Aust Treaty. There are no concessions on Sov side affecting either Sov material interests in Aust or their possible dipl objectives in Aust. While Sovs have agreed on frontiers and reparations, thus acceding to major Western position, this is concession made at Yugo expense. There is no concession in Sov position on Ger assets question. Counterproposal thus leaves Vishinsky in position of transferring onus for any delay in Treaty settlement to Western states

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<sup>1</sup> Repeated to London as 2096, Moscow as 456, and Vienna as 600.

<sup>2</sup> *Ante*, p. 1020.

<sup>3</sup> Under reference here is the Tripartite memorandum on Austria, June 12, p. 1053.

<sup>4</sup> For the text of the Western proposal on Austria June 14, see footnote 1 to the minutes of the second part of the 20th meeting of the Council, p. 1001.



through inability agree on Ger assets and removes frontier question as basic issue. This will strengthen Sov propaganda position in Aust and will weaken position of Western States. We consider therefore in ensuing negots emphasis must be placed upon implications of specific points concerning Ger assets settlement affecting future Aust independence.

In reviewing all remaining unagreed articles in Treaty we consider that on many points West could modify position without sacrificing basic objectives in an effort obtain agreement. Such concession on Western part, however, can be made only if there is assurance in final treaty Aust independence and Western orientation can be maintained in future. This objective requires we do not give to Sovs means in Aust whereby they could take measures vitally affecting the econ. and polit situations in that country.

Our comments on specific points in Delsec 1909 are:

1. On para *b* we assume any provisions concerning minority protection wld be based on Aust proposals summarized Paris 2259 June 2<sup>5</sup> and wld not apply to any specific part of disputed area. We do not consider we can agree to establishment of autonomous province or creation of specific rights in any specific area as such action wld nullify the gains made in Vishinsky's agreement on the frontiers by permitting continued agitation in areas formerly constituting basis for Yugo territorial claims.

2. On paragraph *c* we can accept Sov position as constituting recognition of an accomplished fact.

3. On para *d* we assume Sovs mean 60 percent of oil exploration as well as exploitation area equivalent to 60 percent 1947 production areas. Do Brit agree on this point? Previous Dept instrs to Deputy have covered our position.

4. Para *e* raises many questions both of principle and clarification. On reciprocal waiver of claims and charges we shld seek clarification whether such waiver is all inclusive and in particular includes Gosbank claims and taxes now held in special accounts by Sovs. We realize acceptance of this proposal wld present additional charges on Aust for compensation of UN interests but that it shld not be a question holding up final agreement. It shld, however, be subject to negot in order to obtain complete clarification.

The question of war booty involves a definition by Sovs of term "industrial enterprises of military character". Does Sov position mean enterprises such as Hirtenberg Patronen Fabrik and Nibelungenwerke, St. Valentin, wld be merely subject to removal of machinery or wld they continue to be operated by Sovs in Aust after conclusion of

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<sup>5</sup> Not printed; it explained that the creation of an autonomous regime for Carinthia would involve no changes in the existing district areas, or amendment to the constitution and that the powers granted to such districts would be strictly in line with constitutional provisions. (740.00119 Council/6-249)

Treaty? Clarification shld also be obtained on precise intentions concerning return of transport equipment.

On DDSG we suggest that Sovs be queried on their various changes of position on this point and an effort be made to return to intermediate position of transfer of a percentage of DDSG assets in all Aust. This wld permit agreement on specific properties and provide transfer some DDSG ships from Western zones as well as a portion of dock facilities in Vienna. Such agreement wld not give Sovs complete control of dock facilities in Vienna which we consider wld be dangerous. Gruber shld be asked what "other facilities" at Vienna are possessed by Aust to maintain river traffic with West. If such facilities exist we wld have bargaining room on this question.

Does Sov position on export of profits mean the Sov Union will have the option to demand payment in output or freely convertible currency or that Aust will have option? We consider that Aust must have this option and if such power were exercised by Sov Union it would involve ultimate and complete econ control.

Does Sov position on lump sum payment "150 million dollars" mean such payment will be made in "dollars" or in "freely convertible currency" or in "goods"? If the latter, at whose option? We consider that clarification of this point is vital.

Sov demand for nationalization without a time limit must be judged in terms of the entire settlement of assets question. As far as oil properties are concerned agreement on this point wld not vitally affect our interests or Aust position in future in view of agreement already reached on transfer of oil properties and rights and eventual termination Sov interest in oil properties. However, if this includes "industrial establishments of mil character" and Vienna docks Sovs wld be given long term vested position in Aust which in our opinion is not called for in Ger assets settlement and is not desirable for policy considerations.

We consider Sov demand for bilateral settlement of disputes as a basic factor in settlement. This device is a consistent feature of Sov Fon policy and has served well in Eastern Europe in obtaining Sov dipl objectives. It is not clear from Delsec 1909 whether Vishinsky regards bilateral settlement as fixed Sov position. Agreement on this point must be judged in terms of extent of property holdings and agreement on methods of lump sum payments. Regardless of Gruber's views we do not consider that Aust and Sov Union would be equal partners in any bilateral settlement of disputes and consider therefore this issue must be made one of the key points in the final settlement.

We realize of course the implications of our position if Brit, Fr and Aust all take position that treaty shld be accepted under these

conditions and we alone were to oppose. We believe it wld be desirable to present the Aust Govt frankly with the implications of possible agreement on the basis of Vishinsky's counter-proposal. If agreement were to be reached on the basis of Vishinsky's counter-proposal the Aust Govt shld be made completely aware of its possible consequences.

Our position here is somewhat similar to our position in Yalta negots concerning China and Russia. We consider Aust shld properly share in the responsibilities of this decision and Aust views shld be given full consideration. We feel further Aust views, particularly if they are such as to influence the decision of the Western Powers, be a matter of record.

Altho many details in this mesg are subjects for Deputies negot, we considered full expression of views might be helpful in formulating final position on treaty.<sup>6</sup>

WEBB

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<sup>6</sup> In Delsec 1924, June 18, from Paris, not printed, the United States Delegation indicated that Delsec 1910, *supra*; Delsec 1915, not printed (740.0011EW (Peace)/6-1749), which transmitted the text of the tripartite memorandum on the Austrian Treaty, June 17 (p. 1058); and the Soviet memorandum discussed at the 21st meeting of the Council (p. 1057) would clarify some of the points raised in this telegram. (740.00119 Council /6-1849)

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CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*United States Delegation Minutes of the 22nd (7th Restricted) Meeting of the Council of Foreign Ministers, Paris, June 19, 1949, 6 p. m.*

SECRET

### PRESENT

#### UNITED STATES

Mr. Acheson  
Mr. Jessup  
Mr. Dulles  
Mr. Bohlen  
Mr. Nitze  
Mr. Reber

#### FRANCE

M. Schuman  
M. Parodi  
M. Couve de Murville  
M. Alphant

#### U.S.S.R.

Mr. Vishinsky  
Mr. Smirnov  
Mr. Zarubin  
Mr. Pavlov

#### UNITED KINGDOM

Mr. Bevin  
Sir Ivone Kirkpatrick  
Mr. Dean

MR. SCHUMAN (Chairman) proposed that discussion start with the German question.

*Germany*

MR. ACHESON said the Soviet memorandum received that morning on the German question was not clear [USDel/Working Paper/46<sup>1</sup>]; that it contained a reference to the acceptance of our draft on paragraph 5<sup>2</sup> which confirmed what the Soviet memorandum of June 16 had stated [Unnumbered USDel Paper June 16<sup>3</sup>] but then proceeded to give a draft for the same paragraph which was quite different from the proposal apparently accepted.

MR. VISHINSKY, after examining the drafts referred to, stated that this had been an error in typing and that the draft of paragraph 5 proposed by the three Western Powers on June 15 [USDel/Working Paper/32/Rev. 6] was accepted with the addition of the reference to transit as suggested. This paragraph was, of course, agreed on by the four Ministers.

MR. ACHESON pointed out that in regard to the language of 3(a) (ii), the Soviet memorandum of June 19 repeated the original Soviet language although Mr. Vishinsky indicated he had proposed deleting the entire paragraph.

MR. VISHINSKY said that he proposed their language if there was to be such a paragraph but that he still suggested that it be deleted entirely.

MR. ACHESON stated that the difficulty was that paragraph 3(a) had been originally followed by two principles which were to guide the occupation authorities in their consultation on trade. If one was dropped he thought the other should be dropped.

MR. VISHINSKY said that if that was the opinion of his three colleagues he was prepared to drop 3(a) (i) also. He would, however, prefer to retain 3(a) (i) because it was desirable to have trade raised to a certain level, but if his colleagues wished it removed he would agree.

MR. ACHESON said that these matters could be worked out in trade agreements and it was not necessary to deal with either of the points at this time.

MR. VISHINSKY agreed.

MR. SCHUMAN pointed out that the principle of expansion of trade was already contained in 3(a). MR. BEVIN added that he thought the proposal to drop both subparagraphs was a good step since paragraph

<sup>1</sup> All the brackets in these minutes are in the source text. USDel Working Paper/46 is printed on p. 1060.

<sup>2</sup> Acheson was referring to paragraph 5 of USDel Working Paper/32 Rev. 6, p. 1055.

<sup>3</sup> Not printed; the text of this Soviet memorandum, which was designated USDel Working Paper/42 in the records of the United States Delegation, is indicated by the footnotes to USDel Working Paper/32 Rev. 5, p. 1051.

3(a) itself mentioned the desirability of the expansion of trade and the development of financial relations.

IT WAS AGREED therefore to drop both subparagraphs 3(a) (i) and 3(a) (ii).

### *Austrian Treaty*

MR. SCHUMAN suggested that discussion turn to the Austrian paper, inquiring whether Mr. Vishinsky wished to speak.

MR. VISHINSKY stated that he had nothing to say but would answer questions if any points were not clear.

MR. ACHESON stated that he had several questions with respect to the Soviet draft.<sup>4</sup> The first question had to do with the transfer of property to the Soviet Union on the one hand and the Austrian Government on the other. His question was how did the Soviet Government visualize such transfers? Would they be effected simultaneously upon the coming into force of the treaty?

MR. VISHINSKY said that the language used was the same as they had used in discussing this on June 16. The USSR was to get \$150,000,000 for the property, including all the German assets with the exception of what is noted in brackets and also the word "booty", which was previously discussed and included in footnote one. The language was the same, but if it was not clear, he would be willing to change it.

MR. ACHESON said there were two things to be transferred. He wanted to know whether Mr. Vishinsky agreed they were to be transferred on the same day.

MR. VISHINSKY stated that the properties which were to go to the Soviet Union are properties which it has now; therefore we cannot transfer simultaneously. But he understood that, as soon as the treaty is signed, the property would be transferred. He felt it was possible to clarify this point further.

MR. ACHESON suggested that this clarification be attempted right then, but MR. VISHINSKY felt it was better to let the Deputies do this later.

MR. BEVIN called attention to the two references to dates at the end of paragraph 2 and asked whether they were the same date. He understood that they were.

MR. VISHINSKY said that if possible the transfers would be effected on the same date, but it was possible they could be formalized on different dates. The Austrians might want to do it on May 1 and the Russians on May 5, but there was no objection to doing it on the same date. He stated his understanding that all claims and charges to which the properties may be subjected after the date of transfer to the Soviet Union would be a responsibility of the latter, but the Soviet Union

<sup>4</sup>The Soviet draft proposal on the Austrian Treaty, June 19, is printed on p. 1060.

would not be responsible before the date of transfer. Some date for the transfer could be set later.

Mr. ACHESON said that they understood each other. The point was to make the transfer at the same time and as soon as possible after the treaty was concluded.

Mr. BEVIN agreed.

Mr. ACHESON said in the Soviet memorandum of June 19 he noticed that the parenthesis in paragraph *e(i)* had been moved up so as to exclude Austria's jurisdiction. He felt this was merely a mistake since obviously it should be within the parenthesis.

Mr. VISHINSKY agreed with this.

Mr. ACHESON said, in regard to war booty, that what was still lacking was a reference to industrial and transport equipment which might be distinct from the mere enterprise itself. He suggested that a precise definition of war booty be referred to the Deputies.

Mr. VISHINSKY agreed.

Mr. ACHESON noted that there was a dispute concerning some 500 locomotives; that the Austrian Government was claiming locomotives manufactured before the Anschluss, or after 1945, and were willing to relinquish any locomotives manufactured under the German occupation. He felt that the Ministers should be clear on this point, although it might not be necessary to change the draft since the Deputies were instructed to define more accurately what was meant by "war booty."

Mr. VISHINSKY said that this was the clarification meant in referring the question of definition to the Deputies.

Mr. BEVIN inquired as to the meaning of the words "as a rule" at the end of part paragraph *e(i)* of the Soviet draft. Mr. SCHUMAN said that in French it meant "in general." Mr. BEVIN felt it would be better to delete these words.

Mr. VISHINSKY said he thought that it was a correct statement since the property as a general rule would be under Austrian jurisdiction but that there would be certain exceptions in regard to alienation on the export of profits.

Mr. ACHESON said that with reference to the property of the DDSG he assumed that with regard to assets in Bulgaria, Hungary and Rumania, it was the assets of this company that was envisaged and it should be stated.

Mr. VISHINSKY agreed.

Mr. ACHESON then said they had looked carefully into this question of the property of the DDSG and had found that the docks in Vienna were held in many cases on lease and he therefore assumed that the Soviet Government would accept the lease and not the property itself since they were succeeding to the assets of this company.

MR. VISHINSKY said they wanted 100% of what belonged to the DDSG. They regarded it as a German asset but that the Deputies were instructed to draw up a list of this property in eastern Austria and that would have to be agreed. He said they did not wish to take what belonged to others but they wished to execute what was to come to them.

IT WAS AGREED that the draft was satisfactory and the Deputies would draw up the list of the properties.

MR. BEVIN said that it gave him great pleasure to hear Mr. Vishinsky argue as to rights in property. MR. VISHINSKY said this was especially true when it was somebody else's property.

MR. ACHESON then said that he had two questions left—namely, the export of profits and the procedure for the settlement of disputes. In regard to the export of profits, he asked whether it would be the option of the Austrian Government to choose whether these profits would be exported in the form of production or currency.

MR. VISHINSKY said that according to the draft Austria regulates as it finds necessary the profits and income. He felt that the right to choose the form of export should belong with the Soviet Government. He emphasized that only profits were envisaged here and that the rest of the income would remain in Austria and could only be exported in the usual way under the Austrian licenses, but whether or not the profits were to be exported in kind or in valuta was up to the Soviet Government.

MR. ACHESON said that this was not satisfactory; that it was one thing if Austria was bound to place no obstacles in the way of export in kind—that would be all right; but it was another thing if Austria were to be forced to convert schilling profits into hard currency which she would probably not possess.

MR. VISHINSKY reiterated that what was involved was only that portion of production that represented profits. They were not asking Austria for any currency, but that if they obtained freely convertible currency for this production in Austria they should have the right to export it.

MR. ACHESON said this was a very important question and they were not yet in agreement. For example, suppose there was a profit of a million schillings, how could the Soviet Government export that unless they obtained hard currency for it which could only come from the Austrian financial authorities? He said he felt it was a very complicated subject and it obviously required more precise language.

MR. VISHINSKY said there must be some misunderstanding. Austria was not obligated to make currency available. It was simply a case where, if the Soviet Government had a profit of 60,000 tons of oil, it had the right to export this as oil or to sell it to anyone. If they

received dollars for this sale, they should have the right to export the dollars.

MR. ACHESON said there was no objection to the export of profits in kind, but if the Soviets sold their 60,000 tons in Austria and asked the bank for American dollars it raised a different question.

MR. VISHINSKY said that the text of the Soviet draft of paragraph *g* did not in any way state that the Austrian bank was obliged to pay in freely convertible currency. All the draft stated was that the Austrian Government should not put any obstacles in the way of the Soviets should they wish to export any freely convertible currency out of Austria. As to the currency in which Austria will pay for the oil, that would be stated in a trade agreement and of course if Austria wished to pay in dollars that would be satisfactory. In any case, this particular problem was eliminated in the present document and the only point made is that Austria should raise no difficulty to the export of profits.

MR. ACHESON suggested that the language of the draft did not reflect what Mr. Vishinsky was saying and suggested that it be amended accordingly, for example by stating "currency in which the profits are earned" or some words to that effect.

MR. VISHINSKY stated that they recognized Austrian jurisdiction and that because of the possible enactment of certain laws the Austrian Government could prohibit the Soviets from selling the oil for foreign currency. For example, suppose the total production was 600,000 tons and that 540,000 was sold in Austria for schillings. The Soviet Government wished to have a guarantee that the profit of 60,000 tons could be exported and that they would not be obliged to sell it in Austria. They might for example wish to sell it for francs or kroner or any other kind. He stressed that the wording of this paragraph was merely designed to protect the Soviet Government from a monopoly that could be exercised by Austria.

MR. BEVIN felt that the difficulty resided in the words "freely convertible currency." He noted that the UK would have difficulty in agreeing to this wording. He stated that he did not wish to prevent the Soviet Government from exporting the profits either in currency or in oil but he did not see how Austria could obtain freely convertible currency if this was demanded of it.

MR. ACHESON thereupon proposed a re-wording of paragraph *g*.<sup>5</sup>

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<sup>5</sup> The United States Delegation minutes do not indicate the wording which Acheson proposed, but a British record of the Sixth Session of the Council shows the following formula suggested by the United States Member: "Austria should raise no difficulties in regard to the export of profits or other income whether in the form of output or of the currency earned by its sale abroad." (CFM Files: Lot M-88: Box 142: Council of Foreign Ministers)



MR. VISHINSKY did not see why the text should not say "freely convertible currency" [not mentioned in draft read by Acheson] for no one wished to sell for non-convertible currency. If the sale of oil was made abroad, they did not wish to be prevented from exporting the proceeds from such sales from Austria. He noted that Mr. Acheson's proposed text included the word "abroad." This would prevent the Soviet Government from selling the oil in Austria.

MR. ACHESON stated that this was the very point involved. There was no desire to prevent the Soviet Government from realizing a profit for the oil. If the Soviets sold the 60,000 tons to say Norway and payment was made in dollars in Norway there was no reason why they should not keep this profit.

MR. VISHINSKY repeated again that they did not wish the Austrian Government to prevent the export of currency realized on the sale of the oil whether the sale was effected in Austria or abroad and he did not wish to get into a position where the Soviet Government might wish to obtain dollars for the oil while the Austrian Government could pass a law preventing them from taking these dollars out of Austria. He stated that the Soviet Government must have a clear right to export the profits in any form they wished whether the oil was sold in Austria or abroad. He said that he could not make any concession on this point, and reminded his colleagues of the previous concessions he had made on war booty, Danube Shipping, etc.

MR. BEVIN stated that he was puzzled as to where Austria would get freely convertible currency. It could not get it from Switzerland nor could it get it from America. He stressed that there was no opposition on his part to permitting the Soviets from realizing profits and exporting them from Austria, but he felt that Mr. Vishinsky was asking for something impossible and that it was not wise to impose something on Austria which they well knew it could not fulfill.

MR. SCHUMAN believed that all were agreed to accept the point the way Mr. Vishinsky put it. The question was how would the Soviet Government realize the profits from surplus production. This profit could be realized by sale in Austria provided the Soviet Government found a buyer, and it could be in schillings or any other currency that the buyer wished to pay. If there was no appropriate buyer in Austria, the sale could be made elsewhere, for example in Norway, and could be payable in dollars if the buyer agreed to pay in dollars. We are all agreed that the Soviet Union is free to dispose of the currency realized on the sale of oil whether this be freely convertible currency or not depending upon the buyer and all agreed also that the Austrian Government should not prevent the Soviet Union from exporting such proceeds. If all were agreed on this it seemed clear to him that the

proposed text did not say that, and he suggested that a text expressing this agreement be adopted. He thereupon suggested the addition of the following words to paragraph *g*: "in the form of production or if that production is sold, in the form of whatever foreign currency is realized."

MR. ACHESON said he wished to point out that there was no question that the Austrian Government could not interfere through exchange controls with any sales outside Austria. The only question was regarding sales which might be made in Austria and for which the Soviet Government might demand freely convertible currency. In this case, as Mr. Bevin had stated, he did not see where Austria could get dollars or Swiss francs to pay for the oil. This did not mean that the Soviet Government could be prevented from obtaining and exporting freely convertible currency realized for the sale of oil outside of Austria.

MR. VISHINSKY noted that Mr. Bevin and Mr. Acheson both wondered where Austria would get freely convertible currency but he noted that nowhere in the Soviet document did it say that Austria must pay in freely convertible currency. Mr. Schuman clearly stated the principles involved: that Austria should raise no difficulty with the Soviet Government to exporting that portion of its production which represented profits or whatever was realized from the sale of that profit. That was just what the Soviet draft of paragraph *g* stated. If the principle is acceptable, the Ministers should take the Soviet language. If not, he would have to consult his experts further and perhaps postpone further discussion until the next evening. He felt that perhaps that would be better in any case.

MR. ACHESON then proposed a new wording of the Soviet text to include the phrase "in the form of production of [*or*] any freely convertible currency in which sales are made."

MR. VISHINSKY said that he wished to think about this text a little bit before agreeing to it because it introduced the word "sale" whereas the convertible currency realized might be the result of some other arrangement such as barter. He desired time to consult his experts.

MR. BEVIN wondered what was meant by the words "other income" in paragraph *g*.

MR. VISHINSKY explained it as income from commercial operation.

MR. ACHESON wondered why that was not the same as profits.

MR. VISHINSKY said that it was not necessarily the same thing; that over a period of 6 months for example they might have an income which for commercial reasons it might become desirable to export although in the final analysis the whole operation might not show a profit over the fiscal year.

MR. ACHESON confessed to being confused.

MR. VISHINSKY stated that income was not profit. That income might be the result of payments on leases for warehousing, transport or other items and that an enterprise might have a temporary income during a fiscal year which as a whole showed a loss but that the Soviet Government might find it necessary to export the temporary income.

MR. ACHESON said that he was still confused and wanted to know whether this point could not be referred to the Deputies for clarification. He was not sure whether Mr. Vishinsky meant that he could export the gross production, and if that were the case the confusion to which he confessed a moment ago was really terrible.

MR. VISHINSKY said that they should perhaps accept the Soviet draft and refer it to the Deputies for clarification. Since he had no financial experts present, he wanted to consult with them and suggested that the meeting adjourn until Monday night.

MR. ACHESON said he was under the impression that a final session was being held on Monday morning. He was planning to leave for Washington at 11 p. m. Monday. It might be desirable to leave this question open and let the Deputies work on it. We could agree here that we accept the principle that Austria shall raise no difficulty regarding the export of profits or other income in the form of output or freely convertible currency, but leave the final formula to the Deputies.

MR. BEVIN said that he did not understand the meaning and would not accept any commitment in principle without understanding what was involved.

MR. ACHESON then read the following text:

"That Austria shall not put any obstacles in the way of the export of profits or other income in the form of production or any freely convertible currency received, subject to clarification by the Deputies with respect to the export of freely convertible currency and the definition of other income."

MR. VISHINSKY indicated his preliminary agreement and said he would try to give the final answer by 8 p. m. Monday.

MR. ACHESON said he had a further question to raise on the settlement of disputes.

MR. VISHINSKY proposed that it be referred to the Deputies and that no comment be made on it by the CFM.

MR. BEVIN said that the Ministers should therefore delete paragraph h.

MR. VISHINSKY said that he understood all the rest was agreed except paragraph g.

MR. ACHESON said that it would be a great convenience to him to have this settled, since they had been scheduled to hold a plenary session the next day.

Mr. VISHINSKY said that he would send a wire right away but that he did want the confirmation of his Government. He suggested that the advisers be asked to prepare a communiqué that night, and that the Ministers meet for a half hour the next day to reach final agreement. He proposed that the communiqué merely set forth a short preamble and then quote the texts agreed upon first on the German question and second on the Austrian question.

Mr. ACHESON suggested a meeting at 3 p. m. to agree on the communiqué. If Mr. Vishinsky did not have an answer by then, the meeting could be postponed until evening.

Mr. VISHINSKY said that in order not to force Mr. Acheson to change his plans he proposed that, if he had no answer on paragraph *g*, this whole paragraph be referred to the Deputies.

IT WAS AGREED to hold a secret meeting of the Ministers at 3 p. m. on Monday to review the final communiqué and to hold the final open meeting of the CFM immediately following the secret meeting. [The meeting adjourned at 9:15 p. m.]

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740.00119 Council/6-2149

*Memorandum of Conversation, by the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*<sup>1</sup>

SECRET

PARIS, June 19, 1949.

Participants: The Austrian Foreign Minister, Dr. Gruber  
Mr. S. Reber

I explained to Dr. Gruber that I wished to be certain that the U.S. Delegation clearly understood the position of the Austrian Government with respect to the various treaty issues now under discussion by the Council of Foreign Ministers. It was agreed that I should send Dr. Gruber a copy of this memorandum of conversation, which he could confirm as representing a correct understanding of the position of his Government.

I then said that I understood that:

(1) In return for the Soviet agreement that Austria's frontiers shall be those of January 1, 1938 and that reparations should not be exacted from Austria, the Austrian Government agrees that the Treaty shall provide that Austria shall guarantee the protection of Slovene and Croat minorities, which does not, however, involve the creation of a special autonomous area, and that Yugoslavia shall have the right to retain Austrian assets within Yugoslav territory.

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<sup>1</sup> The source text was sent as enclosure 1 to a despatch from the United States Delegation at the Council of Foreign Ministers, June 21, not printed (740.00119 Council/6-2149).

(2) Provided that the settlement includes the relinquishment to Austria of all property, rights or interests held or claimed as German assets and the relinquishment of war booty, except the specific oil assets and Danube Shipping properties, Austria is prepared to pay \$150 million to the Soviet Union in convertible currency in six years. It would further be understood that property transferred to the Soviet Union as well as property relinquished to Austria shall be transferred without charges or claims accruing during the period from May 1945 to the date of transfer.

(3) Austria is prepared to accept the cession to the Soviet Union of the percentages of oil production and exploration rights now claimed by the Soviet Union on the understanding that agreement shall be reached upon the specific properties involved.

(4) Austria is prepared to relinquish to the Soviet Union the assets of the Danube Shipping Company in the Soviet Zone of occupation. If the Soviet Government insists that this transfer shall include ownership of the docks without any limitation as to the period of non-alienation, the Austrian Government would agree if non-compliance stood in the way of a treaty. Austria would, however, prefer that the Danube Shipping properties be granted the Soviet Union for the same period as the oil concession rights.

(5) With regard to the apparent Soviet refusal to relinquish to the Austrian Government war booty other than industrial enterprises, Dr. Gruber said his Government was aware the Soviet Union was claiming a large number of locomotives, some of which were still in Austria, as war booty. If this number is limited and if Austria is entitled to keep its own locomotives rather than those assigned to it by the Allies after the war, he thought this should not raise serious difficulties. He further considered that the Soviet proposal might leave some latitude to the Deputies to work it out. With regard to Soviet refusal to relinquish industrial equipment claimed as war booty, Dr. Gruber was of the opinion that the Soviets merely wished to eliminate any claim on the part of Austria for equipment already removed as war booty and suggested that an effort be made to obtain Soviet agreement to the relinquishment of industrial enterprises of military character, including "industrial equipment now in Austria".

(6) Dr. Gruber said that the Soviet proposal with regard to the export of profits must be clarified as Austria must be allowed to determine whether profits can be exported in dollars or kind. This, in his opinion, was a very important requirement as otherwise Austria would be subjected to obligations which might be impossible to fulfill in the future. In the calculation of profits Austria must insist that these be calculated after payment of production costs and taxes, in accordance with Austrian law, and that it is essential that the Soviet Government be required to pay future taxes on these properties. The Austrian Government considers that the present Soviet proposal relates only to "profits and other income" derived exclusively from the operation of the specific oil and shipping properties transferred to the Soviet Union by this article.

(7) The Austrian Government does not consider that the clause relating to the settlement of bilateral disputes is of sufficient importance to block progress on the Treaty if the Soviet Government

refuses to concede that, in the event of a disagreement in the bilateral negotiations, recourse should be had to the machinery provided in Articles 50 or 57.<sup>2</sup>

<sup>2</sup> In his reply, June 19, not printed, Gruber confirmed the points of this conversation with the exception of point 5 on which he stated that the correct meaning of his declaration was that Austria should be entitled to keep the railroad equipment allocated to it by the Allied Commission, establishing an Austrian railroad park of pre-Anschluss or postwar origin. (740.00119 Council/6-2149 Enclosure 3)

740.00119 Council/6-2049 : Telegram

*The United States Delegation at the Council of Foreign Ministers to President Truman and the Acting Secretary of State*

CONFIDENTIAL

PARIS, June 20, 1949—8 p. m.

Delsec 1931. For President and Acting Secretary. Final Plenary Meeting 6th Session CFM Bevin in chair held 4:30 p. m. following short private meeting at which four Ministers agreed on text of final communiqué covering *modus vivendi* of Germany and Austrian treaty.<sup>1</sup> Ministers agreed to record of decisions submitted by Secretary General, failed reach agreement on Vishinsky request CFM set date for consideration of Japanese peace treaty and recorded formal agreement with text of final communiqué (Delsec 1930<sup>2</sup>).

Even before question on record of decisions settled Vishinsky asked Ministers reach agreement on point he made at first meeting concerning setting date now for special session CFM to consider Japanese Peace Treaty. Acheson said US Government repeatedly shown desire for early conclusion Japanese Treaty but it did not consider CFM appropriate body for this. We still favor conference of FEC countries which would allow nations closely associated with defeat of Japan to express their views. US always ready discuss procedural questions involved through diplomatic channels. Schuman noted that France agreed to US proposal on Japanese Peace Treaty two years ago and still adhered to this position. Time of conference to be determined through diplomatic channels. Bevin expressed view CFM cannot profitably discuss question. UK did not agree with Soviet position and therefore would not agree set date.

Vishinsky then developed argument that Potsdam agreement in stipulating CFM draft peace settlements specifically envisaged that CFM would prepare Japanese Treaty. China deserved right to participate which was provided for in Potsdam. Other interested powers

<sup>1</sup> The minutes of the private meeting, at which the Berlin railroad strike, the return of German prisoners of war, and the communiqué were discussed, are in the CFM Files: Lot M-88: Box 142: United States Delegation Minutes. For the text of the communiqué, see p. 1062.

<sup>2</sup> Not printed.

should be consulted in same manner as they were on satellite peace treaties. Acheson replied that US view set forth in note given USSR in [August] 1947<sup>3</sup> and it was a complete waste of time to discuss question here. Potsdam does not mention Japanese Treaty in any way and agreement actually signed before USSR at war with Japan. US insisted that countries which bore brunt of war with Japan should participate in treaty drafting not just as consultants but as major participants.

The Ministers then accepted without comment Part 1 of communiqué on Berlin. In recording his agreement with Part 2 on Austria, Acheson noted that Ministers had been unable reach agreement on all questions and had referred back to deputies important issues of export of profits settlement of disputes and German assets. Nevertheless he looked forward with hope to receiving a draft treaty from deputies by September 1. Vishinsky said all delegations had agreed to Soviet right to export its profits; point at issue was clarification of what was meant by profits. Acheson agreed to this statement.

Session adjourned at 6:30 with round of compliments, comments on Palais de Marbre Rose decorations and photographers flash bulbs.<sup>4</sup>

Sent Department Delsec 1931; repeated London 433, Berlin 283, Heidelberg 27, Vienna 53, Moscow 152.

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<sup>3</sup> Under reference here is the United States *aide-mémoire*, August 12, 1947, to the Soviet Government. For the text of this *aide-mémoire*, see Department of State *Bulletin*, August 24, 1947, pp. 395-396. For further documentation relating to the preparation of a Japanese peace treaty, see *Foreign Relations*, 1947, vol. VI, pp. 446 ff., 1948, volume VI.

<sup>4</sup> A photograph of the four Foreign Ministers at the adjournment of the session will be found following page 642.

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740.00119 Council/6-2049 : Telegram

*The United States Delegation at the Council of Foreign Ministers to  
the Acting Secretary of State*

SECRET      NIACT

PARIS, June 20, 1949—11 a. m.

2544. From Jessup. Shortly after 8 o'clock, when the communiqué<sup>1</sup> had already been released for publication, we received urgent word from Vyshinsky requesting an immediate meeting.<sup>2</sup> When the meeting convened, Vyshinsky said he had just received instructions from Moscow to insist upon insertion of a paragraph in the agreed Austrian communiqué relating to export profits which he had this morning

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<sup>1</sup> *Post*, p. 1062.

<sup>2</sup> The minutes of this meeting are in the CFM Files: Lot M-88: Box 142: United States Delegation Minutes.

informed us, could be dropped and left to the Deputies. He urged that the following paragraph be added:

"That Austria shall not put any obstacles in the way of the export of profits or other income (i.e. rents) in the form of production or any freely convertible currency received." He argued that this paragraph was quite clear and required no further clarification by the Deputies. He insisted that the agreement to Austrian jurisdiction had been contingent upon our agreement to the principle the Soviet Union could export profits. We pointed out that we refused to accept at this hour any paragraph which was as vague and ill-defined as this since he gave us no idea at all what "other income" meant.

We pointed out he had already agreed that the properties retained by the Soviet Union were subject to Austrian jurisdiction in the communiqué which had been made public and if he now withdrew his agreement to this point, it would nullify the entire Austrian agreement. As a last resort, he agreed to let the communiqué stand and to put our suggestion that this paragraph should be "subject to clarification by the Deputies" up to his government in the hope that agreement on this point could be reached through diplomatic channels before the Deputies meet. The nature of his instructions obviously placed him in an embarrassing position as he did not wish to repudiate agreement already announced. Apparently, however, the Soviet Government attaches considerable importance to the right to export other income and may refuse clarification subsequently at the Deputies level.

Sent Department 2544; repeated Vienna 54, London 435.

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### *Editorial Note*

On June 21, 22, and 23 President Truman and Secretary Acheson released various statements to the press concerning the Sixth Session of the Council of Foreign Ministers. The President stated that real progress had been made with regard to the Austrian Treaty, but admitted that the same could not be said about the situation in Germany where the Russians refused to recognize the progress that had been made since 1945 in the Western Zones and had attempted to return to the Potsdam system which they had rendered unworkable by misusing their veto power. He felt that the results of the Council were a vindication of the United States policies and underlined the necessity of continuing to pursue them.

Secretary Acheson met with the Senate Foreign Relations Committee, June 22, and with the House Foreign Affairs Committee, June 23, to report on the Council session. In statements released to



the press following these meetings he noted that the results of the Council illustrated the basic differences between the Soviet Union and the Western powers and reemphasized the importance of ratifying the North Atlantic pact and passing the Military Assistance Program in order that the United States could continue its firm policy in Europe which, in the Secretary's opinion, was responsible for the lifting of the blockade and the convoking of the Council.

In another release to the press on June 23, Acheson gave some of his impressions of the Council, stressing that the Soviet Union was unable to accept the possibility of relaxing its grip on Eastern Germany as the United States, United Kingdom, and France had done in Western Germany. The *modus vivendi* was a modest document, but it did ease the tension in Germany, and informal arrangements had been concluded to allow the Commandants in Berlin to meet and discuss the city's many problems. As to Austria, a substantial step forward had been taken and the avenue toward solution found with the disposal of the Yugoslav claims and the outline of an agreement on German assets in Austria. The Secretary concluded that if the United States intended to continue moving forward, it must pass the Military Assistance Program and ratify the North Atlantic pact.

For the full texts of these statements, see Department of State *Bulletin*, July 4, 1949, pages 858-861.

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### C. DOCUMENTS OF THE SIXTH SESSION OF THE COUNCIL OF FOREIGN MINISTERS

CFM Files : Lot M-88 : Box 141 : CFM/P/49 Documents

#### *Proposal of the Soviet Delegation to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, 25th May, 1949.

CFM/P/49/2 (Revised)

#### ON THE UNITY OF GERMANY AND THE CONDITIONS OF ITS REALISATION

##### 1. In order to ensure the economic and political Unity of Germany:

- a) The activity of the Control Council to be reestablished on its former basis as the organ representing supreme authority in Germany;
- b) The Interallied Kommandatura of Berlin to be reestablished for the coordination of measures concerning the administration of the whole city of Berlin and for ensuring the normal life of Berlin as a whole.

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<sup>1</sup> This proposal was discussed by the Council of Foreign Ministers at its 2nd through 6th meetings, May 24-28, 1949; for the reports on these meetings see pp. 917-928 *passim*.

2. Considering, at the same time, that the realisation of the economic and political Unity of Germany is impossible without the creation of a single Central German Organ whose competence would extend to all questions of economic and state organisation affecting Germany as a whole, it is essential:

a) To create, on the basis of the German economic bodies at present existing in the Eastern and Western Zones, an all German State Council as an economic and administrative centre of Germany with the functions of government in matters of economic and state organisation mentioned above, the supreme authority of the Control Council being maintained.<sup>2</sup>

b) To reestablish the "Magistrat" of Berlin.

The question of the date of election to the Berlin "Magistrat" to be referred to the Interallied Kommandatura of Berlin for consideration.

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<sup>2</sup> In CFM/P/49/2 this paragraph read:

"a) To create an all-German State Council on the basis of the economic organs at present existing in the Eastern and Western Zones."

(CFM Files: Lot M-88: Box 141: CFM/P/49 Documents)

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CFM Files: Lot M-88: Box 141: CFM/P/49 Documents

*Proposal of the United States, United Kingdom, and French Delegations to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, 28th May, 1949.

CFM/P/49/3

GERMAN UNITY INCLUDING ECONOMIC PRINCIPLES, POLITICAL PRINCIPLES AND ALLIED CONTROLS

To accomplish the purpose of restoring the political and economic unity of Germany, it is proposed that the following steps be taken to establish a Federal Government for the whole of Germany:

1. Since the Basic Law of Bonn has been promulgated after receiving the support of the overwhelming majority of the elected represent-

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<sup>1</sup> This proposal was discussed by the Council of Foreign Ministers at its 6th through 8th meetings, May 28-31, 1949; for the reports on these meetings, see pp. 928-939 *passim*. The text of this proposal was worked out in the course of discussions by members of the three Western Delegations on May 27 and 28, working from a United States draft dated May 27 (CFM Files: Lot M-88: Box 141: Staff Papers—Germany 1949). Two drafts were made apparently from the United States paper: the first after the discussion of May 27 (USDel Working Paper/7, not printed, May 28, CFM Files: Lot M-88: Box 141: Staff Papers—Germany 1949) and the second following the second discussion which is identical with the text of CFM/P/49/3. No record of the first discussion of the three Western Delegations has been found. The record of the meeting on May 28 is in the CFM Files: Lot M-88: Box 142: Memo of Conversations. The text of USDel Working Paper/7 is indicated in the footnotes to CFM/P/49/3.

atives of three Zones of Occupation, the unification of Germany should be effected in accordance with that Law by the making of appropriate arrangements to enable the states of the Eastern Zone to accede to it.

2. The following principles in particular would accordingly apply to such accession of the states of the Eastern Zone:

(i) Freedom of the person, including freedom of movement, freedom from arbitrary arrest and detention, freedom of association and assembly, freedom of speech, press and radio.

(ii) Freedom for all democratic political parties and freedom of elections.

(iii) Independence of the judiciary.

The four governments would take all necessary measures to assure the application of these principles, including the prohibition of all police formations exercising political activity.

3. In conjunction with the accession of the states of the Eastern Zone, an Occupation Statute on a quadripartite basis would be enacted.

By this Statute the termination of military government would be completed and there would be entrusted to the Federal Government and the governments of the states throughout Germany all the powers of government except as limited by the powers which the Allies reserved to themselves under this Statute, notably in the matter of security and the obligations of Germany. The powers reserved would not be exercised in such a way as to prevent the German Government from being granted steadily increasing freedom to associate peacefully in the economic and political but not military fields with European and other nations.<sup>2</sup>

4. In the economic field Allied reservations would in particular include agreed provisions for the limitation or prohibition of certain industries, and the delivery of capital equipment<sup>3</sup> as reparations. No delivery of reparations from current production or stocks would be required. Occupation costs would be determined on a quadripartite basis. Any industrial enterprise in Germany whose ownership or control was acquired after May 8th, 1945, by or on behalf of any foreign power, would be<sup>4</sup> surrendered and disposed of in accordance with appropriate German legislation unless such acquisition has quadripartite approval and the interest so approved is subjected to German law.

<sup>2</sup> The last sentence of this paragraph was not present in USDeI Working Paper/7, but was added during the course of the meeting of the three Western Delegations on May 28.

<sup>3</sup> The words "thereby declared surplus" were eliminated from the text of USDeI Working Paper/7 at this point during the May 28 discussion.

<sup>4</sup> In USDeI Working Paper/7 the end of this sentence read: "returned to German ownership, unless such acquisition has quadripartite approval and the interest so approved is subjected to German law."

5.<sup>5</sup> Quadripartite control would be exercised by a High Commission which would normally take its decisions by majority vote, save in exceptional circumstances to be mutually agreed.<sup>6</sup>

<sup>5</sup> In USDel Working Paper/7 this paragraph was numbered 6 and numbered paragraph 5 read: "There should be accorded to the German Government steadily increasing freedom to associate peacefully in the economic and political fields with European and other nations." At the insistence of Schuman the quoted paragraph was deleted, but similar language was added to the text of paragraph 3 as is indicated in footnote 2 above, during the May 28 discussion.

<sup>6</sup> The records of the United States Delegation show twelve papers which were prepared in support of the various aspects of CFM/P/49/3 and discussed by the three Western Ministers on May 28. They were not circulated at the Council meetings but apparently were used as position papers by the Western Delegations to defend the various points of CFM/P/49/3 in the sessions of the Council. (CFM Files: Lot M-88: Box 143: US Delegation Working Papers)

CFM Files: Lot M-88: Box 143: USDel Working Paper Series

*Proposal by the United States Delegation to the Council of Foreign Ministers*<sup>1</sup>.

SECRET

PARIS, June 3, 1949.

USDel Working Paper/13 Revision 1<sup>2</sup>

ELECTORAL PROCEDURE

In discussing the implementation of paragraph one of the U.S. procedural proposal,<sup>3</sup> it will be unnecessary for the Ministers to attempt to draw up any new electoral law for Berlin. They will need merely to lay down certain general points in which the electoral procedure employed in October 1946 should be modified in order to meet existing conditions. Those points should include the following:

(1) In view of the absence at the present time of a Magistrat having jurisdiction over the whole city of Berlin, it will be necessary, in order that the election procedure of 1946 can be carried out, to set up a temporary body to perform, during the free city-wide elections contemplated by paragraph one of the proposal, the functions performed by the Magistrat under the election law of 1946. This body might be composed of an equal number of representative Germans selected by each Allied Commander in Berlin.

<sup>1</sup> Read by the United States Member (Acheson) at the 11th meeting of the Council of Foreign Ministers, June 3; for the minutes of this meeting, see p. 945. This paper was circulated to the Council, June 6, as CFM/P/49/21.

<sup>2</sup> An earlier draft of this paper, USDel Working Paper/13, dated June 2, is in the CFM Files: Lot M-88: Box 141: Staff Papers—Germany 1949. It was discussed at a meeting of the three Western Ministers, June 3, before the session of the Council, and was revised for presentation that day.

<sup>3</sup> Under reference here is the memorandum circulated at the tenth meeting of the Council June 2. For a report on this meeting and the text of the memorandum, see Delsec 1839, June 2, p. 943.

(2) The provisions of the electoral law of 1946 relating to required qualifications for voters may be modified by unanimous consent of the Commanders.

(3) Any political party authorized to operate in any one of the four sectors should be free to operate, for the purposes of this election, in all sectors.

(4) The Allied body designated to supervise the elections should be quadripartite in composition and should operate in all sectors of Berlin.

If these principles are approved by the Ministers the four commandants should be instructed to work out the modifications of the 1946 electoral law which these principles would entail and to arrange for free city-wide elections under quadripartite supervision and in accordance with the principles set forth above.

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CFM Files : Lot M-88 : Box 141 : CFM/P/49 Documents

*Proposal by the United States Delegation to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, 6th June 1949.

CFM/P/49/18

THE EXERCISE OF CONTROLS WITH REFERENCE TO PARAGRAPH 4 OF THE  
U.S. PROPOSAL OF JUNE<sup>2</sup>

PREAMBLE

In order to enable the Government of Greater Berlin to exercise effectively its proper functions and pending the adoption of a permanent Constitution, the city administration shall exercise its powers through the governmental organization provided for in the temporary Constitution of Greater Berlin. The provisions of this Constitution will remain in force with the exception of Article 36, which will be deleted. Provisions regarding allied control are set forth below.

A. POWERS OF THE OCCUPATION AUTHORITIES AND OF THE MUNICIPAL  
AUTHORITIES OF GREATER BERLIN

The authorities of Greater Berlin shall exercise legislative, executive and judicial powers subject only to the reservation by the

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<sup>1</sup> This proposal was discussed by the Council of Foreign Ministers at its 13th through 15th meetings, June 6-8, 1949; for the reports on these meetings, see pp. 957, 962 and 965. The text was the product of a tripartite Western working party report, dated June 4, not printed (CFM Files: Lot M-88: Box 141: Staff Papers—Germany 1949), which was discussed at a meeting of the Western Foreign Ministers at the Quai d'Orsay, June 6, before the 13th meeting of the Council. The record of the three Ministers meeting, not printed, is in the CFM Files: Lot M-88: Box 140: Tripartite Meeting of the Ministers.

<sup>2</sup> For the text of this proposal, see Delsec 1839, June 2, p. 943.

occupation authorities of powers in the fields hereinafter enumerated, including the right to request and verify information and statistics required by the Allied Kommandatura.

1. In the following fields the Allied authorities will act directly and the Berlin authorities will conform to their directions:

i) Disarmament and demilitarization, including related fields of scientific research, prohibitions and restrictions on industry and civil aviation.

ii) Reparations, restitution, decartelization and deconcentration, the protection of foreign interests and foreign claims against Berlin and its inhabitants.

iii) Matters relating to protection and security of the Allied forces, dependents, employees and official representatives, their immunities and satisfaction of occupation costs and their other requirements.

iv) Control of the care and treatment in German prisons of persons charged before or sentenced by the courts or tribunals of the occupying powers or occupation authorities; over the carrying out of sentences imposed on them and other questions of amnesty, pardon or release in relation to them.

v) Quadripartite supervision of elections, including electoral preparations and campaigns.

2. In the following fields, the responsibility for action shall normally be that of the Greater Berlin authorities; the occupying authorities reserving the right, however, to act directly or through directives to the municipal authorities who will conform to such directives.

i) Protection of the basic rights of the freedom of the person, speech, religion, press, radio, assembly and association and the independence of the judiciary and protection against arbitrary arrest, search and seizure.

ii) Protection of the freedom of legitimate action for authorized political parties.

iii) Protection of the elected deputies and city officials against interference in the performance of their functions under the constitution so as to ensure the independence of the city administration and the exercise of its legitimate authority.

iv) Relations with foreign authorities other than the occupying authorities.

3. Amendments to the temporary constitution, adoption of a new constitution, and subsequent amendments thereof shall be subject to prior approval of the occupation authorities.

4. Legislation and regulations by the Greater Berlin authorities in the fields not specifically mentioned in paragraphs 1 or 3 above and not the subject of a directive issued by the Allied occupation authorities under 2 above shall be deemed to be within their competence and shall become effective unless disapproved by the Kommandatura. Legislation shall be submitted to the Kommandatura and shall become effective unless disapproved within 21 days of its receipt.

5. The occupation authorities reserve the right to resume in whole or in part the exercise of full authority if they consider that to do so is essential to security or to preserve democratic government, or in pursuance of international obligations of their governments. Before doing so, they will formally advise the appropriate Berlin authorities of their decision and of the reasons therefor.

#### B. EXERCISE OF ALLIED CONTROLS

The powers of the occupation authorities will be exercised in accordance with the following provisions:

1. Actions of the Kommandatura will be taken by unanimous decision but if unanimous agreement is not reached each Sector Commandant may take whatever action he considers appropriate in his own Sector with respect to the following matters alone:

i) Protection and security of the Allied forces, dependents, employees and official representatives.

ii) Protection of the elected deputies and city officials against interference in the performance of their functions under the constitution so as to ensure the independence of the city administration and the exercise of its legitimate authority.

iii) Control of the care and treatment in German prisons of persons charged before or sentenced by the courts or tribunals of the occupying powers or occupation authorities; over the carrying out the sentences imposed on them and other questions of amnesty, pardon or release in relation to them.

2. Occupation costs will [be] reduced to a minimum and will be determined by methods to be agreed by unanimous vote of the Kommandatura.

3. Unless unanimously agreed to the contrary, elections, including electoral preparations and campaigns, will be subject to quadripartite supervision to be exercised jointly throughout Greater Berlin.

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CFM Files : Lot M-88 : Box 141 : CFM/P/49 Documents

*Statement by the United States Member (Acheson) to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, 6th June, 1949.

CFM/P/49/19

EXPLANATION OF PARAGRAPH 4 OF THE U.S. PROPOSAL OF JUNE 2<sup>2</sup>

Paragraph 4 of the U.S. Proposal of June 2 reads as follows:

<sup>1</sup> Read by the United States Member at the 13th meeting of the Council of Foreign Ministers, the minutes of which are printed on p. 957.

<sup>2</sup> The text of the United States Proposal of June 2 was transmitted with the report of the 10th meeting of the Council of Foreign Ministers in Delsec 1839, June 2, p. 943.

"Simultaneously with the establishment of a provisional city government, the Four-Power Allied Kommandatura will be reconstituted and shall function in accordance with principles to be agreed upon by the Four Ministers at this session of the C.F.M."

In explanation of that paragraph, it should be pointed out that the central thought in our proposal is to establish a unified city administration which will have adequate authority to exercise the ordinary functions of government. The occupying authorities would reserve powers only over matters in which it is essential that they should retain control.

Our proposal circulated herewith<sup>3</sup> is illustrative of the way in which we think this basic idea could be put into operation. It is put forward without prejudice to consideration of further details.

Our proposal which supplements paragraph 4 of our June 2 Proposal, provides that pending the adoption of a permanent constitution, the city administration will in general operate on the basis of the governmental organization provided for in the temporary constitution of Greater Berlin.

The authorities of Greater Berlin would exercise legislative, executive and judicial powers subject only to the reservation by the occupation authorities of powers enumerated in the agreement on controls.

There would be certain fields in which the Allied authorities would act directly and the Berlin authorities would conform to their directions.

There would be other fields in which the responsibility for action would normally reside with the municipal authorities. The occupying authorities, however, would reserve the right to act directly in such fields or through directives which may be issued to the municipal authorities.

Amendments to the temporary constitution, the adoption of a new constitution, and subsequent amendments thereof would be subject to prior approval by the occupation authorities.

In all matters other than those mentioned above, the municipal authorities shall have power to issue legislation and regulations which shall be deemed to be within their competence and would become effective unless disapproved by the Kommandatura within 21 days. Specifically, such freedom of action would pertain to all fields other than those reserved for direct Allied action or where in the field of concurrent action, an act of the municipal administration would not

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<sup>3</sup> Under reference here is CFM/P/49/18, *supra*.



conflict with directives which may be issued by the occupation authorities.

The occupation authorities would reserve the right to resume in whole or in part the exercise of full authority if they consider that to do so is essential to security or to preserve democratic government, or in pursuance of international obligations of their governments. This is of the nature of a reserve to deal with an abnormal situation and we hope that it would never be necessary to use it.

In regard to the exercise of Allied controls, the Kommandatura would act by unanimous decision but if unanimous agreement is not reached, each sector commander may take whatever action he considers appropriate in his own sector with respect to limited fields which would be specified.

Occupation costs would be reduced to a minimum and would be determined by methods to be agreed by unanimous vote of the Kommandatura.

Unless unanimously agreed to the contrary, elections, including electoral preparations and campaigns, would be subject to quadripartite supervision to be exercised jointly throughout Greater Berlin.

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CFM Files : Lot M-88 : Box 141 : CFM/P/49 Documents

*Proposal by the Soviet Delegation to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, 6th June, 1949.

CFM/P/49/20.

BERLIN AND THE CURRENCY QUESTION

In connection with the U.S.A. Delegation proposals of June 2nd, 1949,<sup>2</sup> the U.S.S.R. Delegation proposes that the following resolution be adopted by the Council of Foreign Ministers:

1. The four Allied Commandants shall arrange for free city-wide elections in Berlin under quadripartite control on the basis of the electoral procedure applied in October 1946.

2. A Commission of Germans appointed on a parity basis, i.e. on the basis of equal representation from the Soviet sector on the one hand and from the Western sectors on the other, will be formed to carry out the elections in Berlin.

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<sup>1</sup> This proposal was read by Vyshinsky at the end of the 13th meeting of the Council of Foreign Ministers, June 6, and discussed at the next two meetings, June 7 and 8; for the reports on these meetings, see pp. 957, 962 and 965.

<sup>2</sup> For the text of the United States proposals, see Delsec 1839, June 2, p. 943.

This Commission will perform the functions devolved upon the Magistrat under the provisions of the Electoral Law of 1946 (Chapter IV), and it will act under the control of the Inter-Allied Kommandatura.

3. The Inter-Allied Kommandatura will revise Chapter II of the Electoral Law of 1946 which defines the persons enjoying the right to vote, with a view to limiting the number of persons who have been deprived of that right. In this connection, it would be advisable to establish the necessity for granting the voting rights to former members of the Nazi party and other organisations, with the exception of those who were disfranchized by a decision of the court.

4. To establish that all political parties authorized in Greater Berlin as well as all public organisations authorized by the Inter-Allied Kommandatura, will have the right to nominate candidates in the elections to the All-Berlin Magistrat.

5. The city administration to be constituted as a result of these new elections will be a provisional government. It will have full and adequate powers of government and will function under the temporary constitution for Greater Berlin of 1946.

6. To draft Article 36 of the temporary constitution for Greater Berlin as follows:

"The administration of Greater Berlin is subordinate to the Inter-Allied Kommandatura and in the sectors to the Military Authorities of the respective sector, except in cases which may be specifically provided for by the Allied Control Authorities.

All legislation adopted by the City Assembly of Deputies, as well as decrees and orders issued by the City Magistrat shall conform to the laws and orders issued by the Allied Authorities in Germany, through the Inter-Allied Kommandatura of Greater Berlin. The decrees of the City Assembly and Magistrat on matters which fall within the competence of the Inter-Allied Kommandatura, are subject to approval by the Inter-Allied Kommandatura; the same applies to decrees of the City Assembly or Magistrat in the event of any of the Sector Commandants raising objections to such a decree with the Inter-Allied Kommandatura.

The approval of the Inter-Allied Kommandatura of Berlin must be obtained for effecting changes in the Constitution, resignation of the City Magistrat as a whole or of its individual members as well as the appointment or dismissal of administrative personnel of the City Administration.

The activity of the district Administration is subject to approval by the Commandants of the sectors".

7. The newly-elected Berlin City-Assembly will be authorized to draft a new Constitution for Greater Berlin in accordance with the provisions of Article 35 of the Berlin Constitution of 1946.

8. The Four-Power Inter-Allied Kommandatura will be reconstituted and will exercise the following functions to coordinate all-city measures for the administration of Berlin and to ensure normal life in the whole of Berlin :

- a) Control over the observance of the Provisional Constitution of 1946;
- b) Public security (police, etc) ;
- c) Control over appointment and dismissal of Administrative personnel in all-Berlin organs of government;
- d) Supervision over imprisonment of persons sentenced by the Nuremberg International Tribunal;
- e) Problems of external trade of Berlin with the Western Zones and third countries;
- f) Supplies;
- g) City transport;
- h) Problems of all-city finance including all-city budget, credit, prices and taxes;
- i) Control over fuel and electric power;
- j) Communications.

9. Of the questions enumerated in Article 8 the following shall come within the competence of the City-Assembly of Deputies and the all-Berlin Magistrat :

- a) Supplies;
- b) Problems of all-city finance including all-city budget, credit, prices and taxes;
- c) Fuel;
- d) City transport;
- e) Communications (Post, Telegraph, Telephone) ;
- f) Police and maintenance of public order;
- g) External trade operations;
- h) Appointment, dismissal and transfer of administrative personnel of all-Berlin organs of administration.

10. Other matters falling within the competence of the City Assembly of Deputies and all-Berlin Magistrat, namely :

- a) Housing and house construction;
- b) Local affairs;
- c) Cultural matters;
- d) Juridical matters;
- e) Education and art;
- f) Public health;
- g) Labour;
- h) Personnel;
- i) Social insurance;
- j) Public utilities and city enterprises;
- k) Trade and industry;

may be dealt with by the Inter-Allied Kommandatura only where an

objection to a decision of the City Assembly and of the all-Berlin Magistrat is raised by any of the four Commandants.<sup>3</sup>

11. All decisions of the Kommandatura shall be adopted unanimously.

12. Occupation costs will be reduced to a minimum and will be determined by methods to be agreed on a quadripartite basis.

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<sup>3</sup> In CFM/P/49/20 Revised, June 6, not printed, another paragraph was added to point 10. "In this case the decision opposed shall come into force only after its approval by the Inter-Allied Kommandatura." This paragraph was in turn amended by CFM/P/49/24, June 7, not printed, to read: "In this case the decision thus opposed shall come into force only after it has been approved by the Inter-Allied Kommandatura. In case of disagreement, the question shall be submitted for consideration and decision to a higher authority and the decision shall not be carried out until agreement is reached." (CFM Files: Lot M-88: Box 141: CFM/P/49 Documents)

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CFM Files: Lot M-88: Box 143: USDel Working Paper Series

*Proposal of the United States, United Kingdom, and French  
Delegations to the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, June 12, 1949.

USDel Working Paper/32 Rev. 5<sup>2</sup>

PROVISIONS FOR PERMANENT CONSULTATIONS ON GERMANY

Despite the inability, at this session of the CFM, to reach agreement on the unification of Germany,<sup>3</sup> the four Ministers will continue their efforts to achieve this result, and, in particular, now agree as follows:—

1. During the course of the Fourth Session of the General Assembly of the United Nations to be convened next September, the four Gov-

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<sup>1</sup> A copy of this paper was handed to Vyshinsky at the 19th meeting of the Council, June 12, 1949; this text and its revisions were then discussed at the 19th through 22nd sessions, June 12–19. For the minutes of these sessions, see pp. 985–1035.

<sup>2</sup> The first draft of the USDel Working Paper/32 series was prepared by Jessup, June 7, and revised by Dulles (32 Rev. 1), June 8. The Dulles draft was then discussed by a tripartite working party, June 9, and the resulting paper (32 Rev. 2) considered by the United States Delegation June 10, revised (32 Rev. 3), and discussed again by the tripartite working party (32 Rev. 4). 32 Rev. 4 was submitted to the Ministers at their meeting, June 11, where further revisions were made. The resulting paper (32 Rev. 5) was handed to Vyshinsky. The texts of the various drafts enumerated above are in CFM Files: Lot M-88: Box 143: USDel Working Papers Series; a record of the three Ministers meeting is CFM Files: Lot M-88: Box 140: Tripartite Meeting of the Ministers.

<sup>3</sup> At the 20th meeting of the Council Vyshinsky submitted a series of additions and amendments to USDel Working Paper/32 Rev. 5 which are indicated in this and subsequent footnotes. The substance of the revisions and the text of USDel Working Paper/32 Rev. 5 as it would read with the Soviet changes is included in the papers of the United States Delegation as USDel Working Paper/42, not printed, June 15 (CFM Files: Lot M-88: Box 143: USDel Working Papers Series). At this point the Soviet Delegation proposed to delete "on the unification of Germany" and substitute "on the restoration of the economic and political unity of Germany".

ernments, through representatives at the Assembly, will exchange views regarding the date and other arrangements for the next session of the CFM on the German question.

2. The Occupation Authorities, in the light of the intention of the Ministers to continue their efforts to achieve the unification of Germany,<sup>4</sup> shall consult together in Berlin on a quadripartite basis.

3. These consultations will have as their purpose among others to mitigate the effects of the present administrative division of Germany and of Berlin notably in the matters listed below:—

(a) Expansion of trade between the Western Zones and the Eastern Zone and between Berlin and the Zones, in accordance with the following principles, *inter alia*:<sup>5</sup>

(i) An increase in such trade should be encouraged with a view to its reaching a level substantially higher than that which took place in 1947 or in 1948;

(ii) There should be a balance in the flow of essential goods, and in the flow of non-essential goods between the Western Zones and Western Sectors of Berlin, on the one hand, and the Eastern Zone and Eastern Sector on the other.<sup>6</sup>

(b) Facilitation of the movement of persons and the exchange of information between the Western Zones and the Eastern Zone and between Berlin and the Zones.

(c) Consideration of questions of common interest relating to the administration of the four Sectors in Berlin with a view to normalizing, as far as possible, the life of the city.

4. In order to assist in the work envisaged in paragraph 3 the respective Occupation Authorities may call upon German experts and appropriate German organizations in their respective jurisdictions for assistance. The Germans so called upon should exchange pertinent data, prepare reports, and, if agreed between them, submit proposals to the Occupation Authorities.

5. In order to promote further the aims set forth in the preceding paragraphs and in order to improve and supplement other arrangements and agreements as regards access to and egress from Berlin,

<sup>4</sup> The Soviet proposal would have deleted "the unification of Germany" and substituted "the restoration of the economic and political unity of Germany."

<sup>5</sup> The Soviet Delegation proposed to substitute for the Western draft of paragraph 3 (a) the following version:

"a. Expansion of trade and development of the financial relations and economic relations in general between the Western Zones and the Eastern Zone and between Berlin and the Zones, in accordance with the following principles, *inter alia*:"

<sup>6</sup> The Soviet Delegation proposed to redraft this subparagraph as follows:

"There should be a balance in the flow of essential goods, and in the flow of non-essential goods between the Western Zones, on the one hand, and the Eastern Zone and Berlin, on the other."

the Occupation Authorities will negotiate an agreement in Berlin to include the following principles:

(i) The requirements of the Western Allies for facilities for movement by rail, road and water for their nationals and their goods shall be met.

(ii) The Soviet authorities would facilitate the two-way movement by rail, road and water of persons and goods not included in (i) between the Western Zones and the Western Sectors of Berlin.

With a view to assisting in attaining the objectives stated in this paragraph 5, the Western Powers will undertake to operate and maintain the autobahn Helmstedt/Berlin as a line of communication and to control the traffic thereon. They will undertake to facilitate the movement thereon of Eastern Zone traffic including cross traffic.<sup>7</sup>

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<sup>7</sup>The Soviet Delegation proposed to redraft paragraph 5 as follows:

"In order to promote further the aims set forth in the preceding paragraphs and in order to improve and supplement the agreements as regards the communications between the Eastern Zone and the Western Zones and between the Zones and Berlin as well as regards the transit, the Occupation Authorities, each in its Zone, will take measures for ensuring the normal functioning of the rail, water and road transport and that of the postal, telephone and telegraph communications."

The Soviet Delegation also proposed to add the following two paragraphs to the Western draft:

"To recommend to the leading German economic bodies of the Eastern and Western Zones to set up in the Zones Economic Missions for the purpose of establishing the necessary coordination between the respective German bodies of the Zones in the field of trade and economic activity in general. These Missions shall facilitate the establishment of closer economic ties between the Zones and more effective implementation of trade and other economic agreements."

"To recommend to the German economic bodies of the Eastern Zone and Western Zones to set up a coordinating economic body and to render the necessary assistance to the creation of such a body and to its functioning."

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740.00119 Council/6-1349

*Memorandum by the French Member at the Council of Foreign Ministers (Schuman)*<sup>1</sup>

SECRET

[PARIS, June 12, 1949.]

Over three years have passed since CFM first considered Austrian treaty. During these three years the Ministers have repeatedly discussed problem. Their deputies have held 163 meetings. Treaty Commission in Vienna held 85 meetings, to say nothing of innumerable

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<sup>1</sup>A copy of this memorandum was handed to Vyshinsky at the 19th meeting of the Council, June 12; for the minutes of this session, see p. 985. The source text was transmitted in Delsec 1891, June 13, from Paris, not printed (740.00119 Council/6-1349).

other meetings of technicians and experts. But pledge given at Moscow in 1943 to restore to Austria its independence has not yet been honored.

Austria is liberated country. Occupation has been prolonged only because Allies have failed agree upon terms of treaty. It is extremely difficult justify continued military occupation four years after Allied troops liberated Austrian territory from Nazi domination. Austrian people and Austrian Government have repeatedly called upon us to fulfill our responsibilities and to complete task we assumed. Surely time is now long overdue for execution of these commitments. Deputies over past two years have clarified main points of disagreement on treaty. They can now make no further progress. By taking now certain necessary decisions Ministers can, however, enable work on treaty to be brought speedily to successful conclusion.

What are those decisions? Main obstacle to early conclusion of treaty lies in differences which separate Western Powers and Soviet Union in respect to frontiers of Austria, payment of reparations by that country, and settlement of German assets assigned to Soviet Union by Potsdam Agreement. If these three basic problems can be solved in relation to each other, it would be possible bring about prompt solution of remaining unagreed points in treaty: Ministers should, therefore, now reach agreement upon these three problems and instruct their deputies to complete drafting of treaty by September 1 at latest.

No solution for treaty can, however, be envisaged which does not provide that Austria's frontiers shall be restored as they existed in January 1, 1938. Further, in fulfillment of pledge given at Potsdam, it should be made clear in treaty that no reparations are to be exacted from Austria.

Whereas at Potsdam Soviet Union was assigned German assets in eastern Austria in partial settlement of its claims for reparation from Germany, it has not been possible to agree upon definitions of these assets or determination of properties involved. In 1947, however, compromise proposal was put forward by French representative and accepted as basis for settlement.<sup>2</sup> It involves cession to Soviet Union of certain Danube shipping company properties and of certain rights in Austrian oil industry which had largely been created by Germans in addition to payment of lump sum by Austria in final settlement of outstanding claims to German assets.

Soviet Union has insisted that \$150 million represents minimum amount in return for which it would be prepared relinquish to Austrian enterprises now controlled or claimed by it other than specific oil rights and Danube shipping properties. Payment of this sum would

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<sup>2</sup> Schuman was referring to CFM (47) (L) 8, November 27, 1947. For the text of this French proposal, see *Foreign Relations*, 1947, vol. II, p. 799.

constitute heavy burden upon Austria's economic resources, and it can be justified only if it means complete relinquishment to Austrian economy of all other German assets and war booty. If Soviet Union is prepared now to agree that in return for this payment, Austria will have no undefined obligations in regard to German assets settlement and that Austria's authority over properties relinquished is definitely established, it may well be possible to meet Soviet insistence upon amount of lump sum payment.

Although this meeting of CFM has thus far failed to resolve basic difficulties preventing German settlement and German peace treaty, nevertheless affords another opportunity for us demonstrate to world that cooperation among Great Powers still possible and fruitful.

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CFM Files : Lot M-88 : Box 143 : USDel Working Paper Series

*Proposal by the United States Delegation at the Council of Foreign Ministers*<sup>1</sup>

SECRET

PARIS, June 15, 1949.

USDel Working Paper/32 Rev. 6<sup>2</sup>

PROVISIONS FOR PERMANENT CONSULTATIONS ON GERMANY

Despite the inability at this session of the CFM to reach agreement on the restoration of the economic and political unity of Germany, the four Ministers will continue their efforts to achieve this result, and, in particular, now agree as follows:

1. During the course of the Fourth Session of the General Assembly of the United Nations to be convened next September, the four Governments, through representatives at the Assembly, will exchange views regarding the date and other arrangements for the next session of the CFM on the German question.

2. The Occupation Authorities, in the light of the intention of the Ministers to continue their efforts to achieve the restoration of the economic and political unity of Germany, shall consult together in Berlin on a quadripartite basis.

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<sup>1</sup> A copy of this proposal was sent to Vyshinsky on June 15. It was discussed at the 21st and 22nd meetings of the Council, June 16 and 19, 1949; for the minutes of these sessions, see pp. 1009 and 1026.

<sup>2</sup> At a meeting of the three Western Foreign Ministers on June 15, USDel Working Paper/32 Rev. 5 (p. 1051) and the Soviet counter-proposals (indicated in footnotes to USDel Working Paper/32 Rev. 5) were considered, and the former paper was revised to take into consideration the Soviet *desiderata*. The resulting paper, USDel Working Paper/32 Rev. 6, was sent to Vyshinsky directly after the meeting of the Ministers. The record of this meeting is in CFM Files : Lot M-88 : Box 140 : Tripartite Meeting of the Ministers.



3. These consultations will have as their purpose among others to mitigate the effects of the present administrative division of Germany and of Berlin notably in the matters listed below:—

(a) Expansion of trade and development of the financial relations and economic relations between the Western Zones and the Eastern Zone and between Berlin and the Zones, in accordance with the following principles, *inter alia*:

(i) An increase in such trade should be encouraged with a view to its reaching a level substantially higher than that which took place in 1947 or in 1948;

(ii) There should be a balance in the flow of essential goods, and in the flow of non-essential goods between areas in which different currencies circulate as long as present conditions prevail.

(b) Facilitation of the movement of persons and goods and the exchange of information between the Western Zones and the Eastern Zone and between Berlin and the Zones.

(c) Consideration of questions of common interest relating to the administration of the four Sectors in Berlin with a view to normalizing, as far as possible, the life of the city.

4. In order to assist in the work envisaged in paragraph 3 the respective Occupation Authorities may call upon German experts and appropriate German organizations in their respective jurisdictions for assistance. The Germans so called upon should exchange pertinent data, prepare reports, and, if agreed between them, submit proposals to the Occupation Authorities.

5. The Governments of France, the USSR, the United Kingdom and the United States agree that the New York Agreement of May 4, 1949<sup>3</sup> shall be maintained. Moreover, in order to promote further the aims set forth in the preceding paragraphs and in order to improve and supplement this and other arrangements and agreements as regards the movement of persons and goods and communications between the Eastern Zone and the Western Zones and between the Zones and Berlin, the Occupation Authorities, each in his own Zone, will have an obligation to take the measures necessary to ensure the normal functioning and utilization of rail, water and road transport for such movement of persons and goods, and such communications by post, telephone and telegraph.

6. The Occupation Authorities will recommend to the leading German economic bodies of the Eastern and Western Zones to facilitate

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<sup>3</sup> Under reference here is the Four-Power communiqué, May 5, 1949, in which the four occupying powers in Germany stated their agreement to lift the restrictions on trade and communications with Berlin and to convene a meeting of the Council of Foreign Ministers. The text of this communiqué is printed on p. 751.

the establishment of closer economic ties between the Zones and more effective implementation of trade and other economic agreements.

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CFM Files : Lot M-88 : Box 142 : United States Delegation Minutes

*Memorandum by the Soviet Delegation to the Council of Foreign Ministers*<sup>1</sup>

[Translation]

SECRET

[PARIS, June 16, 1949.]

[AUSTRIAN TREATY]

The USSR Delegation agrees with the proposals set forth in the Memorandum of Mr. Schuman of June 15 on the Treaty for Austria<sup>2</sup> provided that the following more accurate definitions are introduced into these proposals:

1. To add in par. "a" that the Treaty for Austria shall contain provisions for the guarantees of the rights of the Slovene and Croat national minorities in Austria.

2. In par. "a" after the words: "except those rights to the oil assets and Danube Shipping Company properties transferred to the Soviet Union under other paragraphs of Article 35 of the Treaty" to add the words: "indicated in the USSR proposal of January 24, 1948."<sup>3</sup>

Also in the part which deals with reciprocal waivers of creditor claims delete the words: "with reciprocal waivers of creditor claims arising out of exercising the Allied Control of these properties, rights or interests after May 8, 1945" and insert the words "and the assets transferred to the Soviet Union as well as the assets which the Soviet Union cedes to Austria shall be transferred without any charges or claims either on the part of the Soviet Union or on the part of Austria." At the same time it is understood that the words "charges or claims" mean not only creditor claims arising out of exercising the Allied control of these properties, rights or interests after May 8, 1945, as it is stated in the Memorandum of Mr. Schuman of June 15, 1949, but also all other claims including the claims on taxation.

It is also understood the reciprocal waivers by the USSR and Austria of charges and claims apply to all charges and claims to such

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<sup>1</sup> This memorandum was circulated at the 21st meeting of the Council June 16, 1949; for the minutes of that session, see p. 1026.

<sup>2</sup> For the text of this memorandum, see footnote 5 to the minutes of the 21st session of the Council, June 16, p. 1009.

<sup>3</sup> The text of the January 24, 1948, Soviet proposal on German Assets in Austria, CFM (D) (L) (48) (A) 1, is printed in *Foreign Relations*, 1948, vol. II, p. 1448.

extent as they will be on the date when Austria formalizes the rights of the USSR to the German assets transferred to it and on the date of the actual transfer to Austria of the assets ceded by the Soviet Union."

3. As to the proposal set forth in the Memorandum of Mr. Schuman with respect to war booty the USSR Delegation agrees to cede to Austria on account of the global sum of \$150 million the industrial enterprises of military character, houses and similar real estate property on the understanding that the Deputies will be instructed to define more accurately the category of war booty transferred to Austria.

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740.0011EW (Peace) /6-1749.

*Memorandum by the United States, United Kingdom, and French Delegations at the Council of Foreign Ministers*<sup>1</sup>

SECRET

[PARIS,] June 17, 1949.

[AUSTRIAN TREATY]

As result of discussions on Austria yesterday,<sup>2</sup> there appear to be four points still at issue and it may be of assistance briefly to recapitulate views of delegates of Western powers on these four points in order that Soviet delegation may have them in mind when Ministers meet again on Sunday.

Delegates of Western powers suggested that these four points should be referred to Deputies for further study. But in desire to clarify these matters here as far as possible they wish express their views on points which Deputies should cover in preparing text.

1. *Danube shipping:*

Soviet proposal states: "Soviet Union shall receive assets located in Hungary, Rumania, and Bulgaria and likewise 100 percent of assets of Danube shipping company which are located in Eastern Austria." Yesterday we proposed that this question should be referred to Deputies in order that they might seek solution which would transfer to Soviet Government some but not all of dock installations in Soviet zone of occupation, balance of value being made up by allocation of shipping now in Western Zones of Austria. Upon further study we

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<sup>1</sup> A copy of this memorandum was sent to Vyshinsky during the afternoon of June 17, 1949. The source text was transmitted in Delsec 1915, June 17, from Paris, not printed (740.0011EW (Peace) /6-1749).

<sup>2</sup> At the 21st meeting of the Council, June 16; for the minutes of this session, see p. 1009.

understand that docks themselves which are situated Vienna are not property of DDSG but property of Austrian Government which has leased them to company. Therefore assets in question claimed by USSR consist of leases and installations. If dock installations are to be transferred to USSR transfer would therefore include installations and leases. It might further be provided that these leases would not be canceled or modified by Austrian Government without consent of USSR.

2. *Alienation of former German Assets:*

Soviet proposal reads: "All former German assets which have come into possession of USSR shall not be subject to alienation without consent of USSR." Inasmuch as it has been agreed that property rights and interests transferred to USSR are in general subject to Austrian jurisdiction, delegates of Western powers are prepared accept foregoing Soviet position with understanding as to leases for docks referred to in previous paragraph.

3. *Exports of profits:*

Soviet proposal reads: "Undertakings covered by definition of assets above-mentioned shall operate in accordance with Austrian legislation on condition that Austria shall not raise any difficulties in regard to export of profits or other income in form of output or freely convertible currency."

This text is not clear and delegates of Western powers suggest that it should be clarified by Deputies. It should be possible agree to test which would give satisfaction to Soviet Government if Soviet proposal means (a) that "profits or other income" are to be determined according to Austrian law as applicable to Austrian-owned enterprises; (b) that Austrian Government can elect whether such "profits or other income" are to be exported in kind or in freely convertible currency; and (c) that all other exports shall be made in accordance with Austrian law.

4. *Settlement of disputes:*

Soviet proposal reads: "Any disputes which may arise in connection with application of provisions of article covering German assets in Austria shall be settled by means of bilateral negotiations between interested parties."

Delegates of Western powers would like this text referred to Deputies in order study addition of a provision stating that in event of disagreement between parties, provisions of Article 50 or 57 of treaty shall operate.

CFM Files : Lot M-88 : Box 143 : USDel Working Paper Series

*Memorandum by the Soviet Delegation at the Council of Foreign Ministers*<sup>1</sup>

SECRET

[PARIS,] June 19, 1949.

[Translation]

## [CONSULTATIONS ON GERMANY AND THE AUSTRIAN TREATY]

The Delegation of the USSR, in connection with the discussion of the proposals concerning Germany and Austria in the closed sittings of the Council of Foreign Ministers of June 15 and 16 of this year and also taking into account the memorandum of Mr. Schuman dated June 17 [12?] <sup>2</sup> with respect to the Austrian Treaty, communicates the following:

1. *Re: The German Question.*

The Delegation of the USSR maintains its proposals on paragraph 3 (a) (ii) in the wording as presented earlier, that is: "There must exist an equilibrium in the movement of essential goods and in the movement of not-so-essential goods between the Western Zones on one hand and the Eastern Zone and Berlin on the other hand".

As to the paragraph 5 of the draft of Mr. Acheson of June 15,<sup>3</sup> the Delegation of the USSR has no objections to the wording of this paragraph, provided a reference is included in this paragraph as to transit.

In accordance with the above, the final wording of paragraph 5 will be as follows: "To achieve the objective stated in the preceding paragraphs and in order to improve and supplement the agreements with respect to communications between the Eastern Zone and the Western Zones and between the Zones and Berlin, and likewise with respect to transit, the Occupation Authorities, each in their respective zones, shall take measures to assure the normal functioning of rail, water and road transport, and, of the postal, telephone and telegraph communications".

2. *Re: The Austrian Treaty.*

The draft of the agreement of the Four Ministers is attached. In this draft, the Delegation of the USSR has taken into consideration the exchange of views which took place in the closed sittings of the Four Ministers and also proposals contained in the memorandum of the three Delegations of June 17, 1949.

<sup>1</sup> Copies of this memorandum in Russian were delivered to the Western Delegations June 19. The source text is a translation by the United States Delegation. In the records of the United States Delegation this translation was given the designation USDel Working Paper/46.

<sup>2</sup> *Ante*, p. 1053.

<sup>3</sup> The reference here is to USDel Working Paper/32 Rev. 6, June 15, p. 1055.

The Delegation of the USSR also takes notice of the declaration of the three Delegations in the memorandum of June 17 regarding their agreement with the proposal of the USSR that the former German assets which are to be transferred to the Soviet Union are not subject to any alienation without the consent of the USSR. As to the reservation contained in paragraph 2 of the memorandum of the three Delegations of June 17, the Delegation of the USSR cannot agree that the docks are not former German property and for that reason cannot accept the reservation referred to above.

The Delegation of the USSR likewise considers it necessary to insist on its proposals as to the export of profits and as to the order of settlement of disputes as has been stated in paragraph 7<sup>"b"</sup> and paragraph 8 of the Soviet proposals of January 24, 1948.<sup>4</sup>

[Annex]

*Draft Agreement of the Four Ministers on the Austrian Treaty by the Soviet Delegation at the Council of Foreign Ministers*

SECRET

[PARIS, June 19, 1949.]

The Ministers have agreed:

- a) That the frontiers of Austria shall be as they were on January 1, 1938;
- b) that the Treaty for Austria shall provide that Austria shall guarantee the protection of the rights of Slovene and Croat national minorities in Austria;
- c) that reparations shall not be exacted from Austria, but that Yugoslavia shall have the right to seize, retain or liquidate the Austrian property, rights and interests on Yugoslav territory;
- d) that the Soviet Union shall receive from Austria \$150 million in freely convertible currency to be paid during six years;
- e) that the final settlement shall include:

1) transfer to Austria of all property, rights and interests retained or claimed as German assets and transfer of war industrial enterprises, liveable houses and similar real-estate property located in Austria which are retained or claimed as war booty; the precise definition of categories of war booty transferred to Austria will be entrusted to the Deputies (except the oil assets and the property of the Danube Shipping Company, which are being transferred to the Soviet Union under other paragraphs of Article 35 of the Treaty indicated in the USSR proposals of June 24, 1948, as revised) and which are retained as a rule under Austrian jurisdiction.

<sup>4</sup> Under reference here is CFM(D) (L) (48) (A)1, the Soviet proposal on German Assets. The text of this proposal is printed in *Foreign Relations*, 1948, vol. II, p. 1448.

In accordance with this, the assets allocated in Hungary, Rumania and Bulgaria, and also 100% of the assets of the Danube Shipping Company located in Eastern Austria are being transferred to the Soviet Union in accordance with the list which will be agreed upon by the Deputies.

2) That these rights, property and interests which are being transferred to the Soviet Union, as well as rights, property and interests which the Soviet Union cedes to Austria shall be transferred without any encumbrances and claims, either on the part of the Soviet Union or on the part of Austria. At the same time, it is understood that the words "encumbrances and claims" mean not only creditors' claims which arise out of the exercise of the Allied control over these property, rights and interests after May 8, 1945, but also all other claims and demands including those referring to taxes. It is also understood that the reciprocal waiver of the Soviet Union and Austria of encumbrances and claims refers to all kinds of encumbrances and claims to the extent as they will exist on the date when Austria puts into official form the rights of the Soviet Union to the German assets transferred to the Union and on the date of the actual transfer to Austria of the assets ceded by the Soviet Union;

f) that all former German assets transferred to the ownership of the USSR are subject to no alienation without consent of the Soviet Union;

g) that Austria shall not put any obstacles to the export of profits or other income in the shape of production or freely convertible currency;

h) that the disputes which might arise in the application of the provisions of the article concerning the German assets in Austria must be settled on the basis of bilateral negotiations between the interested parties;

i) that the Deputies of the Ministers shall resume their work promptly for the purpose of reaching an agreement not later than September 1, 1949 on the draft treaty as a whole.

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CFM Files : Lot M-88 : Box 141 : CFM/P/49 Documents

*Communiqué of the Sixth Session of the Council of Foreign Ministers*

SECRET

PARIS, 20th June, 1949.

CFM/P/49/40

The Sixth Session of the Council of Foreign Ministers, attended by the Ministers of Foreign Affairs of France, M. Robert Schuman, of the Union of Soviet Socialist Republics, Mr. A. Y. Vyshinsky, of the United Kingdom, the Right Honourable Ernest Bevin, and of the United States of America, Mr. Dean Acheson, took place in Paris from May 23rd to June 20th, 1949. During this meeting the German

question and the Austrian Treaty were discussed. The Council of Foreign Ministers took the following decisions:

1. *The German Question.*

Despite the inability, at this session of the Council of Foreign Ministers, to reach agreement on the restoration of the economic and political unity of Germany, the Foreign Ministers of France, the Union of Soviet Socialist Republics, the United Kingdom and the United States will continue their efforts to achieve this result, and, in particular, now agree as follows:—

1. During the course of the Fourth Session of the General Assembly of the United Nations to be convened next September, the four Governments, through representatives at the Assembly, will exchange views regarding the date, and other arrangements, for the next Session of the Council of Foreign Ministers on the German question.

2. The Occupation Authorities, in the light of the intention of the Ministers to continue their efforts to achieve the restoration of the economic and political unity of Germany, shall consult together in Berlin on a quadripartite basis.

3. These consultations will have as their purpose among others to mitigate the effects of the present administrative division of Germany and of Berlin notably in the matters listed below:

(a) Expansion of trade and development of the financial and economic relations between the Western Zones and the Eastern Zone and between Berlin and the Zones.

(b) Facilitation of the movement of persons and goods and the exchange of information between the Western Zones and the Eastern Zone and between Berlin and the Zones.

(c) Consideration of questions of common interest relating to the administration of the four sectors in Berlin with a view to normalising, as far as possible, the life of the city.

4. In order to assist in the work envisaged in paragraph 3 the respective Occupation Authorities may call upon German experts and appropriate German organizations in their respective jurisdictions for assistance. The Germans so called upon should exchange pertinent data, prepare reports, and, if agreed between them, submit proposals to the Occupation Authorities.

5. The Governments of France, the Union of Soviet Socialist Republics, the United Kingdom and the United States agree that the New York Agreement of May 4th, 1949,<sup>1</sup> shall be maintained. Moreover, in order to promote further the aims set forth in the preceding paragraphs, and in order to improve and supplement this and other arrangements and agreements as regards the movement of persons and

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<sup>1</sup> See the editorial note, p. 750.



goods and communications between the Eastern Zone and the Western Zones and between the Zones and Berlin, and also in regard to transit, the Occupation Authorities, each in his own Zone, will have an obligation to take the measures necessary to ensure the normal functioning and utilisation of rail, water and road transport for such movement of persons and goods, and such communications by post, telephone and telegraph.

6. The Occupation Authorities will recommend to the leading German economic bodies of the Eastern and Western Zones to facilitate the establishment of closer economic ties between the Zones and more effective implementation of trade and other economic agreements.

## 2. *The Austrian Treaty*

The Foreign Ministers have agreed:

- a) that Austria's frontiers shall be those of January 1, 1938;
- b) that the Treaty for Austria shall provide that Austria shall guarantee to protect the rights of the Slovene and Croat minorities in Austria;
- c) that reparations shall not be exacted from Austria, but that Yugoslavia shall have the right to seize, retain or liquidate Austrian property, rights and interests within Yugoslav territory;
- d) that the Soviet Union shall receive from Austria \$150,000,000 in freely convertible currency, to be paid in six years;
- e) that the definitive settlement shall include:

1) the relinquishment to Austria of all property, rights or interests held or claimed as German assets and of war industrial enterprises, houses and similar immovable property in Austria held or claimed as war booty, on the understanding that the Deputies will be instructed to define more accurately the categories of war booty transferred to Austria (with the exception of those oil assets and D.D.S.G.—Danube Shipping Company—properties transferred to the Soviet Union under other paragraphs of Article 35 of the Treaty, indicated in the USSR proposals of January 24, 1948, as revised, and retained in general under Austrian jurisdiction). Accordingly the assets of the D.D.S.G. in Bulgaria, Hungary and Rumania, as well as 100% of the assets of the Company in Eastern Austria in accordance with a list to be agreed upon by the Deputies, will be transferred to the U.S.S.R.

2) that the rights, properties and interests transferred to the U.S.S.R. as well as the rights, properties and interests which the U.S.S.R. cedes to Austria shall be transferred without any charges or claims on the part of the U.S.S.R. or on the part of Austria. At the same time it is understood that the words "charges or claims" mean not only creditor claims arising out of the exercise of the Allied Control of these rights, properties and interests after May 8, 1945, but also all other claims including claims in respect of taxes. It is also understood that the reciprocal waivers by the U.S.S.R. and Austria of charges and claims apply to all such charges and claims as exist on the

date when Austria formalizes the rights of the U.S.S.R. to the German assets transferred to it and on the date of the actual transfer to Austria of the assets ceded by the U.S.S.R.;

f) that all former German assets which have become the property of the U.S.S.R. shall not be subject to alienation without the consent of the U.S.S.R.

g) that the Deputies shall resume their work promptly for the purpose of reaching agreement not later than September 1, 1949, on the draft Treaty as a whole.

## VII. PARTICIPATION BY THE UNITED STATES IN NEGOTIATIONS FOR A TREATY FOR THE RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC AUSTRIA<sup>1</sup>

### A. THE MEETINGS OF THE DEPUTIES FOR AUSTRIA OF THE COUNCIL OF FOREIGN MINISTERS, FEBRUARY 9-MAY 10, 1949

740.0011 EW (Peace)/1-1449: Telegram

#### *The Acting Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, January 14, 1949—6 p. m.

43. Subj to agreement by Brit and Fr prior to conference ur 9 Jan 5,<sup>2</sup> we propose use every means possible to test Sov intention re conclusion Treaty on acceptable basis. We concur early agreement military clauses desirable and are considering recommendations P 2869 Jan 6<sup>3</sup> for further action to seek quadripartite authorization for preliminary army planning. Since most unagreed articles hinge in one way or another on German Assets settlement, we do not see how Gruber's tactics of progressive agreement on minor issues over a long period of time can be followed. Although tentative plan is to review at outset all outstanding issues and then to concentrate on military clauses and German assets we consider that Sov intentions can not be tested finally until frontier is discussed in detail. Proposal for establishment subcommittees to agree on properties to be transferred in categories Article 35 already agreed in principle and to give such specifications in other categories as oil production and exploration to make agreement in principle possible might be useful in ascertaining Sov intentions.

During visit Reber, Williamson and Col Thielen to Vienna discussion should be held with Gruber concerning precise plans which Austrians undoubtedly have for meeting lump sum settlement obligation within range of 100 to 150 million dollars represented by present West-

<sup>1</sup> Continued from *Foreign Relations*, 1948, vol. II, pp. 1447 ff.

<sup>2</sup> Not printed; it reported Gruber's views on the tactics to be followed in the negotiations of the Deputies for Austria. He hoped that the frontier question would not be raised early in the discussions since the Russians were unlikely to yield on this point, but he wanted a prompt settlement of the military clauses so that the Austrian Government could request authorization from the Allied Council for the planning of the Austrian Army. (740.00119 EW (Peace)/1-549)

<sup>3</sup> Not printed; in it Keyes recommended that the Foreign Ministers direct their representatives on the Allied Council to allow Austria to begin the planning and organization of its security forces or that the U.S. Representative at the treaty discussions introduce such a proposal at the Deputies' meetings in London. (740.00119 EW (Peace)/1-649)

ern and Soviet positions. We wish Austrians' views on methods and form of payment (i.e., extent to which payment could be made in goods or convertible currency) and maximum amounts which Austrians think could be transferred annually, especially in early years. We are particularly interested in how payments should be arranged so as to avoid interference with Austrian economic reconstruction and use of US economic assistance as source of financing of payments.

Discussions should also be held in Vienna on questions relating to P 2869 in order that tripartite agreement may be obtained on possible action to be taken by Deputies.<sup>4</sup>

LOVETT

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<sup>4</sup> In telegram 43, January 18, from Vienna, not printed, Erhardt reported that Gruber had agreed in general with the first paragraph of this telegram, but reiterated his view that the Soviet Union would not be willing to yield on the frontier issue early in the negotiations. If the Russians could obtain a reasonably satisfactory settlement on the German assets question and were permitted to retreat from their untenable positions on other issues in a face-saving manner, then they would be prepared to conclude the treaty. As to the method and form for paying the lump sum, Gruber stated that the Austrian Government would prefer to pay cash, but that it would probably be necessary to pay the bulk of the debt in goods. (740.0011 EW (Peace)/1-1849)

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CFM Files : Lot M-88 : Box 247

*Instructions to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*<sup>1</sup>

SECRET

[WASHINGTON, January 14, 1949.]

The US Deputy will be guided by the following general considerations in the negotiations on the Austrian Treaty at the London Conference of the Deputies of the Council of Foreign Ministers in February, 1949.

1. The US Government considers that the fulfillment of the international obligations respecting Austria is long overdue and that the Treaty should be concluded at the earliest possible date terminating military occupation and restoring to Austria its sovereignty and independence.

2. In accordance with the intent of the international agreements respecting Austria and the basic objectives of US policy, an acceptable treaty must establish conditions under which Austria may reasonably expect to survive as a viable, independent state without serious risk of alien domination. No obligation can be imposed by the Treaty which is beyond the Austrian ability to discharge, or which jeopardizes the present rate of economic recovery, or which permits the exercise of undue political or economic pressure by any foreign state on Austrian national life.

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<sup>1</sup> The source text was included as an attachment to a letter from Hickerson to Reber dated January 24, 1949.

3. The frontiers of 1937 shall be recognized. Within these frontiers the Austrian Government shall have the right stipulated by the Treaty to organize and equip its security forces in such a way to assure the maintenance of internal security and to discharge of the responsibilities envisaged by the Charter of the United Nations.

In seeking to fulfill these general objectives by the conclusion of an acceptable Treaty the remaining unagreed portions of the Treaty<sup>2</sup> can not be regarded as a narrow gap which can be closed by negotiations but as involving the fundamental basis of Austrian national independence and the ability to survive economically without extensive foreign assistance. The primary objective of the Conference, therefore, will be to reduce the demands of the Soviet Union in order that the obligation assumed by Austria in the settlement of the German assets question is consistent with Austrian capabilities and that no privileged position is created for the Soviet interests remaining in Austria. Any modification in the present US position to meet the Soviet demands should be examined in the light of its ultimate effect on Austrian independence and economic well-being. Consequently, it will be necessary to consult with the British and French representatives prior to the Conference in order to reach agreement to the fullest possible extent on the position to be taken by the Western Powers on the basic issues of the Treaty in the light of developments since the suspension of discussions last May.

In the discussions with the British and French, and in the subsequent four power negotiations, the US Deputy will seek agreement on the basic issues along the following lines:

1. *The Guarantee of Austrian Independence* (Article 2).

In previous negotiations it has been considered desirable to include an article binding the four powers to respect Austrian independence and territorial integrity and to consult with one another concerning appropriate steps to be taken in the event of any threat to Austria's status as established by the Treaty. Such an article, however, might be interpreted as authorizing the establishment of a procedure outside the jurisdiction of the United Nations in the event of a threat to Austrian security and might complicate or make difficult any action by the United Nations. The US Deputy, therefore, is authorized, first, to drop support of the second paragraph of this article regarding consultation and, secondly, not to insist on the inclusion of any article of this type if a particular and valuable negotiating advantage can be secured by its elimination and if the British and French agree that the objective of this article can be obtained by other means. Prior to

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<sup>2</sup> For the texts of the unagreed articles as they stood following the meetings of the Austrian Deputies in 1948, see *Foreign Relations*, 1948, vol. II, pp. 1514 ff.

its elimination, however, the Austrian authorities should be consulted concerning the effect of such action on Austrian public opinion. The Western Powers likewise should be in full agreement on the possible lines of action which might be taken in the event of a threat to Austria after the conclusion of the Treaty.

2. *Frontiers* (Article 5).

No change can be made in the US position concerning the reestablishment of the 1937 frontier. Consideration can be given to a bilateral agreement between Austria and Yugoslavia resolving outstanding economic issues including the question of the Drava River water power. Agreement should not be given in the course of negotiations to any proposal for a bilateral settlement of ethnic issues unless the Austrian Government states that it has no objection and assurance can be given that such an agreement would not involve frontier changes. The US Deputy should reject any suggestion that Austria and Yugoslavia settle the frontier question on a bilateral basis similar to the Czechoslovak-Austrian negotiations approved by the CFM in 1947.

3. *Reparations* (Article 34).

The US Deputy is instructed to reject any proposal that Austria pay reparations to any state for damages arising from the war.

4. *Displaced Persons* (Article 16).

If no agreement can be reached on the inclusion of the principle of voluntary repatriation of displaced persons in Austria, consideration should be given to the elimination of this article from the Treaty. No compromise can be accepted on the principle of voluntary repatriation and an article which does not guarantee this principle should not be included in the Treaty. If this article is eliminated some<sup>3</sup> assurance should be obtained from the Austrian Government that the principle of voluntary repatriation will be observed as the fundamental basis for the settlement of the displaced persons problem.

5. *German Assets* (Article 35).

In previous negotiations, the German assets question has presented serious difficulties in terms of the fulfillment of Western policy objectives. In an effort to break the deadlock of previous conferences, the US has agreed to consider a compromise proposal originally introduced by the French Delegation. This compromise would obtain the release of German assets now under Soviet control. The maximum price which the US would consider reasonable in view of the contribution which these assets could make to the Austrian economy if

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<sup>3</sup> At this point in the source text Hickerson had circled the word "some" and written in the margin "firm".

returned to Austrian control is summarized below; detailed instructions on the several points will be transmitted separately:

*a. Transfer of specific assets to the Soviets*

1. Petroleum

(a) exploration—a maximum of 60% of rights to Austrian oil exploration lands for an agreed period of time.

(b) production—a maximum of 58–60% of present oil producing territories for an agreed period of time.

(c) Refineries and distribution are agreed in principle subject to agreement on the transfer of specific properties.

(d) In connection with the allocation of specific petroleum properties to the USSR, it may be that United Nations interests will be affected. The US Deputy should endeavor to keep transfers of UN properties to the USSR at a minimum and not to agree to the transfer of US properties except as authorized in each case by the Department. The US Deputy should consider the possibilities for substitutions in kind for UN properties transferred to the USSR and in connection with Article 42<sup>4</sup> should insist upon provision for prompt, adequate and effective compensation by Austria for such interests not otherwise provided for.

2. Danube Shipping

DDSG assets in Hungary, Rumania and Bulgaria to be transferred to the Soviet Union. Transfer of DDSG assets in Austria which will not affect Austrian minimum requirements or provide a permanent base for the Soviets.

3. Properties transferred to the Soviet Union under Article 35 will be exempt from nationalization for a period of 10 years, except with the consent of the Soviet Union. Similarly, the Soviet Union should not be permitted to sell or otherwise dispose of such properties except with the consent of Austria.

*b. Lump sum settlement for all other assets returned to Austrian control*

In return for a waiver of all other Soviet claims to assets in Austria or for payment from Austria, Austria will undertake to pay a maximum of \$125 million in goods or convertible foreign exchange, at the option of Austria. Provisions regarding the time, method and conditions whereby Austria may pay this sum without impairing her ability to achieve economic independence and to become a self supporting nation will be included in the Treaty. The detailed instructions on this matter are annexed as Tab A.<sup>5</sup>

*c. German Assets in Western Austria*

The US Deputy should continue to support vis-à-vis his British and French colleagues the previous US position that German assets in Western Austria should be relinquished 100% to Austria, subject to an undertaking by Austria to eliminate all German ownership or

<sup>4</sup> Article 42 dealt with the restitution of allied property in Austria. For the text of this unagreed article, see *Foreign Relations*, 1948, vol. II, p. 1525.

<sup>5</sup> Not printed.

control of such assets and to take steps to ensure against the resumption of such ownership or control. The time at which the common intention of the Three Powers regarding German assets in Western Austria is announced to the USSR should be discussed with the British and French and reported to the Department. A detailed paper on this matter will be supplied to the Delegation later.

6. *Military Clauses* (detailed instructions have been prepared by the Department of the Army<sup>6</sup>).

Specific instructions have been prepared on the remaining unagreed articles. In as much as agreement should be sought on the foregoing basic issues, it is not likely that the remaining unagreed articles will be the immediate subject of negotiations.

<sup>6</sup> Not found in Department of State files.

CFM Files : Lot M-88 : Box 116

*United States Delegation Minutes of an Informal Meeting of the United States, United Kingdom, and French Delegations for Austria at the Council of Foreign Ministers*<sup>1</sup>

SECRET

LONDON, February 8, 1949—11 a. m.

UNITED KINGDOM

Mr. Marjoribanks  
Mr. Cullis  
Mr. Leitch  
Mr. Lorie  
Mr. Giles

FRANCE

M. Berthelot  
M. Luc  
M. Gary

UNITED STATES

Mr. Reber  
Mr. Williamson  
Col. Hixon  
Mr. Keith  
Lt. Col. Thielen  
Mr. Moline  
Mr. Smith  
Mr. Gannett

I. Marjoribanks stated that the UK Delegation would prefer not to open the four-power discussions on the Yugoslav territorial and reparation claims, but to commence with a survey of the unagreed articles, with which Reber agreed. Reber noted, however, with regard to the unagreed articles that on only 2, 5, 16, 26, 27, 34, 36 and 51 were the delegations' positions not dependent on the ultimate solution of Article 35. Berthelot agreed also to this approach.

AGREED to start with such a survey at the 111th meeting.

II. AGREED that the French experts should participate in the discussions of the US and UK experts, and also whenever [*possible?*] the Austrian experts might participate.<sup>2</sup>

<sup>1</sup> The meeting took place at the India Office.

<sup>2</sup> On February 7 the United States and United Kingdom delegations had met at the India Office and set up a technical committee of economic experts to consult with Austrian economic experts.



III. Marjoribanks proceeded to sound out the present French position on various articles on which they were last recorded as differing from the US-UK positions.

Article 35—French maintain all previous positions.<sup>3</sup> Cullis recalled the UK paper on German Assets in Western Austria<sup>4</sup> and stated that Lavergne had participated in the discussions that had led up to the writing of the paper. Luc acknowledged the French had a copy of the paper. Berthelot stated that the question of renunciation is a matter of timing. Cullis noted that the mechanics of renunciation must be arranged to fit in with the IARA problem.

Article 2—Marjoribanks stated UK readiness to drop paragraph 2. Berthelot stated the French would stick on retention of paragraph 2, at least for the present.

Article 16—Marjoribanks and Reber stated their readiness to drop this article, in view of the Soviet position and also in view of the Austrian undertaking contained in Chancellor Figl's letter to General Wood (CFM/D/L/48/A/17, May 10, 1948<sup>5</sup>). Reber added that he did not wish to take the initiative in the four-power discussions, and Marjoribanks stated that he would seek instructions to do so at the first meeting at which the article arises. Berthelot stated that he would at first maintain the present position but would indicate that he would take under advisement whether or not the article could be deleted.

Military clauses—Marjoribanks asked what was the present French position on these clauses. Berthelot replied that this problem involves Austrian internal security and the security of the Occupation forces, the Occupation statute for Western Germany, etc., and hence for the time being the French maintain their former positions. Marjoribanks stressed the importance of maintaining a united front by the Western Powers hence and of removing our differences on these clauses, reaching agreement with the Soviets on these clauses, and paving the way for the Austrians to make effective plans for their security forces. Reber agreed with Marjoribanks and noted that advances by the Western Powers might make easier a Soviet change on other issues such as Article 5. Berthelot replied that the question of timing is important and that he wished initially to avoid anything spectacular such as a change in the French position would be.

Article 42, paragraph 4—Berthelot stated the French maintain their position.

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<sup>3</sup> For the French position on this and the other unagreed articles, see *Foreign Relations*, 1948, vol. II, pp. 1514 ff.

<sup>4</sup> The reference here is to a three-page British paper, "German Assets in Western Austria", prepared in December 1947.

<sup>5</sup> Not printed.

Article 45—Marjoribanks suggested that paragraph 2 might be amended so as to exempt Austrian diplomatic and consular property, and that the UK was preparing a draft. Berthelot said he had no objection to Article 45 being re-opened on this point; Reber indicated he would prefer to see the draft before indicating his position on reopening the article.

Article 48—Berthelot said the French maintain their position on paragraph 2.

Article 51—Berthelot said the French are still interested in a provision on patents, and referred to a Hague convention on the matter.

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*Editorial Note*

The Deputies for Austria of the Council of Foreign Ministers met fifty-three times (meetings 111–163) from February 9 to May 10, 1949 before temporarily suspending their discussions for the meeting of the Council of Foreign Ministers in Paris, May 23 to June 20. The Deputies' sessions were held at Lancaster House in London at 10:30 a. m. and were chaired by the heads of the four delegations in rotation starting with the United States representative. The French Deputy was Marcel Berthelot, who had represented France at the last eight meetings of the Deputies in 1948. The United Kingdom, United States, and Soviet Union were represented by James A. M. Marjoribanks, Samuel Reber, and Georgii Nikolayevich Zarubin respectively, all of whom had been Deputies for Austria during 1948.

The Records of Decisions, Minutes of the Deputies' Meetings, and Documents presented at the meetings of the Deputies are in CFM: Lot M-88: Boxes 114 and 115. A complete log of the telegraphic exchanges between Washington and the United States delegation in London is also in CFM: Lot M-88: Box 148. Documentation relating to the meetings of the Deputies is in Department of State file 740.00119 Council.

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740.00119 Council/2-1249: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET US URGENT

LONDON, February 12, 1949—1 p. m.

545. Delaus 12. From Reber. Bebler called this morning outwardly in very conciliatory spirit. He has sent note<sup>1</sup> secretariat that Yugo-

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<sup>1</sup> Not printed.

slavia is prepared to collaborate to best of ability in seeking treaty solution and he is at disposal of deputies for this purpose.

He stated he had no definite proposals to put forward at this time, in fact was hesitant to do so if it seemed unlikely any treaty could be concluded. On the other hand he expressed personal opinion that solution Carinthian problem might be found if Yugoslavia were given title to two Drava river power plants which, although he was not explicit on this subject, would undoubtedly include claim to territory adjoining, a strip of some ten miles deep. Also some degree of autonomy should be assured Slovene minorities in southern Carinthia possibly through division of Carinthia into two *Laender*. He said this would not involve any special regime but that southern Carinthia would become *Land* under Austrian constitution having same status as other federal states. Without giving positive assurance he furthermore indicated if Yugoslav title to the power plants were recognized its claim for reparations would be dropped as he agreed reparations at this stage were no longer realities.

He is not at this time making any request to be heard by deputies, in fact would prefer not be asked for expression of views re any single article and would like to reserve his appearance before deputies until he could present views on treaty as a whole, probably after present first reading concluded.

I explained that as he knew US was opposed to any territorial adjustments but that I would naturally give his suggestions most careful consideration and hoped we could further explore these suggestions next week. I shall endeavor to ascertain from British and French nature of proposals put to them soon as possible and subsequently submit more considered suggestions. I have impression Bebler's proposal represents first bargaining position and he may be disposed make adjustments.<sup>2</sup>

No mention of foregoing will be made to Gruber. I recommend Austria not be informed of Yugoslav views at this stage.<sup>3</sup>

Sent Department 545, repeated Belgrade 8, Vienna 15.

[REBER]

<sup>2</sup> In Delaus 7, February 9, from London, not printed, Reber had reported a similar approach by the Yugoslav Ambassador to Bevin. The British Foreign Secretary had reiterated his Government's commitment to the reestablishment of Austria's 1938 frontiers, but agreed that some economic arrangements such as hydroelectric facilities might be considered if Yugoslavia had a proposal of that nature to make. (740.00119 Council/2-949)

<sup>3</sup> Legation Vienna reported in telegram 120, February 14, not printed, that it considered Bebler's proposals a retreat from the former Yugoslav demands but equally unacceptable to Austria, although they might provide a basis for negotiation. (740.00119 Council/2-1449)

740.00119 Council/2-2349 : Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET US URGENT

WASHINGTON, February 23, 1949—7 p.m.

611.<sup>1</sup> Ausdel 14. Note from recent messages (Delaus 12 Feb 12, 18 Feb 17, 23 Feb 19; Belgrade's 145 Feb 11, 173 Feb 19; Moscow's 419 Feb 19<sup>2</sup>) fluid and tentative character of Yugo position re Aus Treaty and possible complicating factor Sov tactics in relation to Yugo internal situation.<sup>3</sup> It may be necessary take account Sov maneuvers this connection to weaken Tito regime as well as need to pave way for Yugo and Sov retreat from previous strongly asserted positions if solution problem Yugo claims is reached. Nevertheless, we cannot yield in any degree in our stand on two basic principles, no change in 1937 frontiers and no reparations obligations. Room for negotiation compromise settlement therefore appears confined to narrow limits.

Agree concession such as estab autonomous Slovene district, creation new province predominantly Slovene in character, or holding plebiscite is entirely unacceptable since such step would compromise our publicly and frequently affirmed position by recognizing some validity in Yugo territorial claim and inviting future Yugo irredentist activity. These proposals and any scheme involving form reparations through supply goods on privileged basis (but not precluding any mutually beneficial trade agreement) must be opposed without compromise.

Envisage extent acceptable concessions along fol lines:

1. Incorporation in Treaty code of minority rights for Slovenes covering principles and practices already in effect or otherwise acceptable to Aus Govt. Assume disputes re interpretation or observance such provision would be settled in normal manner as outlined Art. 57.<sup>4</sup> However, if special procedure such as appeal to International Court of Justice desired by other parties, we would have no objection.

<sup>1</sup> Repeated to Vienna as 157 and to Belgrade as 88.

<sup>2</sup> None printed.

<sup>3</sup> For documentation relating to the United States position with regard to the Soviet-Yugoslav dispute, see volume v.

<sup>4</sup> Article 57, which had been agreed during the course of previous discussions by the Deputies, provided for the settlement of disputes by direct negotiations between the disputants. If the two parties could not settle the dispute by direct talks, then a commission composed of one representative from each party and a third, selected by mutual consent, or by the Secretary-General of the United Nations if the parties could not agree, would decide the dispute by majority vote.

2. Transfer of Aus assets in Yugo to Yugo Govt as proposed in Art. 45.<sup>5</sup>

3. Joint arrangements mutually satisfactory to Aus and Yugo for dealing with Drava River problems of type outlined in first alternative proposal, Vienna's 125 Feb 16.<sup>6</sup> You might wish to explore further with Brit, Fr and Aus concrete suggestions on subject including extent to which provisions should be made for these arrangements in Treaty itself and outside Treaty but supplemental thereto in bilateral agreement. This problem is now under study here and we hope to have more specific suggestions later.

Believe bilateral negots should be limited to Drava River problems or other economic matters and should not involve under auspices of Deputies even minor frontier rectifications, Delaus 17 Feb 17.<sup>7</sup> Admission principle frontier rectification however minor as appropriate subject for bilateral negots based on precedent Deputies' letters Feb 7, 1947<sup>7</sup> concerning Aus-Czech frontier problems might well be taken to constitute official acknowledgement by Deputies Yugo territorial claims have some basis in fact. We are apprehensive acceptance such proposal would weaken our general position on frontier issue, strength of which has depended in large part on our firm stand taken on principle frontier established through plebiscite 1920 equitable and internationally recognized determination of boundary. While Aus-Czech negots appear in abeyance we feel this would not be result if comparable letters addressed to Aus and Yugo which latter could always exploit in future to press its territorial demands claiming sanction of Deputies. Onus of resisting demands would then fall entirely on Aus themselves. Such action might also encourage Hung to invent and press similar claims for "rectification".

Consider on other hand joint utilization Drava River resources as well as other economic problems fitting subject for bilateral settlement. It seems to us if Yugo earnestly desires *rapprochement* with Aus satisfactory arrangements for operation and development Drava River facilities for mutual benefit both economies might be worked out as part of comprehensive economic settlement. If this possible, joint undertaking developed around Drava River as center might come to serve as tie between two countries.

ACHESON

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<sup>5</sup> For the text of this unagreed article, see *Foreign Relations*, 1948, vol. II, p. 1530.

<sup>6</sup> Not printed; it suggested the creation of a mixed commission of the two parties with the possible addition of a United Nations or third party mediator to settle disputes. (740.00119 Council/2-1649)

<sup>7</sup> Not printed.

740.00119 Council/2-2449: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, February 24, 1949—6 p. m.

681. Delaus 31. From Reber. Although Bebler statement reported in Delaus 30<sup>1</sup> was conciliatory in tone in comparison with previous declarations and evidently intended to give public impression Yugoslavs desire compromise, his insistence upon acceptance in principle of four points is tantamount to repetition last year's insistence on territorial changes and reparations but adds two new requirements of autonomy and guarantee of minority rights. He implied that extent of territorial claims and amount of reparations may be reduced in light of satisfaction achieved in other respects. I understand full copies Bebler's statement have been issued to press as well as text of his speech to Foreign Correspondents Association today which I understand follows same general lines.

It is noteworthy that throughout today's discussions Zarubin took no part and asked no questions. It was clear that he is desirous of avoiding any discussion prior to hearing Austrian reply<sup>2</sup> for purpose of placing responsibility of negotiations upon Yugoslavia, Austria and Western powers. In this connection it should not be overlooked that Communist press in Vienna is endeavoring to place Austria in position of refusing or accepting compromise based on new Yugoslav demands.

I am approaching British and French colleagues tonight or tomorrow with view to planning future tactics as I understand their position is similar to ours outlined in Ausdel 14.<sup>3</sup>

Sent Department; repeated Vienna 34, Belgrade 15.

[REBER]

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<sup>1</sup> Not printed; it reported on the 122nd meeting of the Deputies for Austria, February 24, at which Bebler stated that his Government was ready to study or submit a compromise based on frontier rectifications, autonomy for that part of Slovenian Carinthia remaining in Austria, reparations, and a guarantee of minority rights for Austrian Croats and Slovenes outside the autonomous area. (740.00119 Council/2-2449) In the previous eleven meetings the Deputies had completed the first review of the unagreed articles and decided to hear representatives of Austria and Yugoslavia.

<sup>2</sup> At the 123rd meeting of the Deputies Gruber rejected the four points of the Yugoslav compromise, but stated that his Government was willing to have written into the treaty a declaration of the minority rights for all the inhabitants of Austria. (Delaus 32, February 28, from London, not printed, 740.00119 Council/2-2849) At the 124th meeting both Bebler and Gruber reiterated their positions.

<sup>3</sup> *Supra*.

740.00119 Council/3-149 : Telegram

*The Secretary of State to the United States Deputy for Austria at  
the Council of Foreign Ministers (Reber)*

TOP SECRET

WASHINGTON, March 1, 1949—6 p. m.

676.<sup>1</sup> Ausdel 19. Dept fully appreciates concern Fr Govt which has prompted desire for some type guarantee declaration.<sup>2</sup> Same basic interest had moved us in making our original proposal in 1947 for Art 2. Also realized Aust immediately following entry into force Treaty may well experience serious dangers because of armed force not sufficiently developed to cope with internal security problem. Fail to understand Fr argument Aust security in jeopardy at that time because Aust could not receive protection as member UN. Provisions UN Charter on settlement disputes and action re threats to peace applicable to both member and non-member states with only difference relating to procedure. It is easier for members to bring a case before UN and participate in its proceedings but substantive outcome any case should not be affected by distinction between member and non-member states.

Do not believe sweeping and general commitment to maintain security OEEC countries would make useful contribution to solution this particular problem. Aust security question would tend to be lost in far-reaching implications this step, which might cause Sov adverse reaction disproportionate to any benefits derived by West for Aust from declaration prior to such time as security system Western Union has developed inherent strength. US Govt could not participate in such declaration until certain it would be fully supported in US.

We recognize advantage in tripartite action envisaged second Fr proposal but as it again would involve extensive commitment by US it would require most serious consideration here. It is therefore believed desirable to advise Fr that we wish to study this proposal carefully in light any further Fr views and future developments.

ACHESON

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<sup>1</sup> Repeated to Vienna as 180.

<sup>2</sup> The reference here is to the question of a guarantee for Austrian independence which had been raised by Berthelot at a meeting of the three Western Deputies February 12. In the course of the discussion the Deputies had considered two possibilities. The first was a declaration concerning the security of all OEEC countries at the time of the signature of the North Atlantic Pact, although such a declaration would have to be general to avoid the stiffening of the Soviet attitude toward Austria. The second was a tripartite declaration or announcement, to be made at the time of the final evacuation of allied troops from Austria, along the lines of President Truman's statement of December 13, 1947, with respect to Italy, that the allies would take appropriate action to meet any threat to the independence of Austria. (740.00119 Council/2-1249)

740.00119 Council/3-1049 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET US URGENT

LONDON, March 10, 1949—7 p. m.

902. Delau 49. From Reber. Bebler's statement this morning<sup>1</sup> reiterating Yugoslav unwillingness to abandon two principles of frontier rectification and reparations has brought the current meeting to its most critical point.

Following preliminary examination of unagreed articles, discussion has centered on various aspects of Yugoslav claims against Austria by [as] essential element in establishment of any treaty. A procession of Yugoslav memoranda has been submitted which not only concentrates on frontiers and reparations but reiterate demands on many aspects of treaty both in agreed and unagreed articles. Yugoslavs have emphasized the appearance of compromise their proposals give and are obviously building up a case for public record. They have been encouraged by Zarubin to do so in his continuous request for new hearings. It is obvious Soviets have been utilizing this conference and their support of Bebler's demands to serve their own ends in Yugoslavia and to attempt further to increase breach between Tito and West.<sup>2</sup> Bebler, on other hand, has done nothing to ease the Yugoslav position and it is clear as long as discussions are publicized no amount of pressure will induce him to do so.

Bebler's statement today has, however, brought this phase of the conference to an end. An effort will now be made to require that Soviets accept their share of responsibility for conclusion of Austrian treaty by willingness to modify position and not to hide behind Yugoslav claims. As Gruber pointed out in statement today previously agreed with US, establishment of peace is the duty of four great powers and there can be no justification whatsoever for holding up conference because of Yugoslav objections.

As long as question of Yugoslav claims remains unsolved, however, it is clear no real progress can be achieved toward conclusion of treaty. Western deputies can do little more than maintain fixed positions on remaining unagreed articles. Zarubin's probable tactics will be either to endeavor to induce the West to break off discussions

<sup>1</sup> At the 131st meeting of the Deputies. Reber had given a full report on this meeting in Delaus 48, March 10, from London, not printed. (740.00119 Council/3-1049) The Deputies had been discussing the Yugoslav claims since the 122nd meeting on February 24.

<sup>2</sup> In telegram 258, March 12, from Belgrade, not printed, Cannon expressed his full agreement with this statement. "As long as Soviets and Yugoslavs continue to be more concerned with tactics of their own dispute than with issues of Austrian settlement no substantial treaty progress can be made on frontier and reparations questions." (740.00119 Council/3-1249)



over current impasse or to propose further negotiation on other un-agreed articles keeping Bebler in reserve for final showdown on frontier issue in which he clearly knows West can accept no frontier rectification. To follow Zarubin in latter course either could be interpreted as an indication that we attach little importance to present issue or would serve as a pretext to Soviets to mask their real intentions.

In discussions with British and French today there appeared to be general agreement we should not be led into obvious trap of agreeing to discussion of other issues certainly at this stage without further efforts to force showdown over frontiers and Yugoslav claims which will constitute only real test of Soviet intentions. French have no definitive instructions and seem to be motivated by general desire to avoid another failure for Austrian treaty. Berthelot hopes to obtain further clarifications Paris views over week-end. I am informed Bevin is anxious keep discussions going as long as possible believing adjournment at this particular stage in general development international situation and in light of uncertainties of Vishinsky's next move and of possible developments in Germany might be open to adverse construction. In his opinion it would be more serious than last year and might be interpreted as evidence of Western preparation for early showdown with Soviet Union. Before final decision re break, he apparently prefers to see what the results of publication or signature of Atlantic Pact will be in respect of Soviet policy.

On the other hand, in our opinion postponement of decision on Article 5 and renewed negotiations on other articles or even protracted sterile discussions on ethnic questions without meeting issue of basic Yugoslav-Soviet demands would leave West exposed to danger of a later break over other issues which will be less clear to public in general and in Austria in particular. The dangers of adjournment in present circumstances are recognized but from point of view of Austrian treaty and of political situation in Austria the greater danger lies in allowing ourselves to be maneuvered into a weaker position where we may be required by pressure of public opinion to compromise on other issues without any assurance the basic issues of frontiers and reparations will be solved. Also any possible Soviet concession, for example on Article 35, would only serve their propaganda purpose in Austria and divert attention from unsolved basic issues of frontiers. Therefore, judging solely from point of view of Austrian treaty and necessity of continued support of Austrian Government, we should be prepared accept any reasonable grounds for adjournment in near future if continued pressure for solution of problems in connection with Article 5 brings no result. The responsibility for suspension also

then rests in full upon Soviets even though initiative for break might be taken by Western states which in present circumstances would be certain get full support by Austrian Government despite its urgent desire to achieve a treaty. We should of course, endeavor take action to secure fixed adjournment of present talks in such a way as to permit reconvening at a later date to be agreed and without giving appearance of complete rejection of all Yugoslav claims. We have indicated our willingness to discuss possible ethnic arrangements in Carinthia which might serve as a pretext for an adjournment to permit further study these proposals.

Over-all, such a course would be desirable in that it would maintain fiction of continued negotiations. It would permit calling a new conference at time nearer Austrian elections.<sup>3</sup> It would also give Gruber opportunity explore possibilities of mitigating Yugoslav claims by direct economic negotiations, as well as providing time for operations under new US economic policy regarding Yugoslavs. Furthermore, opportunity would be provided for further clarification of Yugoslav-Cominform rift with possibility that some understanding might be reached with Bebler without benefit of Zarubin's watchful eye. As it now stands, Austrian treaty is bearing more of its share of brunt of current conflict over Yugoslavia which unduly complicates treaty negotiations.

Department's instructions upon foregoing considerations are urgently requested as a decision will undoubtedly have to be taken by Monday at latest. If time does not permit full consideration of this problem prior to then, I should appreciate preliminary indication of Department's thinking in this respect by telephone not later than Saturday.

Sent Department, repeated Vienna 52, Belgrade 30.

[REBER]

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<sup>3</sup> For documentation relating to the Austrian national elections, October 9, see pp. 1206 ff.

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740.00119 Council/3-1049 : Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET      US URGENT      WASHINGTON, March 12, 1949—2 p. m.

829. Ausdel 26. Delaus 49<sup>1</sup> helpful in revealing complexities of present impasse in Aust treaty negotiations. Agree, as matter of immediate tactics, further efforts shld be made to force the issue on fron-

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<sup>1</sup> *Supra.*

tier and related questions in attempt to solve problem Yugo claims and to probe Sov intentions.

In event solution proves impossible, decision as to break must be weighed fully from standpoint effect on general internatl situation as well as from narrower aspects of Aust problem alone. We feel in fact Brit anxieties are well based and shld deserve most careful consideration. Wld be extremely loath to insist on course of action that only meets with reluctant acceptance by Brit and Fr and might frighten or confuse other Western countries. In this situation western initiative with view to break, whatever appearances we endeavor to give it, wld probably invite propaganda exploitation by Sovs prejudicial to our interests.

If avoidance breakdown in negotiations desirable at this time in relation to internatl developments, we see no harm in their continuation from point of view Aust problem. Recognize, of course, no indication as yet Sovs intend to conclude treaty and no agreement may be reached in end on any disputed article. Believe however this shld not deter us from renewed discussions other unagreed articles if insurmountable impasse reached on Art 5 and related questions. It shld be possible to keep way open for subsequent return to frontier problems. If Sovs however shld stand on absolute refusal to discuss frontier questions again after deadlocks reached on other articles, such development seems to us capable of exploitation by West in virtually same way as an impasse now on frontier questions.

As situation existed at time treaty negotiations 1948 it was clear frontier and reparations issues afforded most favorable grounds for suspension negotiations in respect to understanding by Aust public of attitude Western powers in seeking to obtain acceptable treaty for Aust people. Consider situation may have so changed now that if adjournment occurs, because of deadlock on other issues, Aust public will appreciate that West is acting in its interest.

It is not understood, however, in event of deadlock on Yugo claims, how agreement to take up other disputed articles could be regarded as evidence West views frontier and related issues of slight importance or serve as pretext to conceal Sov intentions. Nor is it clear to us why we shld not examine any Sov concessions on other disputed articles they may be willing to make and agree to them if they are acceptable on basis of your instrs.<sup>2</sup> Because ramifications Yugo situation and Yugo relation to treaty Sovs could hardly be expected, whatever their intentions, to make concessions re Yugo claims in early part negotiations. If they do so at all, wld anticipate such step after initial public attention diverted from this issue. Possibility has existed from

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<sup>2</sup> *Ante*, p. 1087.

beginning Sovs wld use concessions on their part for propaganda purposes, and it does not appear to us of critical importance if discussion by Deputies possible Sov concessions shld temporarily divert attention from frontier problems.

Internatl opinion will probably question our motives if action taken for adjournment without more than preliminary consideration of other disputed articles. If this shld happen, other countries and Aust itself may hold our impatience responsible for torpedoing this conference not long after its beginning. That appears too serious a risk for us to take until there is some clarification of internatl situation or until thorough demonstration made every negotiating possibility exhausted.

ACHESON

740.00119 Council/3-1449: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, March 14, 1949—7 p. m.

962. Delau 53. Our efforts to keep pressure on Soviets to force some indication of how frontiers and reparations issue may be settled has today resulted in Zarubin taking initiative in seeking bring about direct negotiations between Austria and Yugoslavia on outstanding issues. He sent for both Bebler and Gruber today and, according to latter, urged that two undertake direct conversation while deputies are considering other articles.

Further at close of today's meeting<sup>1</sup> Zarubin indicated to me privately it would be very difficult to settle the matter of Yugoslav claims without prior discussion of other articles. When I pressed him for indication whether he thought there was any solution possible for Articles 5 and 34 he said he thought something could be achieved. I explained it would be exceedingly difficult for me to agree to other economic articles of treaty particularly when important issue on reparations was still outstanding. As my talk with Zarubin was in committee room at close of today's meeting, I suggested we meet again tomorrow afternoon for a more considered talk about questions outstanding between us.<sup>2</sup>

<sup>1</sup> The 133rd meeting of the Deputies.

<sup>2</sup> In Delaus 55, March 15, from London, not printed, Reber reported that at his meeting with Zarubin on the 15th the Soviet Deputy had stressed the need to pass to the other unagreed articles and seemed to desire extending the talks indefinitely. Reber had then discussed this meeting with the other two Western Deputies who agreed not to pass immediately to the other unagreed articles without some discussion concerning the solution of the frontier and reparations questions. (740.00119 Council/3-1549)

Although this is first time Zarubin has taken initiative for any direct negotiation with any of Deputies it may only be that he is endeavoring to ease his present situation and may have little significance in ultimate determination of Soviet objectives. In these circumstances we feel it is better to keep pressure on him and only to agree to consideration of other articles if he can give some positive indication that an eventual solution of frontiers and reparations will be found in accordance with principles to which Western Deputies subscribe. I have discussed foregoing with my French and British colleagues who are in agreement as to tactics to be followed and danger of merely agreeing to discussion of other issues without some progress having been registered.

Berthelot informs me of general desire of French Government to continue negotiations.

Sent Department, repeated Vienna 55, Belgrade 5.

[REBER]

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740.00119 Council/3-2149: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

TOP SECRET

LONDON, March 21, 1949—7 p. m.

1099. Delau 62. From Reber. As envisaged in my Delau 60,<sup>1</sup> today's meeting<sup>2</sup> showed futility at present time of continuing discussions on questions of frontiers and reparations. In view of Department's instruction contained in Ausdel 26,<sup>3</sup> I have agreed with French and British to pass to other articles of treaty without further delay, although an attempt will be made leave continuously open return to these fundamental points.<sup>4</sup>

In discussing procedure at Foreign Office this afternoon, both Marjoribanks and Berthelot seem to feel that it might be possible to obtain Soviet concessions on frontiers and reparations by concessions of Western Deputies in respect to economic articles. This is clearly Zarubin's tactic at the moment, from which Soviets only can derive the benefit. I pointed out that the nature of concessions Zarubin would wish us to make as the price for his agreement to treaty would be those which would permit continued Soviet control of Austrian industry. It will be recalled that Soviets have always refused to discuss neces-

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<sup>1</sup> Not printed.

<sup>2</sup> The 138th meeting of the Deputies.

<sup>3</sup> Telegram 829, March 12, p. 1081.

<sup>4</sup> The discussion of the frontier and reparations articles continued at the next two meetings of the Deputies before beginning the second review of the other unagreed articles at the 141st session March 24.

sary conditions of transfer until agreement is reached on amounts. Marjoribanks, however, seems to attach less importance to these conditions than to possibility of agreement on text of treaty. I foresee, therefore, that if there seems to be possibility of agreement on figure for lump sum payment and some Soviet concession on oil properties there will be less insistency by British Deputy upon complete relinquishment by Soviets of their present control of industry in Eastern zone. Although I fully appreciate and understand desirability of not giving appearance of initiating any break at present, current Soviet tactics do not give promise of any real solution of these problems and are designed in my opinion to place responsibility on us for failure to meet their demands in respect of Austrian industry. In my opinion it is as important to prevent Soviets continuing control of Austrian industry as it is to prevent encroachment upon Austrian territorial integrity but it will probably be more difficult for Austrian public to comprehend need for inclusion in treaty of necessary safeguards. Even Austrian Government officials, including Gruber, seem inclined dismiss need for them if without them treaty seems possible. Our reluctance to conclude treaty without proper economic safeguards would consequently be open to misinterpretation to Austria, as lending itself to Soviet propaganda.

Sent Department 1099; repeated Vienna 62.

[REBER]

740.00119 Council/3-2149: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET

WASHINGTON, March 23, 1949—7 p. m.

1006.<sup>1</sup> Ausdel 34. Consider course indicated para 1 Delaus 62<sup>2</sup> advisable in present circumstances.

Do not agree views Brit and Fr if they have in mind to buy Sov recognition our position on frontiers and reparations through such concessions as would sacrifice economic safeguards essential to preservation economic independence Aust. That would be incompatible with our basic approach to Aust Treaty and our Aust policy followed since liberation. We must therefore continue to insist on relinquishment by Sovs control of industries in Eastern zones and we are in complete agreement as to importance this objective in consideration economic issues Treaty. You should hold firmly to your instructions this regard closely linking our resistance to dangerous concessions re economic ar-

<sup>1</sup> Repeated to Vienna as 261.

<sup>2</sup> *Supra*.

ticles to opposition to frontier changes and reparations as total effort to assure reestablishment of Aust unity, territorial integrity, independence and stability in accord with previous international agreements.

If negotiations break down on this all-inclusive issue Aust public should appreciate our purpose is protection future of Aust. We feel in brief our basic premises in approach to economic articles at outset negotiations have not changed. While we must make every reasonable effort obtain Treaty and avoid onus for breakdown negotiations, concessions beyond limits of what is considered to represent basis acceptable Treaty in conformity with your instructions should be rejected.

ACHESON

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740.00119 Council/3-3149: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, March 31, 1949—7 p. m.

1301. Delau 78. From Reber. Paris,<sup>1</sup> who is in London in connection with Council of Europe discussions, asked me to call today for general discussion present situation and tactics be followed re Austrian treaty. He is fearful lest present stalemate continue indefinitely and current discussions become ridiculous but had no suggestions how overcome such difficulties. Given present uncertainty Soviet tactics and possibility broad diplomatic action on their part, he agreed it was important avoid either giving Soviets pretext for retaliatory action or taking any abrupt move pending clarification Soviet intentions.

It has become increasingly clear since discussions moved away from frontiers and reparations Soviets are utilizing every pretext gain time and there is little prospect for substantive discussions or any agreement prior Zarubin's departure,<sup>2</sup> time for which is not yet fixed. It is not yet clear for French and British colleagues or to myself for what purpose Soviets are seeking delay except possibly in connection with timing of some planned initiative looking forward CFM meeting.

Despite our effort to conclude discussion of Article 16, Zarubin has prolonged it for at least three sessions.<sup>3</sup> He may follow similar line in connection with military clauses, discussion of which begins tomorrow,

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<sup>1</sup> Presumably a reference to Jacques-Camille Paris, former Counsellor, French Embassy in the United Kingdom.

<sup>2</sup> Zarubin had been named as a member of the Soviet Delegation to the U.N. General Assembly, but no date had been announced for his departure. Subsequently he told the other Deputies that he was not going to New York.

<sup>3</sup> The Deputies discussed Article 16 from the 141st meeting March 24 to the 146th meeting March 31.

or cut these short in effort to obtain preliminary review Article 35 prior his departure. In these circumstances I have discussed with British and French possibility of agreeing shortly after Zarubin's departure, if it takes place within next ten days, to recess for period of ten days to two weeks or even few days longer, using Easter holidays as occasion and thus bringing us closer to time when Zarubin returns to give us better opportunity than can be afforded by a substitute to test Soviet intentions. A further advantage of Easter recess which would not be construed as a break would, in opinion of both French and British, give useful time to estimate current trends Soviet policy, its attitude in forthcoming GA and its response to such events as conclusion Atlantic Pact. Such suspension would be for a fixed date and talks could be resumed without undue political significance.

I found Paris today more inclined than previously has been French opinion to believe settlement of Austrian treaty is closely linked with German settlement and that Soviets are now using negotiations not for purpose of agreement but for exercising pressure on Yugoslavia or giving excuse for CFM meeting.<sup>4</sup>

Sent Department, repeated Vienna 75.

[REBER]

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<sup>4</sup> Telegram 1142 (Ausdel 39), April 2, to London, not printed (740.00119 Council/4-249), reported that the Department of State had no objection to this plan. Legation Vienna had no objection to an Easter recess either, but did hope there would be no indefinite adjournment or breakdown until all the unagreed articles had been thoroughly discussed and it had become evident that no agreement could be reached on the treaty at this time. (Telegram 370, April 5, from Vienna, not printed, 740.00119 Council/4-549.) Reber then discussed the plan with the British and French Deputies who were prepared to recess for Easter for reasons similar to those set forth in this telegram. (Telegram 1383 (Delaus 86), April 5, from London, not printed, 740.00119 Council/4-549.) On April 8 at their 152nd meeting the Deputies agreed to adjourn until April 25.

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740.0011 EW (Peace)/4-1649: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

VIENNA, April 16, 1949—3 p. m.

417. From Reber. After arrival here April 14, I conferred with US High Commissioner and members USFA and Legation staffs about problems of Austrian treaty. At suggestion High Commissioner press conferences held treaty negotiations. In series of visits with President Renner, Chancellor Figl, Vice Chancellor Schaerf and Foreign Minister Gruber, conversations were largely concerned with discussions at London and prospects following recess.

Renner spoke in uninterrupted discourse on importance of maintaining Carinthian frontier unimpaired. Although he did not imply



belief Western Powers were planning compromise, he nevertheless dwelt on this subject with deep feeling. Figl expressed appreciation Austrian Government of efforts made by Western Powers particularly US to conclude treaty in current negotiations, and indicated Austrians considered significant progress had been achieved in two respects, namely, through withdrawal French proposal to impose restrictions on economic activities of military significance (Article 27<sup>1</sup>) and renunciation by Western Powers of claims to German assets in Western Zones.<sup>2</sup> I recall that neither of these had brought agreement on part of Soviet delegation and that negotiations had not yet revealed intention to alter previous Soviet positions so that acceptable treaty might be completed. Figl strongly upheld view that Austria cannot subscribe to treaty unless it offers assurance of an independent economic existence for Austria and restores Austrian sovereignty. If such treaty could not be obtained now it was better, in his opinion, to wait until this was possible, but hope must be kept alive among Austrian people by every attempt to continue discussions at reasonable intervals.

After series of questions about likely developments after present recess, Schaerf suggested that in the event treaty not concluded this time desirable alternative would be revision New Control Agreement<sup>3</sup> with view to far-reaching relaxation of powers of military authorities and reduction of size occupying forces. In advancing these proposals, to which he and Socialist leaders generally attach great importance, he stressed opinion that control agreement had not been fully carried out and called attention expressly to provision (in Article 14) requiring review of agreement for purpose of revision within six months after its effective date. Further reason for revision was found in occupation statute for Western Germany<sup>4</sup> which he appeared to consider would give Western Germany more favorable position in relation to occupying authorities than would be case of Austria in its present situation. Upon inquiry, he stated Austrian Government had not formulated specific suggestions along this line, but that such proposals had only been put forward so far by political leaders. Recommenda-

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<sup>1</sup> At the 147th meeting of the Deputies, April 1, the French Representative had withdrawn his proposals for paragraph 2 of Article 27 and annexes III, IV, and V, which restricted Austrian economic activities contributing to military potential.

<sup>2</sup> At the 152nd meeting of the Deputies, April 8, the Representatives of United States, United Kingdom, and France stated that no German assets in Western Austria should be made available as German reparations and that such assets should be relinquished without obligation for payment.

<sup>3</sup> The reference here is to the New Control Agreement of June 28, 1946. For its text, see *A Decade of American Foreign Policy, Basic Documents, 1941-1949* (Washington, Government Printing Office, 1950) p. 614.

<sup>4</sup> The reference here is to the Occupation Statute which was signed April 8 in Washington by representatives of the three Western powers and came into effect September 21. For the text of the Statute and documentation relating to its negotiation, see pp. 156 ff.

tions of Legation and USFA on this subject are being pushed to completion urgently and will be forwarded to Washington shortly.

Gruber is pleased with course of treaty discussions during final days before recess. His primary concern during my official call was Yugoslav reactions expressed by Yugoslav political representatives here after return from Belgrade, that recent Austrian proposals for economic arrangements (Legtel 295, March 24<sup>5</sup>) were not sufficient. In any event Gruber agreed it is advisable to leave matter in suspense until possible further report either directly or indirectly from Belgrade.

As result of discussion with Austrian leaders here following impressions stand out:

(1) Relinquishment by Western Powers of claims to German assets is deeply appreciated by Austrian Government and gives West decided propaganda advantage until Soviets make counteroffer,

(2) View held by political leaders on treaty prospects is generally realistic but all here stressed importance of keeping discussions alive,

(3) Leaders of both coalition parties appear convinced Western Powers earnestly seeking to conclude treaty.

I am making brief visit to Carinthia<sup>6</sup> and plan return to London April 21 or 22.

Sent Department 417, repeated Belgrade 12.

[REBER]

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<sup>5</sup> Not printed; it reported that Gruber had offered to open discussions with Yugoslav representatives leading to a new and considerably extended trade agreement. (863.014/3-2449)

<sup>6</sup> Reber visited Carinthia and Styria shortly before his return to London and reported that no substantive movement existed among the populations of either province for a special autonomous regime or union with Yugoslavia. (Telegram 1581 (Delaus 99), April 25, from London, not printed (740.00119 Council/4-2549))

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740.00119 Council/4-2649 : Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

WASHINGTON, April 26, 1949—2 p. m.

1401.<sup>1</sup> Ausdel 51. For Reber. Fol instrs are issued to you for future negots Aust Treaty:

In review of unagreed articles of Treaty you will be guided by basic principles transmitted in Hickerson's ltr Jan 24 with its accompanying documents.<sup>2</sup> Objective current review of unagreed articles

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<sup>1</sup> Repeated to Vienna as 389 and Belgrade as 199.

<sup>2</sup> For the text of the basic principles, see the Instructions to the United States Deputy for Austria at the Council of Foreign Ministers, January 14, p. 1067. Hickerson's letter and the remaining accompanying documents are not printed.

shld be to obtain maximum agreement possible and to test Sov intentions on major problem of ultimate conclusion of Treaty. In any question involving total obligation which Austria will bear as result Treaty US position shld be reserved until final settlement is made both of frontiers and Yugo claim for reparations.

You shld seek to ascertain effect on negots of withdrawal of annexes to mil clauses by Fr and renunciation of claims for reparations from Ger assets in Western zones by three Western Powers. If such proposals or any others contained in gen instrs do not facilitate agreement, you are requested to center further discussion on question of frontiers and reparations. If Sov Delegation does not relax its position on Yugo claims you may seek an adjournment of present conference to be resumed at a later time on such terms which will not prejudice future discussions. An outright break either initiated by Western states or of such nature as to place blame on Western states shld be avoided. Therefore, you are authorized formulate plans in coordination with Brit and Fr and with concurrence Aust officials to an adjournment to a time which wld be more appropriate for negots in terms of Aust internal development and gen internatl situation. You may discuss this question with appropriate authorities in Brit and Fr FonOffs. Close coordination shld be maintained with Gen Keyes and Erhardt. Timing of this action and nature of adjournment are left your discretion.

If such an adjournment materializes US Leg Vienna, and US Emb, Belgrade, are requested formulate recommendations as to possible steps which might be taken by Aust or by Western Powers through dipl channels to achieve modification of Yugo demands prior to resumption negots. Recommendations also requested from US Leg Vienna and USFA for possible action (Vienna's 417 April 16<sup>3</sup>) under terms art 14 New Control Agreement.

ACHESON

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<sup>3</sup> *Supra*.

740.0019 Council/4-2749 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET      US URGENT  
NIACT

LONDON, April 27, 1949—6 p. m.

1619. Delaus 101. From Reber. Zarubin's tactics since resumption of discussions indicate clearly that Soviet Union is not disposed at this stage to make any effort to reach agreement on Austrian treaty. It seems likely that with improved prospects CFM meeting next month<sup>1</sup>

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<sup>1</sup> For documentation relating to the convoking of the sixth session of the Council of Foreign Ministers, see pp. 694 ff.

(cf. press announcements—April 27) Soviet Union may prefer resolution principal outstanding issues by Foreign Ministers and that Zarin is at present merely stalling for time.

As my British and French colleagues like myself are without instructions as to tactics to follow in event CFM meeting is to be held in relatively near future, we today agreed to seek early clarification from our respective governments. If agreed announcement of a CFM is made at approximately same time we complete review of outstanding issues it would seem useless to continue deputies meetings if there is any possibility that Austrian problems will be included in agenda CFM as seems desirable in view of present stalemate here. As Department is aware Gruber has long felt Soviet Union unwilling to permit settlement basic Austrian issues by deputies and that progress can only be made at governmental or ministerial level in conjunction with consideration of larger issues. In my opinion recent events confirm his belief.

Therefore if CFM seems likely within next few weeks I recommend that at close of our present review which might be ended this week we be authorized to make our report to our respective ministers and await their consideration of main points now in dispute as regards Austria, namely frontiers, reparations and German assets. If Austrian questions are to be discussed by CFM it is hoped that they will be placed as early as possible on agenda before there is any possibility of deadlock over other issues so that some progress at least could be made with respect to Austria. If Austrian question is placed late on agenda it might be lost in disagreements over Germany and resumption work by Austrian deputies rendered more difficult.

If there is no agreement on CFM we should of course continue for time being Department's discussions on Austria probably for a week or two longer until it has been amply demonstrated no possibility exists to make progress now.

Department's instructions would be appreciated as soon as possible.  
Sent Department 1619, repeated Vienna 94.

[REBER]

740.00119 Council/4-3049 : Telegram

*The Secretary of State to the United States Deputy for Austria at the  
Council of Foreign Ministers (Reber)*

SECRET US URGENT  
NIACT

WASHINGTON, April 30, 1949—1 p. m.

1475.<sup>1</sup>Ausdel 53. For Reber. Re Delaus 101 Apr 27,<sup>2</sup> we realize inter-relationship of German and Austria settlements, and if agreement

<sup>1</sup> Repeated to Vienna as 407.

<sup>2</sup> *Supra.*

appears possible on Ger, Austria will be included for discussion. If stalemate develops in Ger discussions, we do not wish to prejudice future negotiations by Deps of Aus treaty by linking it completely with possible deadlock on Ger and failure to agree on ministerial level. Accordingly, it is not considered desirable to discuss Aus treaty in early stages of conference or until substantial agreement reached on Ger issues.

We understand this approach is in accordance with views of Fr and Br. Cadogan indicates Bevin strongly desires initial agenda be in the most general terms such as "the question of Germany" but would of course be willing to add Austria if progress in CFM warranted such inclusion. Chauvel indicates similar position his Govt.

In view of foregoing, review of unagreed articles shld be continued with objective of clarifying any secondary issues prior to possible discussions by ministers as well as ascertaining Sov intentions with regard to ultimate agreement in CFM. Desirable that ministers shld concentrate on main issues of frontiers, reparations and Ger assets. Recess might be obtained in agreement with Brit and Fr shortly before CFM to permit reports to respective Govts in order that negotiations may be resumed by Deps (possibly in Paris) simultaneously with ministerial discussions.

ACHESON

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740.00119 Council/5-549 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET      US URGENT

LONDON, May 5, 1949—7 p. m.

1758. Delau 115. From Reber. At meeting with French and British this afternoon Berthelot and I argued importance of fixing definite date for reconvening deputies. Marjoribanks agreed submit the following formula to Bevin for his approval tonight or early tomorrow :

"In view of the decision to convoke the CFM on the 23rd May the deputies for the Austrian treaty have suspended discussions in order to report to their respective Ministers but will resume them on June 25. In the meanwhile they will be at the disposition of the Ministers and will hold themselves in readiness to meet at any other date that the latter may decide".<sup>1</sup>

<sup>1</sup> Bevin subsequently agreed to this text and it was tabled by Reber at the 162nd meeting of the deputies May 6. Zarubin argued briefly that the deputies should continue to meet for the discussion of articles of secondary importance, but then acquiesced in the proposed suspension, subject to agreement through diplomatic channels on the date of resumption. Telegram 1774 (Delau 117), May 6, from London, not printed (740.00119 Council/5-649). At their last meeting before the Council of Foreign Ministers, May 10, the deputies agreed to suspend their discussions and resume them not later than June 27, 1949. (CFM Files: Lot M-88: Box 114: Document C.F.M./D/L/49/A/163rd Meeting)

It appeared that the British in addition to concern expressed yesterday<sup>2</sup> feared establishment of definite date for resumption of deputies was intended serve as pretext to avoid discussion of Austrian treaty by Ministers. Berthelot and I both stated that this was not case and did not imply any intention to bar Austria from consideration by Ministers if situation in Paris proved favorable. We did not however wish Austrian issue to be linked with possible negative outcome of CFM.

Date of June 25 was selected as compromise and would appear to give ample time for Ministers to conclude their meetings especially as Bevin has told the French Ambassador he did not think CFM should last beyond June 15.

Sent Department 1758, repeated Vienna 108.

[REBER]

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<sup>2</sup> In telegram 1742 (Delaus 114), May 4, from London, not printed, Reber reported the British feeling that an adjournment until July 1 was too long and might be interpreted to indicate the duration of the sessions of the Council of Foreign Ministers. (740.00119 Council/5-449)

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CFM Files : Lot M-88 : Box 113 : Reber Files

*Memorandum by the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*<sup>1</sup>

SECRET

[WASHINGTON,] May 11, 1949.

Subject: U.S. Approach in Future Negotiations on Austrian Treaty.

1. *The Situation:*

The Conference of the Foreign Ministers' Deputies for the Austrian Treaty convening at London on February 9, 1949, suspended discussions on May 10th after 53 meetings in order to give the Ministers the opportunity either to discuss the Austrian Treaty themselves or to give their Deputies new guidance. During this time the Deputies completed two reviews of the 18 disagreed Articles outstanding without reaching full agreement on any one of these Articles. The principal accomplishment of the meetings consisted of the renunciation by the French of their proposal in Article 27 for far-reaching restrictions on Austrian economic activities of military significance and a declaration of relinquishment by the Western Delegations of claims to German assets in Western Austria. A major development was an offer made by the United States Delegation to agree to an increase in the lump

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<sup>1</sup> Addressed to Secretary Acheson and Robert D. Murphy, the Acting Director of the Office of German and Austrian Affairs.

sum if in turn agreement could be obtained on conditions of payment that would permit Austria to maintain its economic independence.<sup>2</sup>

In contrast to the meetings of a year ago when attention was centered on Article 35 on the German assets question, the chief topic of discussion this year concerned the Yugoslav claims in connection with Articles 5, on frontiers, and 34, on reparations. The Soviet Delegation continued to give strong support to the Yugoslav claims, which have been modified since the earlier negotiations, but placed greater emphasis upon the creation of an autonomous regime for Slovene-speaking elements than upon territorial rectification. The impression was received that this support depended largely on the following considerations:

1. Furtherance of Soviet objectives in Yugoslavia;
2. Possibility of using the Soviet position on these claims for bargaining purposes in relation to Article 35; and
3. A pretext to prevent conclusion of the treaty at a time considered inopportune by the Soviet Government.

The Soviet Delegation repeatedly stated that it will not make further concessions with respect to the amount of the lump sum or other aspects of Article 35 and that the Soviet position is final thus evidencing a determination in this regard similar to that of the Western Powers concerning the maintenance of the 1937 [1938] frontiers and the rejection of reparations. The Soviet representatives apparently feel that, in reducing their original proposal from 200 to 150 million dollars as compensation for German assets to be relinquished by the USSR to Austria while the Western Delegations have not raised theirs beyond 100 million dollars except for the value of Austrian assets in Hungary, Bulgaria and Rumania, they have made a generous gesture which has not been matched. The Soviet Delegation has been suspicious of every move made by the three Western Powers concerning Article 35 and has regarded with mistrust the US memorandum of April 8 on conditions attaching to a settlement under the lump-sum approach. An example of this attitude is the Soviet conviction that the US proposal for review of payments provides a means for reduction or extinction at some future date of Austria's remaining obligation.

## 2. *The Problem:*

It has not proved possible to ascertain the ultimate intentions of the Soviet Government with respect to the Austrian treaty. The discussions recently completed indicate, however, that the stalemate arises from the failure thus far to obtain agreement on three basic questions:

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<sup>2</sup> The reference here is to Document C.F.M./D/L/49/A/44, which was circulated after the 152nd meeting of the Deputies April 8. (CFM Files: Lot M-88: Box 115: Documents)

frontiers, exclusion of reparations, and German assets. The resolution of these larger issues would break the log jam and allow in all probability a speedy settlement of the questions of secondary importance. Given that the Soviet Government is not unalterably opposed to a treaty, the hope of further progress of importance depends on the consideration of these basic issues in relation to each other in future negotiations.

In view of the Soviet insistence on 150 million dollars for the lump sum, the problem is whether the United States is prepared to enter into a bargain whereby our contribution will be to meet the Soviet figure in return for Soviet agreement to our position on frontiers, reparations, and withdrawal from industry in Eastern Austria. It is doubtful whether a treaty can be obtained by any other means.

In our opinion, the advantage of such a bargain would on balance lie with the Western Powers. The arrangement would include as an essential condition the relinquishment to Austria of all property held or claimed as German assets or war booty (except those oil and Danube Steamship Company properties specifically transferred to the Soviet Union and retained under Austrian law) with a general waiver of creditor claims arising out of the control of such properties after May 8, 1945. While a treaty on these terms would impose a burden on Austria of 15-25 million dollars more than previously contemplated, it would return several hundred industrial enterprises to the Austrian economy. It would allow the Austrian Government generally freedom of action in long-range economic planning and utilization of its resources as well as permit economies through the withdrawal of the occupying forces, thereby giving an impetus to the efforts of Austria to establish itself on a self-sustaining basis.

So long as the conclusion of a treaty is delayed, the Soviet drain on the Austrian economy will continue, possibly to the extent of 20 million dollars a year. The US will be called on to support a heavy burden of assistance to Austria and conditions will not permit a permanent solution of many of Austria's basic economic problems through the assistance of the ECA. The situation inside Austria will lead to increasing dissatisfaction among the Austrian people and resentment against the occupying forces with growing risk of a political crisis. The Austrian situation cannot remain as it now is for an indefinite period.

### 3. *Recommendation:*

That in these circumstances if the Austrian treaty is included on the agenda of the CFM meeting at Paris, the Secretary, subject to the concurrence of the British and French and at a favorable moment, offer to agree to a lump-sum obligation of 150 million dollars on con-



dition that the Soviet Minister accept Articles 5 and 34 and the relinquishment of claims to German assets (other than to oil and Danube Steamship Company properties transferred to the Soviet Union by the treaty) and of creditor claims, as outlined above. If the Soviet Minister accepts this proposal the matter should be referred to the Deputies for settlement of the details involved.

It is further recommended that in case the Austrian treaty is not considered by the Foreign Ministers at Paris the US Deputy be authorized to put forward this offer at the first favorable occasion in future negotiations by the Deputies for Austria.<sup>3</sup>

#### 4. *Tactics of Negotiation:*

If the foregoing US offer is presented in the CFM, an attempt should be made to avoid discussion by the Ministers of the method of payment of the lump sum including the question whether the obligation would be met in part through the value of Austrian assets in Hungary, Bulgaria and Rumania, reserving such matters for consideration by the Deputies. The US would endeavor in every way to obtain agreement on the transfer to the Soviet Union of the assets in Hungary, Bulgaria and Rumania as a partial payment of the lump-sum of 150 million dollars but if this proved impossible would agree that the obligation should be discharged entirely by other means.

In dealing with oil properties in connection with this offer, the US could agree to the transfer of oil production areas in Eastern Austria which would produce the equivalent of 60 percent (rather than our present position of 58-60 percent) of the 1947 production and to 55 percent (rather than 47 percent) of the oil-prospecting areas in Eastern Austria, subject to possible increase in this percentage depending on consideration of individual properties and within a maximum of 60 percent.

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<sup>3</sup> A revised text of this paper, consisting of a shortened section 1 and sections 2-3, was prepared May 17, presumably by Reber, and bears the marginal notation in his handwriting "paper sent to NSC". A copy of the revised text is in CFM Files: Lot M-88: Box 113: Reber Files.

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#### *Editorial Note*

Following the suspension of their meetings the Deputies for Austria proceeded to Paris to prepare their report and to be at the disposition of their Ministers during the sixth session of the Council of Foreign Ministers, May 23 through June 20. The Ministers, at their first meeting, placed the Austrian Treaty on the Agenda as item 4 and instructed the Deputies to draw up their report on the Austrian Treaty before June 1. If it were not possible to agree on a general report, the

Deputies should submit separate reports. The Deputies met four times informally in Paris May 30 through June 1 in a vain attempt to write a general report for the Foreign Ministers. The main obstacle was Zarubin's insistence that the Western Deputies' position on Article 35 could only be inserted in a general report as footnotes to the Soviet text, while the Western Deputies maintained that their conditions on Article 35 must be set forth in a manner equal to the Soviet. This question could not be resolved and separate reports were presented.

The Ministers then considered the Austrian Treaty at meetings 19-23, June 12-20, and at an informal meeting on the 20th. During the course of these deliberations the Ministers agreed to the following compromise: the Soviet Union dropped its demand for territorial changes and reparations for Yugoslavia while the Western powers agreed to a lump sum payment in Article 35 of \$150,000,000. The Ministers also agreed that the Deputies should promptly resume their work for the purpose of reaching agreement on a draft treaty by September 1.

The Deputies for Austria, resuming their morning sessions at Lancaster House, met forty-eight times from July 1 to September 1 (meetings 164-212). Zarubin, Berthelot, and Reber continued to represent the Soviet Union, France, and the United States respectively, but William Ivo Mallet, Assistant Under-Secretary of State, replaced Marjoribanks as the Deputy for the United Kingdom.

For documentation relating to the discussion of the Austrian Treaty at the sixth session of the Council of Foreign Ministers, see Chapter VI, Part B. The records of decisions and the various documents considered by the Deputies during their summer meetings are in the CFM Files: Lot M-88, Box 114; the United States Delegation minutes of the Deputies' meetings are in Lot M-88, Boxes 115 and 116; and a complete log of the telegrams between the Department of State and the United States Delegation is in Lot M-88, Box 148.

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#### B. THE MEETINGS OF THE DEPUTIES FOR AUSTRIA OF THE COUNCIL OF FOREIGN MINISTERS, JULY 1-SEPTEMBER 1, 1949

740.00119 Council/7-149: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

WASHINGTON, July 1, 1949—7 p. m.

2297.<sup>1</sup> Audel 65. For Reber. Fol are comments and specific instrs where indicated re Art 35 in forthcoming discussions:

We consider Deputies discussions on points specifically referred by Ministers will be crucial not only in obtaining final settlement Aust

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<sup>1</sup> Repeated to Vienna as 666.

Treaty but in determining Aust exact status in post-treaty period and its ability maintain independence in face of extent obligations to Sovs. Maximum clarification shld be obtained on remaining unagreed points either in exact language of Treaty or as part of record for future interpretation. In each case involving either Aust obligation to Sovs or exercise of Sov rights in Aust, it shld be clearly understood how settlement will operate in practical terms.

1. Settlement of disputes. Key point in future agreement, in connection technical and legal problems listed below, will be satis agreement on settlement of disputes. Our position shld be that disputes arising under Art 35 must be settled either by Art 50 or 57<sup>2</sup> since Aust shld at least be accorded same type treatment provided in treaties with ex-enemy states. Insistence on this point is particularly necessary if there any question about exact meaning other aspects settlement. It may be possible in negotiating to agree to Sov position on some other point in obtaining Sov acceptance US position on settlement of disputes.

2. War Booty. You shld seek maximum return to Aust of property or goods now held or claimed by Sovs as war booty. Legal analysis concept war booty in US policy will be forwarded you. In no event shld any proposal be accepted which involves retention by Sovs any industrial enterprises or rolling stock still in Aust without specific instrs from Dept.

3. Waiver of Claims. Agreement reached on waiver claims shld be clarified in Deputies discussion by obtaining for record Sov statement such waiver includes claims for improvements and additions made by Sovs to so-called Ger assets while under their control.

4. Alienation. Clarification shld be obtained on meaning of "alienation". We do not under any circumstances consider alienation implies immunity of transferred property from judicial process connection enforcement appropriate Aust laws such as tax laws. Our interpretation is limited to provision that Aust shall not take any transferred properties into public ownership pursuant to nationalization, eminent domain or similar act.

5. Profits or Other Income.

a. A major difficulty will be encountered in clarification and exact agreement on Sov phrase "profits or other income, i.e. rents" in view of uncertainty whether Sov accept concept of net profit under Aust law and precise definition of "other income." There is no serious objection to apparent Sov dichotomy relating "profits" to operation of enterprises and confining "other income" to rent return on leases, pro-

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<sup>2</sup> Article 50 (Settlement of Disputes) and Article 57 (Interpretation of the Treaty) provided for the settlement of disputes by direct negotiations between Austria and the government concerned. If agreement could not be reached by direct negotiations, a third member could be selected by the two parties. If the third party could not be agreed on then either party might request the Secretary-General of the United Nations to select the third party.

vided net income or net profit as commonly determined in Aust law is meant in both cases. This dichotomy is cumbersome and a draft based on net profit (or net income) arising either from operations or leases would be a neater and more exact description.

b. It is essential that privilege to export free of Austrian regulation be confined to net aggregate profits (income) from property, rights or interests transferred under Art. 35. Sov cannot be permitted acquire new income producing sources in Aust with earnings of transferred enterprises and claim transfer or export privilege for profits of newly acquired enterprises. Nor can one Soviet Company lease properties to another at a fictionally high rental and claim export privilege for lessor's corresponding high net income, ignoring lessee's loss. Possibly ultimate solution for this danger lies in further work which may have to be done re nature of Sov organizations permitted to hold transferred assets. Para (d) of draft in fol message<sup>3</sup> designed to preserve this point initially.

c. We agree Sov shall have freedom from Aust commodity export controls now or in future re portion of production in kind from transferred enterprises corresponding in schilling value to net profit in schillings. We also agree USSR shld be free of Aust foreign exchange controls re use or disposition outside Aust of fon exchange derived from sale of production corresponding to net profit. USSR may also lease installations in Aust for fon exchange and have that portion of gross rentals corresponding to net profits free for use outside Aust. Foreign exchange earned from sale of production of transferred properties or from leases are subject to Aust foreign exchange control over and above portion corresponding to net profit (income). USSR may not use permitted foreign exchange acquisition or retention for black market acquisition in Austria of Aust schillings, but may withdraw such exchange from Aust. Use of Aust schillings or of this foreign exchange to acquire goods in Aust shall not confirm privilege to export the goods. "Foreign exchange" means any non-Aust currency. We see no reason for emphasis on convertibility as USSR will have complete control of situation as to where and for what currency it will sell its profit product.

Further comment and draft of possible agreement on export of profits will be transmitted in subsequent message.

ACHESON

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<sup>3</sup> Telegram 2293 (Audel 64), July 1, not printed. (740.00119 Council/7-149)

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CFM Files : Lot M-88 : Box 115

*Soviet Delegation Draft of Article 35 of a Treaty for the Reestablishment of an Independent and Democratic Austria*

SECRET

[LONDON,] 2nd July 1949.

C.F.M./D/L/49/A/47 (Revised Translation<sup>1</sup>)

1. The Soviet Union shall receive for a period of validity of thirty years concessions to oil fields equivalent to 60% of the extraction of

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<sup>1</sup> The original translation of this document is in CFM Files : Lot M-88 : Box 115.

oil in Austria for 1947, as well as property rights to all buildings, constructions, equipment, and other property belonging to these oil fields in accordance with list No. 1 and map No. 1 annexed to the Treaty.

2. The Soviet Union shall receive concessions to 60% of all exploration areas located in Eastern Austria that are German Assets to which the Soviet Union is entitled in conformity with the Potsdam Agreement and which are in its possession at the present time, in accordance with list No. 2 and map No. 2 annexed to the Treaty.

The Soviet Union shall have the right to carry out explorations on the exploration areas mentioned in the present article for 8 years and to subsequent extraction of oil for a period of 25 years beginning from the moment of the discovery of oil.

3. The Soviet Union shall receive oil refineries having a total annual production capacity of 420,000 tons of crude oil, in accordance with list No. 3 annexed to the Treaty.

4. The Soviet Union shall receive those undertakings concerned in the distribution of oil products which are at its disposal, in accordance with list No. 4 annexed to the Treaty.

5. The Soviet Union shall receive the assets of the D.D.S.G., located in Hungary, Rumania and Bulgaria; and, likewise, in accordance with list No. 5 annexed to the Treaty, 100% of the assets of the Danube Shipping Company located in Eastern Austria.

6. The Soviet Union shall cede to Austria property, rights and interests held or claimed as German Assets, and shall also cede war industrial enterprises, houses and similar immovable property located in Austria held or claimed as war booty, with the exception of assets mentioned in paragraphs 1, 2, 3, 4, and 5 of the present Article. Austria, on her part, undertakes to pay the Soviet Union 150,000,000 American dollars in freely convertible currency within a period of six years.

The said sum will be paid by Austria to the Soviet Union in equal three-monthly installments of 6,250,000 dollars. The first payment will be made on the first day of the month immediately following the month of the entry into force of the present Treaty. The subsequent three-monthly payments will be made on the first day of the appropriate month.

Payments provided for in the present Article are to be made in dollars of the U.S.A. at the rate of their gold parity value on the 1st September, 1949, that is, 35 dollars for one ounce of gold.

As security for the timely payment of the above-mentioned sums due to the Soviet Union, the Austrian National Bank will issue to the State Bank of the U.S.S.R. within two weeks from the day of the entry into force of the present Treaty, promissory notes to the aggregate sum of 150,000,000 dollars of the U.S.A. to become payable on the dates provided for by the present Article.

## 7. Juridical position of assets:

a. All former German assets which have become the property of the U.S.S.R. shall not be subject to alienation without the consent of the U.S.S.R.

b. All former German assets which have become the property of the Soviet Union shall remain in general under Austrian jurisdiction, on condition that Austria shall not raise any difficulties in regard to the export of profits or other income (rents) in the form of production or of any freely convertible currency received.

c. The rights, properties and interests, transferred to the Soviet Union as well as the rights, properties and interests which the Soviet Union cedes to Austria shall be transferred without any charges or claims on the part of the Soviet Union or on the part of Austria. Under the words "charges and claims" is understood not only creditor claims arising out of the exercise of Allied control of these properties, rights and interests after 8th May, 1945, but also all other claims including claims in respect of taxes. The reciprocal waivers by the Soviet Union and Austria of charges and claims apply to all such charges and claims as exist on the date when Austria formalises the rights of the Soviet Union to the German assets transferred to it and on the date of the actual transfer to Austria of the assets ceded by the Soviet Union.

8. The transfer to Austria of all properties, rights and interests provided for in paragraph 6 of the present Article, and also the formalising by Austria of the rights of the Soviet Union to the German assets to be transferred will be implemented within two months from the day of the entry into force of the Austrian Treaty.

9. Any disputes which may arise in connection with the application of the provisions of the present Article shall be settled by the means of bilateral negotiations between the interested parties.

In the event of failure to reach agreement by bilateral negotiations between the Governments of the Soviet Union and of Austria within three months, disputes shall be referred for settlement to an Arbitration Commission consisting of one representative of the Soviet Union and one representative of Austria with the addition of a third member, a citizen of a third country, selected by mutual agreement between the two Governments.

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740.00119 Council/7-649 : Telegram

*The Secretary of State to the United States Deputy for Austria at the  
Council of Foreign Ministers (Reber)*

SECRET      NIACT

WASHINGTON, July 6, 1949—6 p. m.

2334.<sup>1</sup> Audel 68. Sov draft Art 35 <sup>2</sup> recd and preliminary comments follow:

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<sup>1</sup> Repeated to Vienna as 681.

<sup>2</sup> *Supra*.

You shld be guided in negotiations on specific questions in Sov draft by general policy considerations and objectives Audel 65 July 1.<sup>3</sup> Complete clarification is necessary on all points in order to avoid misunderstanding in future treaty implementation since Sov draft represents effort to obtain maximum material gain through Ger assets settlement as well as to provide means for future economic and political exploitation of Aust.

Recognizing need to utilize agreed language Delau 135<sup>4</sup> we are prepared to concede format to Sovs and recommend that Art 35 be presented in manner apparently desired by Sov Del. Consideration shld be given, however, to drafting appropriate para in Art pointing out what Aust shall receive as result of settlement in addition to spelling out long list of Sov benefits.

Para 1 is satisfactory provided phrase "located thereon" is inserted after "and other property." Presume word "Art 1" means list 1 which will be subject to further comment and agreement.

Para 2 recommend redraft along lines proposed Audel 6 Feb 15<sup>5</sup> and FMP 1/28a Mar 9<sup>6</sup> omitting reference to Ger assets and making para 2 consistent in drafting with para 1. Inclusion of model concession contract as annex to Treaty or annex to Art is considered important to specify exact nature of Sov rights and interests. Every effort shld be made to include model contract. Comments will follow on list.

Subpara on duration of contracts shld also be drafted in accordance with model contract and contain if possible wording to effect that 25-yr period will prevail only if oil is discovered within period of Sov exploration rights. Wording of Deputies agreement on duration contained in May Summary of Issues wld be preferable to present draft.<sup>7</sup>

<sup>3</sup> Telegram 2297, p. 1102.

<sup>4</sup> Not printed; it reported that the Western Deputies had agreed in principle with the first five paragraphs of the Soviet draft for Article 35 at the 166th meeting of the Deputies July 5. (740.00119 Council/5-749)

<sup>5</sup> Not printed; paragraph 2 in this draft read:

"Transfer to the Sov Union rights of ownership to the materials and equipment used in exploring for and extracting crude oil and gas located within the areas described in Annex A, to the extent that such materials and equipment existed in such areas on January 1, 1949." (740.00119 Council/2-1549)

<sup>6</sup> Not printed.

<sup>7</sup> Not printed; the wording for this subparagraph in the Summary of Issues read:

"The period of validity of concessions to be transferred to Soviet Union shall be established as follows:

(1) For the extraction of oil from the areas already under exploration—30 years;

(2) For oil exploration—8 years, with a further period of 25 years for extraction to run from the time when oil has been discovered in the explored areas." (CFM Files: Lot M-88: Box 113: Reber Files)

Paras 3, 4, and 5 are satisfactory as worded provided complete agreement is reached on lists.

Para 6 shld be divided into two paras as contained in Paris communiqué.<sup>3</sup> We wld prefer word "relinquish" to "cede" as contained in official English version of communiqué. Does term "cognate immovable property" include land? We presume cognate in this connection means "similar" as used in communiqué. Portion of first part of para 6 dealing with war booty shld be redrafted along following lines: "and also other property located in Aust now held or claimed by the Soviet Union as war booty or otherwise including war industrial enterprises, houses, and similar immovable property in accordance with the categories of property contained in list blank." Such redrafting is considered necessary in terms of exact reference this question by Ministers to Deputies in final Paris agreement. It must be made clear that our intention in Paris was that the Sovs relinquish everything now held either as Ger assets or war booty to Aust except such properties specified in paras 1 through 5 of Sov proposal. Some provision shld also be made to prevent removal of movable property either in text of Art 35 or in official record of conference.

Section of para 6 dealing with lump sum shld be separate para as contained in Paris communiqué. We consider that no agreement can be made beyond provision that Aust shall pay 150 million dollars in annual installments preferably beginning one year after effective date of Treaty provided this does not affect turnover of assets to Aust. If payment schedule does not provide equal annuities, payments first years shld be smaller than subsequent years. Provision shld be made to extend payments over full six years to avoid telescoping payments into five and one half years. We cannot accept quarter payments as proposed unless some provision is made for a moratorium in event Aust cannot fulfill obligation. Agreement on quarter payments wld prevent Aust from gathering resources sufficient to meet annual payments and wld make continuous fear of consequences of any default. We consider that such agreement is impossible economically and politically since it would provide Sovs with continuing basis for psychological warfare against Austs in difficult first year period.

Subpara on gold parity value is unsatisfactory and should be redrafted in form contained in satellite treaties to affect that basis of calculation will be US dollars at parity value.

Subpara on promissory notes is not necessary in as much as Aust undertakes to fulfill all articles in treaty of which Art 35 is integral part. If Sovs insist on this it shld be made clear in draft that promissory notes are non-interest bearing notes and shld conform to a model note attached to Treaty as annex.

<sup>3</sup> *Ante*, p. 1062.



Para 7*a* should be subject to complete clarification in terms of recommendations made in Audel 65. Subpara *b* is completely unclear as to meaning of "as a rule". In redrafting this section efforts shld be made to assure that property transferred to Sovs will operate under jurisdiction of Aust law with specific exceptions noted. Use of term "freely convertible currency" shld be redrafted in terms of recommendations in Audel 65. While language in subpara *c* of this subpara conforms in general to Paris agreement clarification shld be obtained whether Sov waiver includes claims for improvements made to property while under their control. US intention shld also be specified that we regard this waiver as a quit claim by Aust and Sovs which does not involve any third country claims which may exist. Proposal shld be made embodying paras *e* and *f* Audel 6 Feb 15.<sup>9</sup>

Re para 8 we presume "the transfer by Aust" means "the transfer to Aust." We agree two months period wld be desirable in as much as the transfer wld take place prior to withdrawal of occupation forces. It wld be desirable in redrafting para 8 if specific reference cld be made to paras 1 through 5 of Sov proposal.

Para 9 as pointed out in Audel 65 is not acceptable since it amounts to a bilateral settlement of Ger assets question within the framework of a four-power treaty. We consider that settlement of disputes arising from Art 35 with Sovs shld have same treatment as settlement of disputes with other signatories of the Treaty. If it is necessary to accept this proposal it shld not be accepted unless it is specified that if no agreement can be reached on the third member of the arbitrary commission an appeal can be made to the Secy Gen of UN for designation of a member. Every effort shld be made to apply the principles already agreed in Treaty to settlement of disputes arising from this Art.

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<sup>9</sup> Not printed; the paragraphs under reference here read:

"e. (1) Aus shall, within a period of 18 months from the coming into force of the present Treaty, take all necessary measures to identify and eliminate any ownership or control, or claim thereto, by Germany or by German nationals resident in or repatriated to Germany of property, rights, and interests which were in German ownership or control as of May 8, 1945.

(2) The elimination of German ownership shall not affect property, rights, or interests (a) held directly or indirectly by the UN or their nationals, including any property, rights or interest which are to be restored or reestablished under Article 42 of the present Treaty, (b) of German individuals deprived of life or substantially deprived of liberty pursuant to any law, decree or regulation discriminating political, racial or religious groups, (c) belonging to German religious bodies or private charitable institutions and used exclusively for religious or charitable purposes, (d) which have come within the jurisdiction of Aus as a result of resumption of trade with Germany since May 8, 1945.

f. Aus shall pay prompt, adequate, and effective compensation for any loss suffered by any Allied or Associated Power or its nationals as a result of the application of the provisions of paras. 2*a*. and 2*c*. of this Article." (740.00119 Council/2-1549)

Specific comments on list will follow. Brandon Grove<sup>10</sup> will discuss with Dept this week list on oil and possibility of coming to London. Comments on DDSG list follow.

ACHESON

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<sup>10</sup> Representative of the Socony-Vacuum Oil Company.

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740.00119 Council/7-1449 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, July 14, 1949—7 p. m.

2763. Delau 159. From Reber. I had opportunity today for discussion with Zarubin on outstanding issues connected with Article 35. We agreed to leave any consideration of oil properties and DDSG assets until experts reports could be studied.<sup>1</sup>

Although Zarubin gave me definite assurances that Soviet Union would not raise any difficulties in respect to satisfactory settlement of war booty question including industrial and transportation equipment, he said his final instructions in this respect would depend to some extent upon agreement on all other outstanding points of Article 35, and avoided discussion in substance of this question.

As regards schedule of payments, Zarubin spoke of both Austrian and Soviet interests in this matter which gave me impression that he was aware of the Austrian Government's willingness to assume obligation in many small payments. He also indicated that it might be easier for Soviet Union to accept agreement for payments every 6 months as proposed by British. I should appreciate Department's instructions in this connection in light of considerations set forth in Austrian note (see Delau 152<sup>2</sup>).

In discussing paragraph 7, Soviet draft,<sup>3</sup> Zarubin urged acceptance of Soviet draft stating his Government had accepted this language as representing Ministers' decisions in Paris and that he was unable to effect any changes without specific authorization from Moscow. Apparently he attaches less importance to additions to Soviet draft than to

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<sup>1</sup> The reference here is to the two Committees of Experts which were established by the Deputies at their 166th meeting July 5. One Committee was to prepare the lists of oil producing, exploration, refining, and distribution properties that were to be transferred to the Soviet Union, while the second Committee prepared a similar list for DDSG properties. The Committees were given two weeks to prepare their reports, but were unable to agree on what properties should be transferred to the Soviet Union.

<sup>2</sup> Not printed; it transmitted the text of an Austrian communication which stated that the Austrian Government did not object to the promissory notes being issued by the Austrian National Bank as long as it was clearly understood that such notes were not transferable. (740.00119 Council/7-1149)

<sup>3</sup> *Ante*, p. 1099.

alterations in its language as he said our new paragraphs 1 and 7 bis<sup>4</sup> did not present great difficulties. I pointed out that Soviet draft did not make it clear that "as the general rule" the properties, rights, etc., received by Soviet Union should remain subject to Austrian jurisdiction and operate in accordance with Austrian legislation. If this point could be made clear, I was of opinion that fewer changes would then be required in Soviet draft, although expression "other income" did not in my opinion represent a satisfactory description of what had been agreed. Zarubin conceded that words "in general" were vague and reiterated that only exceptions to Austrian jurisdiction were provisions relating to non-alienation and export of profits and other income, i.e., rents. He said that as it was clear that profits and rents were to be determined in accordance with Austrian law, there was no need to add the word "net" in describing them.

Although Zarubin argued against inclusion of our requirement that Secretary General should make appointment of third arbiter, I did not get impression that clause would provide a serious stumbling block. I am, however, informed by my British and French colleagues that they will not insist upon this addition if agreement is achieved in respect of other points.

Zarubin seems most anxious to conclude negotiations early in August and said that once Article 35 had been settled he foresaw no further obstacles to speedy conclusion of treaty draft. I agreed that we should make every effort to expedite progress if clear understandings could be reached and to support only those alterations or additions to the Soviet draft that were essential provided that in so doing a satisfactory solution of war booty question could be achieved.

Sent Department 2763, repeated Vienna 150.

[REBER]

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<sup>4</sup>The reference here is to paragraphs 1 and 7 bis of an alternate draft of Article 35 submitted by the British Deputy on July 9. The text of this draft (C.F.M./D/L/49/A/52) is in CFM Files: Lot M-88: Box 115.

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740.00119 Council/7-1549: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

WASHINGTON, July 15, 1949—8 p. m.

2473.<sup>1</sup> Audel 85. Following comments and instructions are based on problems raised 171-172 meetings<sup>2</sup> and Delau 159 (London 2763) July 14.<sup>3</sup>

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<sup>1</sup> Repeated to Vienna as 737.

<sup>2</sup> At the 171st and 172nd meetings, July 12 and 14, the Deputies had discussed the various paragraphs of the Soviet draft of Article 35 without reaching any agreement.

<sup>3</sup> *Supra*.

1. Previous instructions are reemphasized on desirability obtaining exact language re export profits and other income in order to provide clear basis future implementation to avoid repetition Hungarian experience. In present reconsideration Art 35, final agreement par 7 as whole shld be withheld in order to obtain maximum US position on such questions as inclusion of word "net", specification of words "in general" respecting applicability Aust law, agreement on your position regarding industrial and transportation equipment in definition war booty, and responsibility for promissory notes. We consider these problems are interrelated and constitute, along with schedule of payments, and settlement of disputes crux of assets settlement vitally affecting Aust's future. If profits to be exported are "net" why does Zarubin object to inclusion this word or other similar clarifications of Sov draft as provided by him in Delau 156? <sup>4</sup> Can device be proposed similar to par 8 draft Art 42 <sup>5</sup> to give precision to agreement?

2. Re schedule payments, Audel 78 <sup>4</sup> authorizes acceptance Brit proposal and recommends procedures for acceptance quarterly payments only if necessary, but reiterate this concession shld be used to maximum bargaining advantage in obtaining acceptance of points listed above since it is apparently earnestly desired by Sovs. Info on form of payment (Delau 158 July 14 <sup>4</sup>) and agreement on joint responsibility are essential (Audel 82 <sup>4</sup>) as it is likely that Sovs may attempt same techniques employed in Hungary where Natl Bank and the economy generally were bankrupt by Sov demands. Problem is not where payment is made but out of what assets. Natl Bank will not be in any position to bargain with Sovs or have means to protect its solvency if all its assets are made available for making required payments. For that reason Govt shld be signer of notes and specimen note shld be in Treaty as integral and basic part of four power settlement of Ger assets question. If Natl Bank is sole signatory Sovs for strategic reasons may encourage an Aust default to obtain control of all bank assets, thus obtaining wider area of control within Aust and participation in enterprises other than those stipulated in Paris agreement. Similarly, Treaty shld not obligate or impair assets of Natl Bank thus preventing their use for other purposes. You shld therefore attempt to obtain agreement on these lines and those contained Audels 78 and 82. Final agreement along lines of Sov proposal shld be made only after entire settlement, including DDSG and oil lists, can be examined and evaluated by Dept.

3. Re settlement of disputes, we regard this provision as a key point in Treaty and repeat we can not accept any proposal which amounts

<sup>4</sup> Not printed.

<sup>5</sup> For the text of this paragraph see the unagreed articles of the draft treaty for Austria, p. 1139.

to a bilateral settlement outside framework of four power agreement. Brit and Fr must be made to realize that their position will make impossible West support for Aust Govt to withstand Sov pressure in future. In view of extent Sov holdings in Aust, every means possible must be provided in Treaty either to extend agreed arbitration procedures to Ger assets settlement or to provide for nomination of third member of arbitration commission by sources other than Sov or Aust.

4. We can not see basis for Zarubin's optimism that work will be completed in early Aug unless he is prepared to withdraw Sov claims on foregoing points which in our view exceed terms of Paris agreement. We have considered date Sept one as a guide for Dep's discussion. In event reasonable agreement can not be reached by Sept 1, US wld feel no hesitation in extending that date in view of long range and vital importance of questions under discussion to maintenance of West interests in Aust stability and independence.

ACHESON

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740.00119 Council/7-2349 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, July 23, 1949—1 p. m.

2906. Delau 183. From Reber. As will have been apparent from our daily reports of meetings no real progress has been made during the past week. It is true two Articles have been agreed <sup>1</sup> but these did not present any differences of real importance. Soviet representative continues to insist upon rigid adherence to the wording of the Paris communiqué <sup>2</sup> or upon acceptance of Soviet proposals as presented. In discussing Articles other than those covered by Paris decision, Zarubin has tediously reiterated well-known arguments hitherto employed.

It may be that the Soviets will be prepared to alter their position when the questions of oil and Danube shipping properties have been settled. This is the belief of my French and British colleagues. But we must not count on any substantial modification of Soviet claims in these important fields.

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<sup>1</sup> At their 166th meeting July 1, the Deputies had agreed on the text of Article 5 to read: "The Frontiers of Austria shall be those existing on January 1, 1938." Article 2 was agreed at the 169th meeting of the Deputies July 4. It read: "The Allied and Associated Powers declare that they will respect the independence and territorial integrity of Austria as established under the present Treaty." (CFM Files: Lot M-88: Box 114: Records of Decisions)

<sup>2</sup> *Ante*, p. 1062.

After we have considered the list of properties, should the Soviets then maintain their present rigid position and block progress on other issues, we must shortly be in a position to indicate our minimum requirements which if not obtained, will require further consideration of the treaty by the Ministers with the likelihood that the passage of time will not have improved the possibilities for agreement. I should appreciate an early expression of the Department's views in this respect as I believe it will shortly be necessary for the three Western deputies to consider this larger aspect in order to present a common front. In my opinion these minimum requirements, in addition to oil properties to be discussed in separate telegram,<sup>3</sup> appear to be a satisfactory adjustment of Paragraph 5 of Article 16, Article 27, the inclusion of transport and industrial equipment in war booty to be relinquished by the Soviets, a clear statement of the application of Austrian law, agreement upon the appointment of the third arbiter and Article 42 with adequate provision for compensation of UN interests affected by Article 35.

I fully appreciate the importance of formulating language which will reduce to a minimum possibilities of future misunderstanding and shall of course make every effort in this respect. The question which arises is, however, whether in the last analysis evacuation of Soviet troops and relinquishment by the Soviets of industrial properties now held by them will accomplish more toward limiting the area of Soviet control than additional treaty provisions which though desirable can be purchased only in return for other concessions. Our objective in securing a treaty for Austria, clearly delimiting the necessary concessions to the Soviets, is to create conditions in Austria and so to strengthen the Austrian Government as to make a repetition of what occurred in Hungary by means of Communist domination of the government difficult. In my opinion it is more material to determine without delay how Austria is to meet the obligations of payment to the Soviet Union rather than to discuss what might happen in the case of default which depends on many conditions not predictable at this time. It is equally urgent that Austria be in a position to ensure its internal security and for this purpose plans and preparations for the establishment of the Austrian Army<sup>4</sup> on a realistic basis must be expedited. These, however, are not treaty issues as such but an early

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<sup>3</sup> Telegram 2915 (Delau 187), July 25, from London, not printed (740.00119 Council/7-2549).

<sup>4</sup> For documentation relating to the U.S. interest in the establishment of the future Austrian Army, see pp. 1236 ff.

solution of the problem put by them would obviate many of our difficulties as regards language in the treaty.<sup>5</sup>

Sent Department 2906; repeated Vienna 172.

[REBER]

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<sup>5</sup> In telegram 2655 (Audel 106), July 28, to London, not printed, the Department of State concurred with Reber's analysis of the minimum requirements for the treaty. It further stated that its instructions had been designed to secure a treaty which gave the Soviet Union no basis for unwarranted claims in Austria after the withdrawal of the occupation forces and made the Austrian Government fully aware of the extent of its obligation to the Soviet Union. (740.00119 Council/7-2549)

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740.00119 Council/7-2949

*Mr. Coburn B. Kidd of the Division of Austrian Affairs<sup>1</sup> to the Acting Chief of the Division of Austrian Affairs (Williamson)*

PERSONAL AND SECRET

[LONDON,] July 29, 1949.

DEAR FRANCIS: AS a form of mental exercise while the Deputies debate I have occasionally asked myself whether the sum of all the things that have been said at this session permits the equation of a Treaty by September. It is perhaps too speculative to influence anybody's intentions. On the first day Mr. Mallet, the British Deputy, said that he felt we must all be optimistic this time, and I suppose he continues to be optimistic, like Job, with gritted teeth. If you ask me, however, I should say that you need have no hope, anticipation, or apprehension that you will awaken one morning to find the Treaty on your doorstep. I am aware that any such judgment is colored by temperament, and that for aught I know the Russians may be nine months along and ready to give birth to an agreement. There are certain signs. But I am a sceptical midwife and should like to discuss these signs.

There is no doubt that from time to time, when discussion has just about reached beyond all patience, Zarubin intervenes with a helpful suggestion. He disarmingly proposes that we drop the brackets in such and such an article, or announces Soviet agreement, or acknowledges that the respective positions are not far apart and he would like to study the Western delegation's counter-proposal or offer a modified text himself. In addition, I think that he is generally self-controlled, courteous and friendly, in a way respectful, at least toward Sam—he doesn't seem to pay much attention to Berthelot, and is inclined to be a trifle sharp with Mallet. What conclusions may be drawn from this? First, I should say, Zarubin definitely does not want the game to stop. There must be positive Soviet instructions that the negotiations be kept going toward a certain end.

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<sup>1</sup> Kidd was in London as a member of the United States delegation for Austria at the Council of Foreign Ministers.

The second question is: Where does the Soviet Delegation give and where does it stick? So far as I recall, each instance in which they have yielded has been in reference to something comparatively insignificant; on anything important and much that was pure form they have stuck, obstinately, meticulously and with self-confidence. One exception is their modifications of paragraph 5 of Art. 16,<sup>2</sup> which I should interpret as a definite thrust to keep the game open. In my opinion, from all the evidence to date, there is no reason to expect that they will yield, even compromise, on anything of importance in Article 35, and they are quite capable of accepting deadlock on Articles 16, 27, 36, and 42. I think this becomes intelligible by reference—not to anything in Austria, which they must regard completely cynically—but to the larger and more important objective of keeping a foot in the door of any Western European diplomatic settlements. It is probably of the highest importance to them to keep the CFM mechanism going, and the Austrian settlement can be quite useful in this respect, especially so long as the German situation is deadlocked or uncertain. I should thus be extremely surprised if they permitted the Austrian Treaty to be wound up. No doubt it would be possible, by our accepting their terms right down the line; but I do not for one moment believe that they *expect* this.

It may be objected that these conclusions are not necessarily so. I should hasten to agree, since few things are. Or one could make a Central European objection that since the Russians will know that we would reason as above, they will do the opposite in order to surprise us. Or again, that Communist strategy will dictate using Austria as a base for agitation, which can best be accomplished after the withdrawal of Western troops. Or finally, that the economic pinch behind the Iron Curtain makes it desirable to establish a trading door to the West, for which Austria would serve after conditions were normalized by a Treaty. These arguments are not convincing to me. They presuppose that the Russians permit Communist strategy to override nationalist strategy, or economic ends to override political ends, neither of which I believe to be so.

I am thus left with the conclusion of no Treaty this time, either. I suppose we can all live through it again, at least until the Ministers have another try, but it seems to me a fantastic situation in itself and completely demoralizing for the Austrians. I could not blame them for whatever form the reaction takes. Any Austrian national character

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<sup>2</sup> At the 189th meeting of the Deputies, July 26, the Soviet representative had offered to delete certain sections of Article 16 and modify others. The text of these changes is in telegram 2931 (Delau 189), July 26, from London, not printed (740.00119 Council/7-2649). For the unagreed text of Article 16, see *Foreign Relations*, 1948, vol. II, p. 1515.



we had hopes of building up, and had even succeeded in up to a certain point, may slip through our fingers from the mere prolongation of this state of affairs composed of impotency, fictions, military domination, and debasing dependency on others.

With such reflections I find myself asking once again what is to our advantage from the broadest point of view. It occurs to me that there are three questions which are not exactly equivalent, but for which we often use the answer of one as an answer for the other. The first is whether there is a single present issue with the Russians in Austria or about the Treaty, which could not be dealt with better with the Russians out of the country? In other words, whether, so long as the Treaty is still pending, we are not approaching every problem under the most disadvantageous conditions? In yet another form it is, as John Foster Dulles put it, whether the Russians have not now got a 100% and any fraction we come out with after the Treaty will be more for us and less for them than anyone has now? If this is so, the inference is that even the price the Russians demand is cheaper than what we are paying now, and should be met.

I know the familiar objection that concessions made to the Soviets now can only make it more onerous, if not perilous, for Austria in the future. This is correct and the proper instinct after the experience of Yalta, Potsdam, and the Satellite treaties. Yet I am not sure that it is decisive or really meets the preceding argument. It is the rule for doing nothing. This is all right so long as one is not in the situation where something has to be done, or where anything is better than doing nothing. I think the argument rests on the assumption that an actual present evil of a given magnitude is to be preferred to a probable future evil of a possibly greater magnitude. It is the principle of insurance, but is not intrinsically conclusive. In the first place, Austria has a gambler's 50-50 chance that the future won't bring the anticipated misfortune, or if it does, that it won't be of a greater magnitude. And in the second place, it all depends on the general political drift anyway. It would be as foolish to be guided by the principle when things are on the up-swing, when Western Europe is becoming strategically stronger and Soviet Europe weaker, as it was for Neville Chamberlain to ignore it when things were on the down-swing.

My conclusion is, if I may put it on a purely abstract basis divorced from all thoughts of Congress and other hard realities, that the Western Ministers should buy the Treaty and take other measures, political and economic, to prevent Austria from succumbing later.

Our Deputy, with whom at the tail end of a sultry afternoon I have been discussing the foregoing, protests that he will never send

me alone to a session with the Russians again. (I was at a lunatic one last night from 8 PM to 2 AM in which our Soviet colleagues sought to instruct us on the correct French and English for rendering the Russian text of 35.) He is afraid that I have picked up the worst habits of Soviet dialectics and feels no reassurance at my explanation that it is the Hegelian dialectic, which has always been held in high esteem in CE and GA. He says that he has sometimes had reason to be suspicious of that too.

All send their best wishes.

Yours,

COBURN

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740.00119 Council/8-249 : Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

WASHINGTON, August 2, 1949—2 p. m.

2715.<sup>1</sup> Audel 113. Re Delau 198 July 29<sup>2</sup> we consider informal discussions by one Western Deputy with Zarubin desirable in endeavor to ascertain possibility of settlement at this time. We are in full concurrence with your view that Western position on Art. 35 should not be sacrificed as there is no positive indication that Sovs will agree other issues if claims are satisfied. Dept hopes that you can convince your Brit colleague that any compromise which would increase Aust obligation beyond point envisaged in Paris Agreement would seriously endanger Western policy in Aust in future. We do not consider that further concessions are called for on our part since Western states demonstrated their willingness to compromise by meeting Sov position on Ger assets at Paris conference.

ACHESON

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<sup>1</sup> Repeated to Vienna as 841.

<sup>2</sup> Not printed.

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740.00119 Council/8-549 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

LONDON, August 5, 1949—8 p. m.

3098. Delaus 216. From Reber. Mallet this afternoon reported to Berthelot and me results of his interview with Zarubin last night.

In their discussion of points of importance still outstanding on Article 35, Zarubin said he failed to understand Western preoccupation with respect to industrial equipment since when Soviets agreed to cede properties held as German assets and relinquish war industries

enterprises this meant equipment of both as well. He insisted, however, Soviet draft was clear on this point. As regards transportation equipment Zarubin continued to maintain this was not a subject for discussion by deputies as Paris communiqué<sup>1</sup> failed to mention it, but should be regulated in bilateral negotiations with Austria.<sup>2</sup> He insisted that Soviet position in respect to other points in this article was in strict conformity with Paris agreement and gave no hope of any modification except insofar as DDSG leases were concerned. In this respect he gave positive assurance that Soviet Union was not asking for anything not owned by DDSG and that, if as result of further study now in process, it was ascertained that DDSG only had leaseholds on certain properties, these would be all which the Soviet Union would claim.<sup>3</sup> When Mallet asked him what would happen if we failed to reach agreement as to the extent of the DDSG interest, Zarubin evaded the question. Zarubin argued that the attitude of the Western deputies on Article 35 gave little hope of agreement and claimed he could not understand their resistance to the legitimate claims of the Soviet Union.

When Mallet endeavored to discuss other unagreed articles explaining that the British delegate [*delegation?*] in particular attached importance to the satisfactory settlement of Articles 27 and 42 as a minimum, Zarubin replied that once agreement was reached on Article 35 he foresaw little difficulty in respect of the others.

Apparently this conversation has strengthened British belief that treaty is not possible without acceding to Soviet requirements in respect to oil properties and other clauses in Article 35. British are at present endeavoring to obtain estimate of extent of additional burden which compliance with these requirements would put on Austria and will place before Bevin upon his return about August 14 the necessity of deciding whether this additional burden outweighs the desirability of obtaining a treaty at this stage. They are inclined to feel at present that the advantages of prompt treaty settlement are paramount, and have asked the Austrian minister to ascertain the views of his government in this respect. I took occasion to point out that mere acceptance of Soviet demands for Article 35 at this time did not necessarily assure a treaty, and expressed serious doubts as to possibility of accepting at deputies level compromises on matters such as oil properties and transportation equipment since Soviet demands place a heavier burden on Austria than had been contemplated in Paris.

Sent Department 3098, repeated Vienna 205.

[REBER]

<sup>1</sup> *Ante*, p. 1062.

<sup>2</sup> Next to this sentence in the source text Williamson had written "no".

<sup>3</sup> Next to this sentence in the source text Williamson had written "is it clear what will happen when leases expire".

740.0011EW (Peace)/8-1049

*Memorandum of Conversation, by the Acting Chief of the Division  
of Austrian Affairs (Williamson)*

TOP SECRET

[WASHINGTON,] August 10, 1949.

Participants: Dr. Kleinwaechter, the Austrian Minister  
Mr. Williamson

Dr. Kleinwaechter called today to state that he had received information from a highly-placed American that military circles in this Government were opposed to the conclusion of the Austrian Treaty. He reported that the recent visit of the Joint Chiefs of Staff to Vienna <sup>1</sup> was for the purpose of gaining first-hand information to buttress this view. His informant told him that the military authorities were opposed to the withdrawal of Western occupation forces as they desired to integrate the Western Zones of Austria into the current plans for regional defense in Europe. Dr. Kleinwaechter further stated that this view is widely held in military circles and that it is being discussed with various members of Congress in an effort to mobilize sentiment against conclusion of the Austrian Treaty.

I informed Dr. Kleinwaechter that it was the policy of the U.S. Government to conclude the Austrian Treaty and that steps to this end are now being taken in the negotiations in London. I further informed him that the purpose of the visit of the Joint Chiefs of Staff to Vienna was, as suggested by General Bradley, to inspect the occupation forces stationed there and to discuss current problems of occupation policy with General Keyes. I told him further that I was not aware of any sentiment in Government circles such as he reported.

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<sup>1</sup> The Joint Chiefs of Staff arrived in Vienna on August 7 and departed for the United States on August 8, after having visited Frankfurt, London, and Paris on a trip to Western Europe which they had begun on July 29.

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740.00119 Council/8-1149: Telegram

*The United States Deputy for Austria at the Council of Foreign  
Ministers (Reber) to the Secretary of State*

SECRET

LONDON, August 11, 1949—6 p. m.

3175. Delau 226. From Reber. Have had opportunity to discuss separately with Mallet and Berthelot future prospects our work. Both are agreed that lack of agreement at the current Deputies Meeting must not involve an indefinite or prolonged postponement to the Austrian treaty since after progress made in Paris, protracted delay would have unfortunate political results, not only in Austria, but in general. British think Austrian problem should not be allowed to prejudice

question of CFM meeting in September or October, but reserve final judgment until after Bevin's return. Although they admit possibility Soviets may be planning to withhold final agreement on Austria as pressure for CFM meeting, they still believe it preferable to agree Soviet position on Article 35 rather than delay conclusion of treaty. I have expressed view that concessions to Soviets on Article 35 or protracted delay in conclusion treaty are not only two possible alternatives, and that certain issues and their relationship to Austria's future stability and economic independence are of sufficient importance to warrant reservation for subsequent decision by either CFM or other negotiations which could presumably be agreed by representatives of Four Powers meeting in New York.

Both British and French are also in agreement that it is useless to continue beyond September 1, but in British view, we must before that date, decide either to accept Soviet requirements or agree to CFM on Austria. After consulting Paris, Berthelot confirms French position as outlined Delau 203<sup>1</sup> and is prepared to add Article 27 as an issue of sufficient importance to warrant decision by subsequent meeting. He does not believe Quai d'Orsay would refuse ministerial meeting in September for consideration Austrian question, but asked whether the ministers who will be in New York for Assembly could not settle these three outstanding articles without necessity of formal CFM.

Coreth, who has just returned from Vienna, informs me Gruber is most anxious for agreement by September 1, but attaches importance to satisfactory division of oil exploration areas and to relinquishment by Soviets of Austria's pre-anschluss rolling stock. He would not, however, in the last analysis wish to block treaty over these issues. He further desires, at any cost, to avoid protracted delay and if Deputies do not agree, he hopes to obtain assurances that Austrian treaty will be discussed promptly either by CFM or through some other agreed method.

The unagreed issues, in my opinion, may at present be divided into three categories as follows:

Category A. Issues of sufficient importance to warrant decision by CFM. Article 27 (foreign technicians);<sup>2</sup> Article 35 (in particular oil exploration rights, common use of pipeline, industrial and transportation equipment, applicability of Austrian law and arbitration, to

<sup>1</sup> Not printed; in it Reber reported that the French Deputy considered the equitable division of oil exploration lands, the inclusion of transportation equipment in the category of war booty to be relinquished by the Soviets, and agreement on Article 42 satisfactory to the Western powers to be points that probably should be reserved for settlement by the ministers. (740.00119 Council/8-249)

<sup>2</sup> For the text of this and the other unagreed articles, see the extract from the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

which refineries should be added if any oil questions are reserved); Article 42 (paragraphs 1-3 and 9).

Category B. Issues presenting difficulties, but subject to possible negotiation by Deputies. Article 7-bis, Article 16 (paragraph 5), Article 41 and War Graves.

Category C. Relatively simple issues, which may have to be reserved if Soviets continue to insist on prior settlement of Category A. Articles 26, 36 (paragraph 9), 43, 48, 48-bis and Annexes III, IV, and V. Soviet attitude has notably stiffened, however, in last few days, and it may not be possible to deal with either B or C.

In my opinion, it is important to determine without delay future procedure for dealing with the major outstanding points. To make concessions to Soviets on issues of Category A without exhausting all possibilities of negotiation including CFM might subject us later to charge we agreed too readily to add to Austria's burden. This may well be attitude in Austria after present electoral fever has abated. I agree, however, with British, French, and Austrians, we should not allow too much time to elapse between close of Deputies meeting and resumption of negotiations.

I should appreciate Department's view in order that I may be able to discuss definitely with British and French next week.

Sent Department 3175, repeated Vienna 215.

[REBER]

740.00119 Council/8-1849: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

PRIORITY

WASHINGTON, August 18, 1949—6 p. m.

NIACT

2956. Audel 148. Personal for Reber Eyes Only. Fol instructions are transmitted to cover negots until termination about Sep 1.

1. Negots shld be brought to a close as near Sep 1 deadline as possible in effort to obtain maximum agreement and, in terms of recommendations below, to narrow issues which unavoidably are reserved for later decision.

2. Final agreement can not and shld not be obtained at Deputies' level for any point in which Sov demands exceed Paris agreement and adversely affect either Aust status as independent state or status or interest of other signatory powers in Aust. Final agreement on these issues if they are still pending would then be sought through diplomatic channels as urgently as possible in order that undue delay may not occur in obtaining completion Aust Treaty. We wld for example instruct Kirk to discuss with Vishinsky ways and means of resolving outstanding issues and wld hope UK and French wld proceed in

similar fashion. Such an approach of course wld require tripartite advance agreement. You are requested to obtain your Brit and Fr colleagues tentative views as to that form of procedure.

It shld be added that these efforts through channels would be complemented if necessary by an examination on the spot in Eastern Austria by a committee of experts of the factual issues involved in the oil question.

3. Prior to termination of negots tripartite efforts shld be made to reach agreement on fol points:

a) Art 7 bis—agreement shld be sought on basis Delau 224 and Audel 129.<sup>1</sup>

(b) Art 16—if all efforts to eliminate this Art from Treaty are not successful agreement shld be sought along lines Audel 126.<sup>2</sup> If possible this Art shld not be reserved for later decision. If agreement can not be reached you shld endeavor obtain Sov admission that agreement can not be reached in spite of previous Sov commitments on this question. In that way ensuing discussions may be centered on elimination of Art as a whole rather than on drafting points in present text or Sov version.

(c) Art 41—Although effective instrument for waiver of claims will of course be in Ger Treaty, you shld attempt to secure inclusion Art 41. If not possible, agreed record that Ger has no claims on Aust for assets transferred as result of Potsdam or present Treaty wld be of some value, though of course much less than Art 41. If agreed record is not obtained, Art may be eliminated from Treaty with tripartite agreement that adequate provision will be included in Ger settlement.

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<sup>1</sup> Neither printed; Delau 224 reported the agreed Western text of Article 7 bis, concurred in by the Department in Audel 129, as follows:

"1. Austrian nationals of the Slovene and Croat minorities in Carinthia, Burgenland and Styria shall enjoy rights on equal terms with all other Austrian Nationals including the right to their own organizations, meetings and press in their own language.

2. In towns and districts in which a considerable proportion of such nationals are resident, these nationals are entitled to elementary tuition in the Slovene or Croat languages and proportional to their number, to tuition in their own language in secondary schools; in this connection, school curricula shall be revised as necessary, and special inspectors for instruction in the Slovene and Croat languages shall be appointed.

3. In administrative and judicial districts of Carinthia, Burgenland and Styria where there is a considerable proportion of Austrian nationals belonging to the Slovene or Croat linguistic minorities the Slovene or Croat language shall be accepted as an official language, in addition to German. In such districts topographical terminology and inscriptions shall be in the Slovene or Croat language as well as in German.

4. Austrian nationals of the Slovene or Croat minorities in Carinthia, Burgenland and Styria shall participate in the cultural, administrative and judicial systems in these territories on equal terms with other Austrian nationals.

5. Austria undertakes to prohibit all activities aimed at prejudicing the rights, as defined in the preceeding paragraphs, of her nationals of the Slovene or Croat minorities." (740.00119 Council/8-1049)

<sup>2</sup> Not printed; it instructed the U.S. Deputy to press for the principle of voluntary repatriation of refugees and displaced persons. (740.00119 Council/8-1049)

(d) Art 48—USDel cld agree to inclusion of additional clause Para 1 (Audel 121<sup>3</sup>). Wld Brit and Fr care to reserve this issue for later decision?

(e) Art 48 bis—settlement shld be obtained on basis of Audel 132<sup>4</sup> or Art eliminated on basis Audel 137.<sup>5</sup>

(f) War Graves, you shld continue oppose inclusion provisions as proposed until instructions received on Brit draft Delau 238.<sup>5</sup>

If agreement not possible on foregoing recommendations you shld endeavor obtain in each instance statement fm SovDel they wish to reserve any one of foregoing issues with specific reasons therefor.

4. While we concur Delau 219 Aug 8<sup>5</sup> that final effort shld be made as matter of normal procedure to break deadlock on Art 35 we doubt if such effort wld be successful without further concessions on our part and such concessions are not desirable. Sov tactic of withholding agreement on minor issues to effect a later trade on major issues to obtain final settlement shld not be permitted by WesDels, and SovDel shld be forced in each instance to make specific reservation.

5. Fol questions may be reserved specifically by USDel for later decision unless satisfactory agreement can be reached without compromise basic US position on any one or all points listed below:

(a) Arts 26 and 27—We consider question of foreign technicians and especially restrictive annexes shld not be compromised in view of crippling effect such provisions wld have on Aust sovereignty and economic well-being.

(b) Art 35—Agreement on Art as a whole shld be reserved and if possible issues resolved into fol major principles:

(i) Aust shall retain sufficient rolling stock to cover peace time needs.

(ii) Property to which Sovs not entitled shall not be removed from Aust under any unilateral definition of war booty.

(iii) Property rights or interests in excess of agreement in principle at Paris shall not be transferred to Sovs (for example, final and equitable division of oil properties, rights and facilities, and DDSG leases).

(iv) All enterprises and rights retained by Sovs in Aust shall be operated explicitly under terms of Aust law except where definite exemptions from Aust law have been agreed and specifically stated. (For example, agreement on "net" with respect to export of profits and other income.)

<sup>3</sup> Not printed; for the text of this unagreed clause, see the extract from the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

<sup>4</sup> Not printed; it accepted the draft text of this article provided appropriate additions were made to indicate the Western powers' waiver of claims and the exact amounts due to the Soviets. (740.00119 Council/8-1249)

<sup>5</sup> Not printed.



(v) Area for subsequent bilateral Sov-Aust negots with consequent opportunity for Sov pressures operating solely on Aust shld be reduced to minimum. (For example, machinery for settlement of disputes.)

(c) Adequate provision must be included for protection UN property and interests involved in Ger assets settlement either in Art 35 or Art 42. We consider that this issue is basically important regardless of views of Aust Govt.

You are requested to discuss foregoing with Brit and Fr and with their concurrence seek to terminate current discussions of Deputies around Sept 1 on basis of this agreed plan.

ACHESON

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740.00119 Council/8-1949: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET      NIACT

LONDON, August 19, 1949—6 p. m.

3298. Delaus 251. From Reber. I have had opportunity for preliminary discussion with Mallet concerning future procedure of negotiations Austrian treaty and outlined course of action proposed in Audel 148.<sup>1</sup> Mallet has been instructed by Bevin to urge treaty completion by September 1, since latter feels strongly that importance of completing treaty by this date or shortly thereafter outweighs disadvantages of accepting present Soviet terms. In Bevin's opinion failure now to reach agreement with Russians would have very depressing effect internationally, whereas agreement at this time on Austrian treaty would mean real improvement. Furthermore, as far as Austria is concerned, in addition to political benefits to be derived from treaty now, prolonged delay would create even greater hardships, and continuing occupation costs and Soviet exploitation of resources of eastern Austria would place heavier burden on Austria than present Soviet demands. British believe that, although present Soviet terms may be in excess of what was contemplated in Paris, they do not create sufficient additional hardships to warrant risk of indefinite postponement of Austrian treaty. Therefore, agreement should be concluded now on best terms possible even though it means further concessions to Soviets. In reaching this decision British have been influenced, I am certain, by Austrian pressure for early agreement.

When I pointed out, in accordance with paragraph 2 of Audel 148, that final agreement cannot and should not be obtained at deputies' level on certain points, Mallet replied that Bevin would be prepared,

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<sup>1</sup> *Supra.*

if we insisted on holding out, to support our position provided it was clearly understood that this would not involve undue delay in completion of Austrian treaty and provided deputies' failure to agree on Austria would not necessarily involve CFM discussion of Germany. Bevin fears that, if it is agreed Foreign Ministers should discuss Austria in New York, Soviets would insist upon inclusion of Germany on agenda. He is most desirous of avoiding this at present. If agreement is not obtainable by September 1 on terms acceptable to us, Bevin would, however, agree to tripartite approach in Moscow to Vyshinsky for the purpose of ascertaining how Soviets propose to settle few remaining outstanding points. It seems unlikely that these can be settled through diplomatic channels alone, but British would not object to their consideration by Foreign Ministers or their representatives in New York provided it were clearly understood in advance that substantive discussion of German question would not figure on agenda. British doubt whether Vyshinsky will agree to any other method of settlement exception by CFM, and will not commit himself to any limitation on CFM agenda. They, therefore, urge every effort be made to conclude treaty now even at higher cost to Austria since in their opinion this is more than compensated by advantages to Austria and in general to be derived from early settlement.

After my talk with Zarubin, now scheduled for tomorrow, further tripartite meeting will be held to discuss individual articles as well as procedure.

Sent Department 3298, repeated Vienna 238.

[REBER]

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740.00119 Control (Germany)/8-2049: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET      PRIORITY  
NIACT

LONDON, August 20, 1949—4 p. m.

3309. Delau 252. From Reber. In my conversation with Zarubin this morning, he outlined unagreed issues which Soviet Union felt represented main obstacles to full agreement on treaty. These were (a) transportation equipment, (b) oil exploration areas, (c) refineries, and (d) payments to Soviet Union for supplies delivered to Austria (Article 48 bis). If satisfactory adjustment of these issues could be made, Zarubin said that other outstanding points would not create any serious difficulties. I then asked him whether he would be prepared to agree to treaty provision which could ensure that Austria would retain sufficient rolling stock to cover peacetime needs and which

would be separate from Article 35. He stated categorically that subject of railway equipment was outside the competence of deputies and that he could not even discuss it. I emphasized importance which US Government attaches to satisfactory adjustment of this problem as part of treaty settlement, to which he replied it could only be dealt with either through bilateral negotiations or some other means since Soviet Union could not agree to its discussion by deputies. As to oil exploration areas and refineries, he said differences in regard thereto were so great he felt they could only be regulated by Foreign Ministers themselves. He deliberately evaded my questions upon Article 27 but said as regards Article 42 that Soviet Union was prepared to make considerable concessions to meet Western point of view when Articles 35 and 48 bis were settled. We agreed that few remaining days at our disposal should be devoted to attempts to clear up other problems. He said we would also have to prepare report on unagreed issues for submission to our respective Ministers. As to any subsequent discussions of these unagreed issues Soviet view is that Foreign Ministers will be required to deal with them.

It is clear to me that Zarubin is now not authorized to accept any compromise on major issues which will make agreement possible by September 1 but that Soviet Union is anticipating subsequent discussions at ministerial level.

In discussing Zarubin's position with Mallet and Berthelot subsequently, Mallet repeated arguments he had used yesterday (see Delau 251<sup>1</sup>) adding that despite Zarubin's attitude British are convinced that acceptance of Soviet terms for Article 35 will make treaty possible but that postponement for consideration through diplomatic channels or by a meeting of Ministers would either mean indefinite delay or lead to Soviet insistence upon CFM consideration of German question. Both British and French most anxious to avoid any CFM discussions of Germany, until new German Government has had opportunity to consolidate its position and to start functioning.<sup>2</sup> Berthelot has as yet received no definitive instructions from Paris and is requesting them in the light of British position as outlined by Mallet and the Department's views which I set forth in accordance with Audel 148.<sup>3</sup> His preliminary views were that Quai d'Orsay most anxious to avoid long delay in conclusion Austrian treaty because of depressing international effect and deterioration of both political and economic situation of Austria but that if it could be agreed Ministers discuss Austria alone on an informal basis while in New York for GA

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<sup>1</sup> *Supra.*

<sup>2</sup> For documentation regarding the establishment of the West German Government, see pp. 187 ff.

<sup>3</sup> Telegram 2956, August 18, p. 1117.

or in CFM with limited agenda, this would give better opportunity for agreement than diplomatic exchanges which would be impractical and unavoidably prolonged. Berthelot suggested therefore attempt should be made to agree upon tripartite approach to Moscow suggesting discussions be held in US without delay on Austrian treaty alone.

Sent Department; repeated Vienna 241.

[REBER]

740.00119 Council/8-2249 : Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

WASHINGTON, August 23, 1949—7 p. m.

3021.<sup>1</sup>Audel 156. Fol comments are transmitted in light of Brit and Fr reactions reported Delaus 251<sup>2</sup> and 252<sup>3</sup> and views expressed by Gruber Delau 254,<sup>4</sup> Vienna's 1098 Aug 19<sup>5</sup> and Moscow's 1079 Aug 18.<sup>6</sup>

We realize implications within Aust of long delay in completion Treaty but consider that substance of agreement and its long range effect more important than any immediate political advantages which may be derived from conclusion on present Sov terms. West decision on future tactics shld not provide Sovs with procedure facilitating alleged "peace offensive" or forcing Ger discussion on CFM. Brit position that acceptance of Treaty on Sov terms for Art 35 outweighs disadvantage of delaying final settlement and withdrawal occupation forces can not be accepted since agreement on such terms wld greatly increase possibilities of future Sov pressure. US particularly concerned about extent to which obligations in Treaty will intensify Aust need for direct aid (Vienna's 1112 Aug 22<sup>5</sup>). Acceptance of Sov terms wld make US ratification exceedingly difficult and provide unnecessary burdens in future policy for maintenance Aust independence.

Gruber apparently disregards fundamental points in effort to secure rapid acceptance Treaty and popular support of his tactics in Aust may be questionable. It is necessary to make issue of Sov stripping USIA plants (Delau 257 Aug. 22<sup>5</sup>) if lump sum payment is to be justi-

<sup>1</sup> Repeated to Vienna as 995, Paris as 3126, and Moscow as 594.

<sup>2</sup> Telegram 3298, p. 1120.

<sup>3</sup> *Supra*.

<sup>4</sup> Not printed; in it Reber reported that Gruber was prepared to reserve certain articles for the Ministers provided he was assured that no long delay would ensue in reaching a treaty. (740.00119 Council/8-2249)

<sup>5</sup> Not printed.

<sup>6</sup> Not printed; it reported that Embassy Moscow was disturbed by the indications of British and French willingness to concede to the Soviet position on Article 35, since the Soviet Deputy was trying to ". . . sell same horse twice by raising ante on Article 35 at time when already far from clear how Austria will discharge lump sum obligation." (740.00119 Council/8-1849)

fied. Satisfactory settlement for status of UN property must be included in Treaty if US is to agree to special exemptions for Sov property in Aust. Gruber has telephoned AusLeg to urge acceptance of Sov position on DP's (Delau 254 Aug 22) although we regard Sov demand as providing either direct or indirect means to secure involuntary repatriation of DPs and refugees, and thus contrary to our policy. Gruber's tactics wld also enlarge sphere for possible bilateral arrangements between Aust and Sovs in future, making impossible continued four power responsibility for implementation of Treaty. Main problem involved in acceptance of Sov terms for Art 35 is acceptance of future responsibility for consequences it will have on Aust independence, either by increasing Sov foothold in Aust or creating conditions in Treaty impossible for Aust to discharge.

In light of foregoing we consider tripartite diplomatic approach in Moscow wld clarify issues for future definitive settlement and permit formulation of problems for possible Ministerial discussion and decision. In this regard detailed discussions of oil properties in Art 35 wld not be suitable for CFM negotiation. We will urge diplomatically that investigation take place on the spot to assure equitable distribution in order that Western powers will not be put in position of being forced to accept Sov lists without determination of factual basis for settlement and in order that Treaty terms may not exceed Paris agreement. Similar procedure will be proposed for transportation problem. We consider this approach preferable to detailed discussion by Ministers of specific properties as it will demonstrate to Sovs we are prepared to support Aust interests in an equitable settlement and will not accept Sov terms simply to obtain quick agreement.

You may wish to discuss foregoing with Brit and Fr to secure agreement along lines proposed in Audel 148.<sup>7</sup>

ACHESON

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<sup>7</sup> Telegram 2956, August 18, p. 1117.

740.0011 EW (Peace)/8-2749

*Memorandum of Conversation, by the Acting Director of the Office of German and Austrian Affairs (Murphy)*

SECRET

[WASHINGTON,] August 27, 1949.

Participants: Sir Derick Hoyer Millar, British Embassy  
Ambassador Robert Murphy, GA

Sir Derick Hoyer Millar of the British Embassy called at his request and left with me the enclosed extract from a telegram from Mr. Bevin, dated August 26, regarding the Austrian Treaty. We discussed Mr. Bevin's conversation with Ambassador Douglas, reported in London's

3410 of 26 August.<sup>1</sup> Hoyer Millar said that he would make it quite clear that there was every disposition here to achieve an early agreement on the Austrian Treaty, if possible, in London. He well appreciated the danger attached to that agreement which would risk formidable opposition to ratification in the Senate, as well as creating an economic and possibly strategic situation in Austria which would prove unbearable. Hoyer Millar said that he would try to dissipate any notion that might prevail in London that the Secretary was eager for a CFM meeting to discuss the Treaty.

I suggested to my visitor that it might be well at this stage to propose a prolongation of the London discussions by Deputies for an additional period of possibly two weeks. He said that he thought such a proposal would be well received in London and that it might be well to allow an additional period of time. He would telegraph London making such a suggestion. I have sent a telegram to Reber asking for his opinion.<sup>2</sup>

It is noted that in Mr. Bevin's message suggestion is made that it was quite possible that if the Russians are satisfied we are really trying to get a treaty they may make some further concessions. It seems on the basis of the record, the Russians can have little doubt that we have manifested an excessive eagerness to obtain a treaty. Certainly on the basis of the record, the Russians can have little doubt that we really wish a treaty since the bulk of the initiative to get a treaty has been American.

I mentioned also to Hoyer Millar if the Deputies were given additional time for the London discussions that would not prevent steps to be taken in Moscow by the three Ambassadors, if necessary, in connection with Article 35 should it be found advisable to press for an on-the-spot examination of the oil exploration fields, refinery equipment, etc. Hoyer Millar said that he thought this was a good idea which he would mention to London and on balance felt that an additional four week period for the Deputies would be generally advisable.

[Annex]

EXTRACT FROM TELEGRAM FROM MR. BEVIN DATED 26TH AUGUST

The United States Deputy has told the United Kingdom Deputy that after considering my views, which were explained to him on the

<sup>1</sup> Not printed; in the conversation Bevin had reiterated his feeling that the treaty should be concluded as soon as possible, while Douglas had stressed that too generous concessions to the Soviet Union and the additional burden which would fall on the United States would make Senate ratification of the treaty unlikely. (711.41/8-2649)

<sup>2</sup> Under reference here is telegram 3088 (Audel 164), August 27, to London, not printed (740.00119 Council/8-2749).

19th August, the State Department feel unable to modify their attitude that an Austrian Treaty on the Russian terms or anything closely approaching them would be unacceptable. They consider, I understand, that the substance of the agreement and its long-term effect are more important than the immediate effect which would be caused by the early conclusion of a treaty. They attach great importance to the effect which acceptance of the Russian terms would have on Austria's need for aid from the United States, and to the difficulties which would lie in the way of ratification of a treaty on the Russian terms. They also fear that a treaty incorporating Russian requirements would enable the Soviet Government to exercise effective control over Austria even after the troops had been withdrawn.

2. I appreciate the attitude of the State Department as explained by Mr. Reber. I have, however, been giving the matter my personal consideration and would like you to convey my views to Mr. Acheson.

3. After conversation with Dr. Gruber I cannot convince myself that the effect of acceptance of Russian terms will so seriously affect the Austrian economic position as absolutely to rule out a treaty. Dr. Gruber has officially informed me that his Government want a treaty now on the best terms that can be got. I fully recognise the imperfections in the Russian draft of Article 35, but my feeling is that the general political advantages of the early conclusion of a treaty outweigh any objections that may be made to the text of the treaty. It is not in my view the terms of the treaty which matter so much as the physical ability of the Russians to put pressure on Austria. If the conditions are such that Russia can put pressure on Austria, no treaty, however well phrased, will protect her: conversely once the Russian forces are out of Austria she will be in an infinitely better position to protect her own interests. It is surely worth paying the price and even taking some risk in order to push the Russians eastward out of Austria. If we do not get agreement on the treaty now while the Soviet Union is embarrassed with Tito we might find conditions much less favourable in some weeks' time. The effect of the conclusion of a treaty which was the first step towards the Russian evacuation of Austria could not fail, in my opinion, to have a heartening effect in Yugoslavia. I strongly feel that this is a psychological moment for the conclusion of the treaty which we cannot afford to miss.

4. There is a further argument which weighs with me and that is that if we do not reach agreement now we may have to postpone the conclusion of the Austrian Treaty indefinitely and refer the treaty to Ministers. The Russians may very well make a meeting on Austria conditional on discussion of German questions, and I wish to avoid this if I possibly can. A further postponement of the conclusion of an

Austrian treaty cannot fail to have a depressing effect in Austria in particular and in the European field in general.

5. I recognise the possibility that even if we were to accept most if not all of the Russian terms there is no guarantee that the Russians will not hold up the treaty, but I think it could and should be made the condition of our acceptance of Article 35 that the Russians should meet us on the other outstanding Articles.

6. I would therefore ask Mr. Acheson to weigh these considerations and let me know whether, in the light of them, he does not feel that we ought to try to get agreement on Article 35 on the best terms we can. We should try to get concessions from the Russians on oil exploration but should be ready to give up the refineries and pipelines, accept the best wording we can get for the text of Article 35 and if necessary leave the question of transportation equipment for settlement between the Soviet Union and Austria. It is quite possible that if the Russians are satisfied that we are really trying to get a treaty they may make some further concessions. In this connexion it is noteworthy that the Soviet Ambassador asked the Minister of State to lunch yesterday and spent most of the time complaining that we did not appear to want a treaty. The Minister of State got the impression that the Soviet Government were genuinely anxious to reach agreement now but that the Ambassador was afraid to go beyond the Soviet interpretation of the Paris directives to the Deputies.

7. I spoke to the United States Ambassador on these general lines this morning, but I should be grateful if you would also convey a personal message from me to Mr. Acheson in the above sense. As the Deputies have to terminate their discussion by the 1st September there is very little time.

WASHINGTON, 27th August, 1949.

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740.0011 EW (Peace)/8-3049

*Memorandum of Conversation, by the Acting Chief of the Division  
of Austrian Affairs (Williamson)*

SECRET

[WASHINGTON,] August 30, 1949.

Participants: Dr. Ludwig Kleinwaechter, Austrian Minister  
Mr. Robert Murphy, GA  
Mr. Francis T. Williamson, GAA

Dr. Kleinwaechter called immediately following his return from London to communicate Dr. Gruber's views regarding the conclusion of the Austrian Treaty.

In general terms Dr. Kleinwaechter stated that Dr. Gruber was very anxious to secure the conclusion of the Treaty at this time and feared



that any reference to the Ministers would involve a long delay. He urged that agreement be reached by accepting the Soviet position on the remaining unagreed articles. Dr. Gruber was reported to have considered that undue delay in the conclusion of the Treaty would cause many Austrians in the Eastern zone to join the Communist Party as a measure of self protection. He urged, therefore, that the Treaty be concluded as rapidly as possible and stated that any delay in ratification would not effect the situation in Austria since the mere signing of the Treaty would give the Austrian people hope that the occupation would be terminated at some future time.

In particular, Dr. Gruber requested that the US change its position in order that the Soviet position on the following articles could be met.

Article 16 on displaced persons—to accept the disputed paragraph 5 which requires that Austria shall not give relief to any displaced person who fought against their homeland during the war;

Article 27—the Soviet version prohibiting foreign technicians in civil aviation and permitting the three annexes to be included in the Treaty should be accepted;

Article 35 (German assets)—Dr. Gruber considered that the Soviet position should be met on the question of oil exploration, rolling stock, schedule of payments, and settlement of disputes;

Article 48—the Soviet position regarding pre-1938 debts should be accepted.

Article 48 bis—the Soviet claims for supplies and services furnished by the occupation powers could be met by bilateral negotiations.

Dr. Gruber concluded that in all of the unagreed articles the position of the Western Powers could be met by bilateral negotiations between the Austrians and the Russians if satisfactory treaty language were not achieved in the negotiations.

In reply to Dr. Gruber's views it was made clear to Dr. Kleinwaechter that the US could not agree to the conclusion of the Treaty through the acceptance of the Soviet terms. It was pointed out that we could not ask the Senate to ratify a Treaty which was made up of a series of concessions to the Soviet Union without evidence that every effort was made to secure better terms or evidence adduced to concessions on the part of the Soviets. Dr. Kleinwaechter was informed that we could not accept a Treaty which nullified the Moscow Declaration by making it possible for the Soviets to impose on Austria a settlement inconsistent with that Declaration or providing a basis for future Soviet domination. It was pointed out further that we could not underwrite an Austrian settlement which required replacing in Austria any industrial or transportation equipment which would be removed by the Soviets under the terms of the Treaty. Finally, Dr. Kleinwaechter was informed that we did not approve of an approach

to the problem of the Treaty which isolated specific instances and required an answer whether the US would block the conclusion of the Treaty on any one issue. He was informed that the remaining unagreed issues constituted a single problem involving the total obligation to be imposed on Austria, its ability to discharge that obligation and the foothold which would be acquired by the Soviet Union for future pressure on the Austrian Government. He was urged to communicate this view to Dr. Gruber in order that the problem of the Treaty might be judged in terms of Austrian security interests and the long range effect which the Treaty would have on Austrian national life.<sup>1</sup>

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<sup>1</sup> On September 1, Williamson reviewed the United States position on the treaty with Kleinwaechter, since Reber had reported from London that Gruber felt the United States was more concerned with the implications of concessions to the Soviet Union than with completion of the treaty and the withdrawal of Soviet troops from Austria. Williamson reiterated the effect on public opinion in the United States if the Soviet terms were accepted and the long range effect of such a treaty on Austria. Kleinwaechter stated that he would attempt to clarify the United States view in a message to Gruber. (Memorandum of conversation, September 1, not printed, 740.00119 Council/9-149)

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740.00119 Council/8-3049: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET  
NIACT

PRIORITY

WASHINGTON, August 30, 1949—4 p. m.

3108. Audel 168. Ur 3443 Aug 30 <sup>1</sup> first step required in giving consideration Bevin's message <sup>2</sup> will be extension of deadline as proposed Audel 164 Aug 27.<sup>3</sup> Initiative in this regard shld properly come from Brit Del. SovDel cld be informed that you have no objection to continuing discussions in London for a specified period after Sept 1. We do not wish to appear in the light of making a concession in this regard. Try to ascertain whether Sovs are in favor of extension and if they consider useful purpose wld be served by such action.

If extension is obtained for specified period we consider efforts shld be made to clear up as many remaining issues as possible in Treaty but do not agree that final settlement can be made Art 35 without major change in Sov position. Bargaining of agreement on Art 35 against other unagreed arts is not an even trade and as Paris experi-

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<sup>1</sup> Not printed; it reported that the Foreign Office would be grateful for a reply to Bevin's message before he left England for the North Atlantic Treaty Council meetings in Washington. (740.00119 Council/8-3049)

<sup>2</sup> See extract from telegram from Mr. Bevin, p. 1125.

<sup>3</sup> Not printed.

ence demonstrated will not necessarily mean final agreement on assets settlement. We do not consider that our entire position on Art 35 shld be sacrificed to obtain either agreement on other arts or a quick settlement on Treaty which might prejudice Aust future. It is desirable to obtain agreement on exploration areas if possible but equitable distribution is vital for Aust. Similarly, we consider that major concessions on pipelines and refineries wld not be in best interest of Aust. No assurance exists that bilateral settlement on transportation wld assure adequate rolling stock for Aust internal needs. In view of cut in Aust allotment by OEEC provision can not be made in direct aid for replacing in Aust any rolling stock transferred to Sov.

We appreciate Brit concern for quick agreement and recognize political advantages to be derived therefrom. However, we consider that vital points in assets settlement must be reserved for later decision in view of long range effects on Aust and acute economic and political situation which wld be created by conclusion of Treaty on Sov terms. We consider this issue of fundamental importance and do not desire that efforts of past four years in maintaining Aust be liquidated by Treaty reducing Western influence in Aust and increasing Sov chances of obtaining ultimate domination.

These issues will be discussed in detail with Bevin on his arrival in Wash. In meantime we hope you can secure extension of negots. Re Delau 276<sup>4</sup> we do not object to Schuman's proposal in principle, but consider that any Ministerial discussion must be preceded either by larger measure of agreement and clarification by Deputies or by diplomatic action in Moscow. We prefer latter course.

If extension is obtained, do your instructions provide sufficient latitude to permit settlement of issues other than Art 35?

ACHESON

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<sup>4</sup>Not printed; in it Reber reported Schuman's agreement to ministerial consideration of the principal outstanding issues of the treaty in New York, provided that the discussions were limited to Austria. (740.00119 Council/8-2949)

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### *Editorial Note*

At their 211th meeting on September 1 the Deputies for Austria completed consideration of the remaining outstanding issues of the Treaty and discussed their future work. The United States representative as Chairman suggested an adjournment for three weeks to allow the Deputies to consult their ministers. The French and British Deputies supported this proposal, but the Soviet Deputy maintained that the question of the future work of the Deputies was beyond their competence and would only refer the proposal to Moscow.

C. THE UNAGREED ARTICLES OF THE DRAFT TREATY FOR THE  
RE-ESTABLISHMENT OF AN INDEPENDENT AND DEMOCRATIC  
AUSTRIA

740.00119 Council/9-249

*Unagreed Articles of the Draft Treaty for the Re-establishment of an  
Independent and Democratic Austria*

SECRET

WASHINGTON, September 6, 1949.

[The following text is the wording of the unagreed articles of the draft Austrian Treaty as it stood when the discussions of the Austrian Deputies were suspended after the 212th meeting, September 2, as indicated by the records of the United States Delegation. The square brackets [. . . . .] indicate the unagreed portions of the individual articles. In Article 35 the five lists which enumerate the properties to be transferred to the Soviet Union have not been printed.<sup>1</sup>]

ARTICLE 16

DISPLACED PERSONS [AND REFUGEES]\*

1. Austria undertakes within the period determined by the Allied Commission for Austria to take all necessary measures to complete the [voluntary]† repatriation of Displaced Persons [and refugees]\* within its territory.

2. Austria undertakes to render full assistance to the Allied and Associated Powers concerned in regard to the [voluntary]† repatriation of their nationals and will enter into direct bilateral negotiations for this purpose.

3. Austria further undertakes:

(a) to permit accredited representatives of any Allied or Associated Power whose nationals are in camps or assembly centers allotted to Displaced Persons now in Austria to visit freely such camps or centers for the purpose of conferring with its nationals;

(b) to prohibit in such camps or centers any propaganda hostile to the interests of the Allied and Associated Powers and any activities designed to induce such Displaced Persons not to return to the countries of which they are nationals;

(c) to dissolve immediately any "committees", "centers" and other similar organizations existing in those camps and assembly centers that may be found to be engaged in activities opposed to the interests of the Allied and Associated Powers;

<sup>1</sup> All brackets in this document appear in the source text.

\*Proposal by United States Delegation, acceptable to United Kingdom and French Delegations. [Footnote in the source text.]

†Proposal by United Kingdom and the United States Delegations, acceptable to the French Delegation. [Footnote in the source text.]

(d) to prohibit the recruiting of Displaced Persons [and refugees]† into military or paramilitary organizations;

(e) to provide the means of transportation necessary for the transfer of repatriates to the frontier of their countries of origin nearest Austria.

4. Austria undertakes to grant to such Displaced Persons [and refugees]‡ the same rights in all respects as those normally accorded to non-Austrians who have been legally admitted into Austria.

5. [No relief shall be given by Austria to persons who refuse to return to their native countries, if these persons fought on the side of the enemies of the Allied and Associated Powers, or voluntarily collaborated with the enemies of these Powers, or are engaged in hostile activities against their countries of origin, as well as against any of the United Nations, or are members of organizations and groups which encourage Displaced Persons not to return to their countries of origin.]§

6. This Article shall be applied without prejudice to the provisions of Article 11 of the present Treaty.

#### ARTICLE 26

##### DISPOSAL OF WAR MATÉRIEL OF ALLIED AND GERMAN ORIGIN

1. All war matériel of Allied origin in Austria shall be placed at the disposal of the Allied or Associated Power concerned according to the instructions given by that Power.

Austria shall renounce all rights to the above-mentioned war matériel.

2. Within one year from the coming into force of the present Treaty Austria shall render unusable for any military purpose or destroy:

all excess war matériel of German or other non-Allied origin; in so far as they relate to modern war matériel, all German and Japanese drawings, including existing blueprints, prototypes, experimental models and plans;

all war matériel prohibited by Article 21 of the present Treaty; all specialized installations, including research and production equipment, prohibited by Article 21 [and 27] || which are not convertible for authorized research, development or construction or which are in excess of those necessary for the military requirements defined in Articles 17 and 25 of the present Treaty.

3. Within six months from the coming into force of the present Treaty Austria shall provide the Governments of the Soviet Union, of the United States of America, of the United Kingdom, and of

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†Proposal by United States Delegation, acceptable to United Kingdom and French Delegations. [Footnote in the source text.]

§Proposal by Soviet Delegation. [Footnote in the source text.]

||Proposal by Soviet Delegation; opposed by United States, United Kingdom and French Delegations. [Footnote in the source text.]

France with a list of the war matériel and installations enumerated in paragraph 1.

4. Austria shall not manufacture any war matériel of German design.

Austria shall not acquire or possess, either publicly or privately, or by any other means, any war matériel of German manufacture, origin or design except that the Austrian Government may utilize, for the creation of the armed forces authorized by Article 17 of the present Treaty, restricted quantities of war matériel of German manufacture, origin or design remaining in Austria after the Second World War.

5. A definition and list of war matériel for the purposes of the present Treaty are contained in Annex II.

#### ARTICLE 27

##### PREVENTION OF GERMAN REARMAMENT

1. Austria shall co-operate fully with the Allied and Associated Powers in order to ensure that Germany is unable to take steps outside German territory towards rearmament.

[2. Austria undertakes to abide by the limitations and prohibitions listed in Annexes III, IV and V of the present Treaty.]¶

3. Austria shall not employ or train in military or civil aviation or in the experimentation, design, production or maintenance of war matériel:

persons who are, or were at any time previous to March 13, 1938, nationals of Germany;

or Austrian nationals precluded from serving in the Armed Forces under Article 18;

[or persons who are not Austrian nationals.]\*

[4. Without prejudice to the provisions set forth in paragraph 3 of the present Article and in paragraph 1 of Article 18, Austria further shall not employ, except temporarily, in the fields enumerated above, persons who are not Austrian nationals. However, as regards civil aviation Austria shall not be subject to this restriction.]††

#### ARTICLE 32

##### WAR GRAVES AND MEMORIALS

[1. Austria undertakes to respect, preserve and maintain the graves on Austrian territory of soldiers, prisoners of war, and nationals

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¶[Proposal by Soviet Delegation. The United States, United Kingdom and French Delegations oppose the inclusion of this paragraph and its annexes. [Footnote in the source text.]

\*\*Proposal by Soviet Delegation, opposed by the French, United Kingdom and United States Delegations. [Footnote in the source text.]

††Proposal by French Delegation as alternative to Soviet addition to paragraph 3; opposed by United States, United Kingdom and Soviet Delegations. [Footnote in the source text.]

forcibly brought to Austria, of the Allied Powers and other United Nations which were in a state of war with Germany, as well as the memorials and emblems of these graves and memorials dedicated to the military glory of the armies which fought against Hitlerite Germany on Austrian territory.

2. The Government of Austria shall recognize any commission, delegation or other organization provided with full powers by the country concerned to identify, list, maintain or regulate the graves and edifices referred to in paragraph 1; it shall facilitate the work of such organizations, and shall conclude in respect of the above-mentioned graves and edifices such agreements as may prove necessary with the country concerned or with any commission or delegation empowered by it, or with any other organization. It likewise agrees to render, in conformity with reasonable sanitary precautions, every facility for the disinterment and despatch to their own country of the remains buried in the said graves, whether at the request of the official organizations of the State concerned or at the request of the relatives of the persons interred.]††

[1. Austria undertakes to respect, preserve and maintain the graves on Austrian territory of soldiers and prisoners of war of the United Nations, which were in a state of war with Germany, and of their nationals who were forcibly brought to Austria, as well as the memorials and emblems of these graves and the memorials in honor of the Armies which fought against Germany on Austrian territory.

2. The Allied and Associated Powers undertake to respect, preserve and maintain the graves in their territories of Austrian soldiers and prisoners of war.

3. The Allied and Associated Powers and Austria shall conclude such agreements as may be necessary in order to facilitate the task of any commission appointed by the Government concerned for the purpose of identifying, registering and caring for the said graves, emblems and memorials.

4. The Allied and Associated Powers and Austria agree to afford, so far as the provisions of their laws and the requirements of public health allow, every facility for giving effect to requests that the remains buried in the said graves may be transferred to their own country.]§§

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††Proposal by Soviet Delegation; opposed by United Kingdom, United States and French Delegations. [Footnote in the source text.]

§§Proposal by United Kingdom Delegation which United States and French Delegations are prepared to accept; opposed by Soviet Delegation. [Footnote in the source text.]

## ARTICLE 35

## GERMAN ASSETS IN AUSTRIA

The Soviet Union, the United Kingdom, the United States of America and France have the right to dispose of all German assets in Austria in accordance with the Protocol of the Berlin Conference of August 2, 1945.

[1. The Soviet Union shall receive for a period of validity of thirty years concessions to oil fields equivalent to 60% of the extraction of oil in Austria for 1947, as well as property rights to all buildings, constructions, equipment, and other property belonging to these oil fields in accordance with list No. 1 and map No. 1 annexed to the Treaty.

2. The Soviet Union shall receive concessions to 60% of all exploration areas located in Eastern Austria that are German Assets to which the Soviet Union is entitled in conformity with the Potsdam Agreement and which are in its possession at the present time, in accordance with list No. 2 and map No. 2 annexed to the Treaty.

The Soviet Union shall have the right to carry out explorations on the exploration areas mentioned in the present article for 8 years and to subsequent extraction of oil for a period of 25 years beginning from the moment of the discovery of oil.

3. The Soviet Union shall receive oil refineries having a total annual production capacity of 420,000 tons of crude oil, in accordance with list No. 3 annexed to the Treaty.

4. The Soviet Union shall receive those undertakings concerned in the distribution of oil products which are at its disposal, in accordance with list No. 4 annexed to the Treaty.

5. The Soviet Union shall receive the assets of the D.D.S.G., located in Hungary, Rumania and Bulgaria; and, likewise, in accordance with list No. 5 annexed to the Treaty, 100% of the assets of the Danube Shipping Company located in Eastern Austria.] |||

6. The Soviet Union shall transfer to Austria property, rights and interests held or claimed as German Assets and shall also transfer war industrial enterprises, together with existing equipment, houses and similar immovable property, including plots of land, located in Austria held or claimed as war booty [and also industrial and transportation equipment in Austria held or claimed as war booty], ¶¶ with the exception of the assets mentioned in paragraphs 1, 2, 3, 4 and 5

||| Proposal of Soviet Delegation agreed to in principle by United States, United Kingdom and French Delegations, but the definitive text is to be drafted after final agreement is reached on the lists of oil and Danube Shipping Company properties and rights to be transferred to the Soviet Union. [Footnote in the source text.]

¶¶ Proposal of United States Delegation, which may be withdrawn if agreement is reached on Article 35 bis. [Footnote in the source text.]



of the present Article. Austria for its part undertakes to pay the Soviet Union 150,000,000 American dollars in freely convertible currency within a period of 6 years.

The said sum will be paid by Austria to the Soviet Union in equal three-monthly installments of 6,250,000 dollars in freely convertible currency. The first payment will be made on the first day of the second month following the month of the entry into force of the present Treaty. Subsequent three-monthly payments will be made on the first day of the appropriate month. The last three-monthly payment will be made on the last day of the six year period after the entry into force of the present Treaty.

The basis for payments provided for in this Article will be the U.S.A. dollar at its gold parity on September 1, 1949, that is, 35 dollars for 1 ounce of gold.

As security for the punctual payment of the above-mentioned sums due to the U.S.S.R. [the Austrian National Bank shall issue]\* [the Austrian Government shall authorize the Austrian National Bank to issue]† to the State Bank of the U.S.S.R. within two weeks of the entry into force of the present Treaty promissory notes to the aggregate sum of 150,000,000 U.S.A. dollars to become payable on the dates provided for in the present Article.

The promissory notes to be issued by Austria will be non-interest-bearing. The State Bank of the U.S.S.R. does not intend to discount these notes provided that the Austrian Government and the Austrian National Bank carry out their obligations punctually and exactly.

7. All [former German]‡ assets [in Austria]§ which have become the property of the Soviet Union [under paragraphs 1, 2, 3, 4, 5 and 9 of the present Article]§ shall, as the general rule, remain under Austrian jurisdiction and, in conformity with this, Austrian legislation shall apply to them.

Where duties and charges, commercial and industrial rights and the levying of taxation are concerned, these assets shall be subject to conditions not less favorable than those which apply or will apply to undertakings belonging to Austria and its nationals and also to other states and persons who are accorded most-favored-nation treatment.

All former German assets which have become the property of the U.S.S.R. shall not be subject to alienation without the consent of the U.S.S.R.

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\*Proposal of Soviet Delegation, supported by United Kingdom and French Delegations. [Footnote in the source text.]

†Alternative proposal of United States Delegation. [Footnote in the source text.]

‡Proposal of Soviet Delegation. [Footnote in the source text.]

§Proposal of United States, French and United Kingdom Delegations. [Footnote in the source text.]

Austria will not raise any difficulties in regard to the export of [net]|| profits or other income [(i.e. net rents)]|| [(rents)]¶ [(i.e. rents)]\*\* in the form of output or of any freely convertible currency received.

The rights, properties and interests transferred to the Soviet Union as well as the rights, properties and interests which the Soviet Union relinquishes to Austria shall be transferred without any charges or claims on the part of the Soviet Union or on the part of Austria. Under the words "charges and claims" is understood not only creditor claims arising out of the exercise of Allied control of these properties, rights and interests after May 8, 1945, but also all other claims including claims in respect of taxes. The reciprocal waiver by the Soviet Union and Austria of charges and claims applies to all such charges and claims as exist on the date when Austria formalizes the rights of the Soviet Union to the German assets transferred to it and on the date of the actual transfer to Austria of the assets relinquished by the Soviet Union.

8. The transfer to Austria of all properties, rights and interests provided for in paragraph 6 of the present Article, and also the formalizing by Austria of the rights of the Soviet Union to the German assets to be transferred shall be effected within two months from the date of the entry into force of the present Treaty.

9. [The Soviet Union shall likewise own the rights, property and interests in respect of all assets, wherever they may be situated in Eastern Austria, created by Soviet organizations or acquired by them by purchase after May 8, 1945 for the operation of the properties enumerated in Lists 1, 2, 3, 4 and 5 annexed to the present Treaty.]†††

10. Any disputes which may arise in connection with the application of the preceding paragraphs of the present Article shall be settled by means of bilateral negotiations between the interested parties.

In the event of failure to reach agreement by bilateral negotiations between the Governments of the Soviet Union and of Austria within three months, disputes shall be referred for settlement to an Arbitration Commission consisting of one representative of the Soviet Union and one representative of Austria with the addition of a third member, a citizen of a third country, selected by mutual agreement between the two Governments.

[Should the two Governments fail to agree within one month upon the appointment of the third member, the Secretary General of the

|| Proposal of United States Delegation. [Footnote in the source text.]

¶ Proposal of Soviet and French Delegations. [Footnote in the source text.]

\*\*Proposal of United Kingdom Delegation. [Footnote in the source text.]

††Proposal of Soviet Delegation. [Footnote in the source text.]

United Nations may be requested by either party to make the appointment.]††

11. The United Kingdom, the United States of America and France hereby relinquish to Austria all property, rights and interests held or claimed by or on behalf of any of them in Austria as German assets or war booty.

Property, rights and interests relinquished to Austria under this paragraph shall pass free from any charges or claims on the part of the United Kingdom, the United States of America or France arising out of the exercise of their control of these properties, rights or interests after May 8, 1945.

[12. The fulfillment of the provisions of this Article by Austria is accepted as full and final satisfaction of any claims of the Allied and Associated Powers to German assets in Austria, based on or derived from the Decisions of the Berlin Conference of August 2, 1945, and no claims shall be made or enforced against Austria by virtue of the said Decisions otherwise than in accordance with the provisions of this Article.] §§

#### ARTICLE 35 BIS

##### ROLLING STOCK

[1. The Austrian Federal Railways shall have the ownership of all railway equipment, including rolling stock and locomotives, situated in Austria on September 1, 1949 and which was part of the equipment of the Austrian Federal Railways on March 12, 1938, as well as all railway equipment included, by decisions of the Allied Commission for Austria, in locomotive, wagon and coach parks in Austria, or acquired by the Austrian Federal Railways through purchase, construction or exchange since May 8, 1945. The Austrian Federal Railways shall also have the ownership of all German-marked tank cars situated in Austria on September 1, 1949 and which are not subject to return under the provisions of Article 42 of the present Treaty or of the Austrian restitution laws.

2. Paragraph 1 of this Article shall not apply to tank cars transferred to the Soviet union in accordance with Annex \_\_\_\_\_ of the present Treaty or to rolling stock originating in the territory of any of the United Nations and subject to restitution under the provisions of Article 36 of the present Treaty.] |||

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††Proposal of United States, United Kingdom and French Delegations. [Footnote in the source text.]

§§ Proposal of United Kingdom, United States and French Delegations. [Footnote in the source text.]

||| Proposal by United Kingdom and French Delegations; supported by United States Delegation; opposed by Soviet Delegation. [Footnote in the source text.]

## ARTICLE 42

## UNITED NATIONS PROPERTY IN AUSTRIA

[1. In so far as Austria has not already done so, Austria shall restore all legal rights and interests in Austria of the United Nations and their nationals as they existed on the day hostilities commenced between Germany and the United Nation concerned, and shall return all property in Austria of the United Nations and their nationals as as it now exists.

2. The Austrian Government undertakes that all property, rights and interests passing under this Article shall be restored free of all encumbrances and charges of any kind to which they may have become subject as a result of the war with Germany and without the imposition of any charges by the Austrian Government in connection with their return. The Austrian Government shall nullify all measures of seizures, sequestration or control taken against United Nations property between the day of commencement of hostilities between Germany and the United Nation concerned and the coming into force of the present Treaty. In cases where the property has not been returned within six months from the coming into force of the present Treaty, application shall be made to the Austrian authorities not later than twelve months from the coming into force of the Treaty, except in cases in which the claimant is able to show that he could not file his application within this period.

3. The Austrian Government shall invalidate transfers involving property, rights and interests of any description belonging to United Nations nationals, where such transfers resulted from force exerted by Axis Governments or their agencies between the beginning of hostilities between Germany and the United Nation concerned and May 8, 1945.]¶¶

[1. (a) In so far as Austria has not already done so, Austria shall restore all legal rights and interests in Austria belonging directly or indirectly to the United Nations or to their nationals as these rights and interests existed on September 1, 1939; Austria shall return to such United Nations and their nationals all property belonging to them in Austria as it now exists.

(b) In so far as Austria has not already done so, Austria shall restore all legal rights and interests and return all property in Austria which belonged directly or indirectly to nationals of the United Nations, and in respect of which between March 13, 1938, and May 8,

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¶¶Proposal of Soviet Delegation; opposed by the French, United Kingdom and United States Delegations. [Footnote in the source text.]

1945, such nationals suffered prejudice as a result of the German occupation of Austria by means of:

- (i) transfers effected without the free consent of the owner and without full compensation; or
- (ii) transactions which deprived them of their rights in companies or other legal entities in Austria, and in particular through the transfer in whole or in part of their assets or the manipulation of the capital of such companies or legal entities.

Such rights and interests shall be restored as they existed at the time of such transfer or transaction, and such property shall be returned as it now exists.

(c) The Austrian Government shall invalidate such transfers and transactions, as well as all measures, including measures of seizure, sequestration or control, taken against United Nations property, rights and interests between March 13, 1938, and the entry into force of the present Treaty.

2. In cases where property, rights and interests under paragraph 1 above have not been restored or returned within six months from the coming into force of the present Treaty, application shall be made to the Austrian authorities by the claimants not later than twelve months from that date, except in cases where such claimants are able to show that they could not file their applications within this period. The Austrian Government shall fulfill its obligations in regard to every such application not later than [six]\* [twelve]† months from the date of its receipt.

3. The property, rights and interests referred to in paragraph 1 above will be restored or returned free from any encumbrances or charges of any kind to which they may have become subject as a result of the war with Germany or the German occupation of Austria and without the imposition of any charges by the Austrian Government in connection with their restoration or return.‡

4. (a) In cases in which the Austrian Government provides compensation for losses suffered by reason of injury or damage to property in Austria which occurred during the German occupation of Austria or during the war, United Nations nationals shall in no event receive less favorable treatment than that accorded to Austrian nationals; and in such cases United Nations nationals who hold, directly or indirectly, ownership interests in corporations or associations which are not United Nations nationals within the meaning of paragraph 8(a) of

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\*Proposal of French Delegation, acceptable to United Kingdom Delegation. [Footnote in the source text.]

†Proposal of United States Delegation, acceptable to United Kingdom Delegation. [Footnote in the source text.]

‡Proposal of the French, United Kingdom and United States Delegations; opposed by the Soviet Delegation. [Footnote in the source text.]

this Article shall receive compensation based on the total loss or damage suffered by the corporations or associations and bearing the same proportion to such loss or damage as the beneficial interest of such nationals bears to the capital of the corporation or association.

(b) The Austrian Government shall accord to United Nations nationals the same treatment in the allocation of materials for the repair or rehabilitation of their property in Austria and in the allocation of foreign exchange for the importation of such materials as applies to Austrian nationals.

5. All reasonable expenses incurred in Austria in establishing claims, including the assessment of loss or damage, shall be borne by the Austrian Government.

6. United Nations nationals and their property shall be exempted from any exceptional taxes, levies, or imposts imposed on their capital assets in Austria by the Austrian Government or any Austrian authority between the date of the surrender of the German armed forces and the coming into force of the present Treaty for the specific purpose of meeting charges arising out of the war or of meeting the costs of occupying forces. Any sums which have been so paid shall be refunded.

7. The owner of the property concerned and the Austrian Government may agree upon arrangements in lieu of the provisions of this Article.

8. As used in this Article:

(a) "United Nations nationals" means individuals who are nationals of any of the United Nations, or corporations or associations organized under the laws of any of the United Nations, at the coming into force of the present Treaty, provided that the said individuals, corporations or associations also had this status on May 8, 1945.

The term "United Nations nationals" also includes all individuals, corporations or associations which, under the laws in force in Austria during the war, have been treated as enemy [or as under enemy control].§

[Only those United Nations nationals who possessed United Nations nationality prior to the date on which their property suffered damage in Austria shall, however, be entitled to compensation in accordance with paragraph 4 of this Article.]¶

(b) "Owner" means the United Nation, or the United Nations national, as defined in sub-paragraph (a) above, who is entitled to the property in question, and includes a successor of the owner, provided that the successor is also a United Nation or a United Nations national as defined in sub-paragraph (a). If the successor has purchased the

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§ Addition by United States and United Kingdom Delegations, supported by French Delegation, which Soviet Delegation considers unnecessary. [Footnote in the source text.]

¶ Addition supported by Soviet Delegation: opposed by United States, United Kingdom and French Delegations. [Footnote in the source text.]

property in its damaged state, the transferor shall retain his rights to compensation under this Article, without prejudice to obligations between the transferor and the purchaser under domestic law.

(c) "Property" means all movable or immovable property, whether tangible or intangible, including industrial, literary and artistic property, as well as all rights or interests of any kind in property.

[9. The provisions of this Article do not apply to transfers of property, rights or interests of United Nations or United Nations nationals in Austria made in accordance with laws and enactments which were in force as Austrian Law on June 28, 1946.]¶

[9. Austria shall not be obligated to restore any property, rights or interests of United Nations or their nationals which may have suffered loss as a result of the application of Paragraphs \_\_\_\_\_ of Article 35 of this Treaty, but shall pay prompt, adequate and effective compensation therefor.]\*\*

10. The Austrian Government recognizes that the Brioni Agreement of August 10, 1942, is null and void. It undertakes to participate with the other signatories of the Rome Agreement of March 29, 1923, in any negotiations having the purpose of introducing into its provisions the modifications necessary to ensure the equitable settlement of the annuities which it provides.

## ARTICLE 48

### DEBTS

1. The annexation of Austria by Germany shall not be deemed to have affected the obligations of the Austrian Government in respect of external loans issued prior to March 13, 1938. The Allied and Associated Powers recognize that the Government of Austria has no obligation in respect of German Government securities freely accepted by the holders thereof in exchange for securities of the Government of Austria, [or in respect of these Austrian securities regarding which after March 13, 1938, payment agreements were concluded between Germany and the creditor States].††

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¶[Proposal of Soviet Delegation; opposed by French, United Kingdom and United States Delegations. [Footnote in the source text.]

\*\*Alternative proposal of United States Delegation, supported by United Kingdom and French Delegations; Soviet Delegation reserves its position until after agreement has been reached on Article 35, on inclusion of this proposal as a paragraph in addition to the Soviet proposal for paragraph 9. [Footnote in the source text.]

††Proposal by the Soviet Delegation opposed by the United Kingdom, United States and French Delegations. The Soviet Delegation reserves its position on this proposal pending agreement on Articles 35 and 48 bis.

Note: French Delegation considers that paragraph 2 relates only to Austrian Government securities which excludes, for example, the obligations of the Danube-Save-Adriatic Railway. [Footnote in the source text.]

2. The Allied and Associated Powers recognize that interest payments and similar charges on Austrian Government securities falling due after March 12, 1938, and before May 8, 1945, constitute a claim on Germany and not on Austria.

3. The Allied and Associated Powers declare their intention not to avail themselves of the provisions of loan agreements made by the Government of Austria before March 13, 1938, in so far as those provisions granted to the creditors a right of control over the government finances of Austria.

4. The existence of the state of war between the Allied and Associated Powers and Germany shall not, in itself, be regarded as affecting the obligation to pay pecuniary debts arising out of obligations and contracts which existed, and rights which were acquired before the existence of the state of war, which became payable prior to the coming into force of the present Treaty, and which are due by the Government or nationals of Austria to the Government or nationals of one of the Allied and Associated Powers or are due by the Government or nationals of one of the Allied and Associated Powers to the Government or nationals of Austria.

5. Except as otherwise expressly provided in the present Treaty, nothing therein shall be construed as impairing debtor-creditor relationships arising out of contracts concluded at any time prior to September 1, 1939, by either the Government of Austria or persons who were nationals of Austria on March 12, 1938.

#### ARTICLE 48 BIS

[Austria acknowledges as a debt, payable by her, monetary loans and also the value of all supplies and services delivered to the Austrian Government by any of the Allied or Associated Powers between May 8, 1945, and the coming into force of the present Treaty.]<sup>††</sup>

[The Governments of the Allied and Associated Powers waive all claims against the Government or nationals of Austria which they or any of them may have for the value of imported supplies delivered by them or any of them for civilian consumption in Austria between May 8, 1945, and the coming into force of the present Treaty, other than supplies which have given rise to an acknowledgment of debt by the Austrian Government in the amount of \_\_\_\_\_ or which have been delivered under commercial contracts, trade agreements or credit arrangements.]<sup>§§</sup>

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<sup>††</sup>Proposal by Soviet Delegation. [Footnote in the source text.]

<sup>§§</sup>Proposal by French, United States and United Kingdom Delegations. [Footnote in the source text.]



## Annex III

## PROHIBITION OF CERTAIN EQUIPMENT AND PRODUCTS

[List of the equipment and products of which the research and development, experimentation, production and possession are prohibited under the conditions set out below.]

## I

(a) Continuous rolling mills of an effective width over 2 meters, other than those already existing.

(b) Cranes and gantries of a power greater than 100 tons in steel mills or steel foundries, other than those already existing.

(c) Armour plate over 3 inches thick (76 mm.), with a surface hardness greater than 500 Brinnell.

## II

Manufacture, research for the purposes of industrial manufacture, and possession of hydrogen peroxide of a concentration greater than 41 percent. Laboratory research on this product is authorized, likewise the possession of the requisite quantities for this purpose.

## III

(a) Mathematical machines specially designed to be fitted into prohibited apparatus or equipment, or to be applied to their study or construction.

(b) Installations or apparatus devised for the study of nuclear physics, as applied to industrial uses or for war purposes. However, the use of cyclotrons or similar instruments in universities, for fundamental research work, is authorized.

(c) Installations or apparatus intended for aerodynamic research in the regions corresponding to a Mach number greater than or equal to 0.9.

(d) Experimental tanks and all other apparatus devised for the study and development of high speed craft (speed equal to or over 30 knots), submarines, underwater explosions and other development or apparatus and equipment adaptable to naval warfare.]]]]

## Annex IV

## PROHIBITION OF CERTAIN RESEARCH, DEVELOPMENT AND MANUFACTURE

[List of research and development and manufacture which are prohibited under the conditions set out below:]

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]]]]Proposal of Soviet Delegation; opposed by United States, United Kingdom and French Delegations. [Footnote in the source text.]

## I

- (a) Research and development into the application of gas turbines and rockets to aircraft and manufacture in connection therewith.
- (b) Research and development of gyroscopes.

## II

(a) Research, development and manufacture of radio-electric emitting apparatus of a frequency over 300,000 kilocycles, and the equipment connected with these.

(b) Research, development and improvement of manufacturing processes of quartz and piezo-electric cells, thermo-electric, radio-electric and photo-electric cells, the use of which shall be unrestrictedly authorized, but the stock shall be limited to the indispensable spares, and exportation prohibited.

(c) Research, development and manufacture of emitting or receiving apparatus for infra-red, ultra-violet, infra-sounds and ultra-sounds, the use of which shall be limited to medical and university requirements exclusively, and the stock shall be restricted to the indispensable spares for these requirements. Fundamental research and development on infra-red, ultra-violet, infra-sounds and ultra-sounds are authorized.

(d) Research and development on stratospheric cabins and manufacture connected with these.

(e) Research, development and manufacture of industrial machines such as: centering machines and industrial measuring machines and machine tools, accurate to over one ten-thousandth in the measurement of force, one ten-thousandth of a second in the measurement of time, and one thousandth of a millimeter in the measurement of length.

## III

(a) Manufacture and use of heavy water on an industrial scale, and research for this purpose.

(b) Manufacture for export purposes of the following primary metals and their alloys: magnesium, beryllium, vanadium.

(c) Manufacture of nitric and sulphuric acids by processes producing directly concentrations of higher than 95 percent and 98 percent respectively in excess of domestic non-military requirements.

(d) Research, development and manufacture in the field of fritted metals, with the exception of the Reutte works, which shall not be permitted either to increase or alter their installations and equipment.

(e) Research, development and manufacture of radio-active materials, the use and stocking of which shall be restricted to medical and university requirements.]¶¶

¶¶Proposal of Soviet Delegation; opposed by United States, United Kingdom and French Delegations. [Footnote in the source text.]

## Annex V

## LIMITATION OF STOCKS OF CERTAIN MATERIALS

[List of materials, the stocking of which shall be restricted to the quantities requisite to meet the peace-time requirements of the Austrian economy over a period of six months:

Copper  
Nickel  
Chromium  
Vanadium  
Tungsten  
Manganese  
Molybdenum  
Magnesium  
Beryllium  
Natural and artificial radio-active products  
Rubber  
Primary aluminum  
Fritted metals  
Sulphuric acid of more than 98 percent concentration  
Nitric acid of more than 95 percent concentration]\*

**D. THE MEETINGS OF THE DEPUTIES FOR AUSTRIA OF THE COUNCIL OF FOREIGN MINISTERS, SEPTEMBER 23-DECEMBER 16, 1949**

740.0011EW (Peace)/9-1449: Telegram

*The Secretary of State to the Embassy in the Soviet Union*

TOP SECRET

WASHINGTON, September 15, 1949—12 noon.

PRIORITY      NIACT

654.<sup>1</sup> Dept concurs changes proposed London's 3705 Sept 14.<sup>2</sup> Note reading as follows shld be presented forthwith in accordance previous instrus:<sup>3</sup>

"1. During recent conference of deputies for the Aust Treaty difficulties arose with respect to the fulfillment of the decisions taken at Paris by the Foreign Ministers of the four powers. These difficul-

\*Proposal of Soviet Delegation; opposed by United States, United Kingdom and French Delegations. [Footnote in the source text.]

<sup>1</sup> Repeated to London as 3352, Paris as 3445, and Vienna as 1106.

<sup>2</sup> Not printed. Following the adjournment of the Austrian Deputies' meetings, the three Western representatives submitted to their Governments the draft of a note to the Soviet Government. The British and the French agreed to its text, but the United States felt that it represented only part of the necessary approach. A second draft was prepared by the Deputies September 12. Its text as amended by the three Governments provided the basis for the text of the note transmitted in this cable. The texts of the two drafts and related documentation are in file 740.0011EW (Peace)/9-249 through 9-1449 and 740.00119, Council/9-249 through 9-1449.

<sup>3</sup> In telegram 3255, September 8, to London (to Moscow as 632), not printed, the Department of State suggested a tripartite approach be made in Moscow with coordination done by the three Western Ambassadors. (740.0011 Council/8-749)

ties have prevented the deputies from reaching agreement on the terms of the Treaty, date of Sep 1, 1949, in accordance with their instructions.

2. In order to facilitate early conclusion of Aust Treaty my Govt considers it essential that deputies shld be in position to complete their work within briefest possible period. For this purpose, it believes it highly important that, as has already been proposed, deputies shld meet again on September 22 in New York, where Ministers will be available for consultation, if necessary.

3. In its earnest desire to insure fulfillment of obligations which four powers incurred in subscribing to Moscow Declaration on Nov 1, 1943, my Govt has consistently maintained in course of more than two and one-half years of negots need for concluding Treaty in terms consistent with principles of that declaration which envisaged reestablishment of independent and democratic Austria on firm and lasting basis.

4. Within framework of these principles my Govt has endeavored to meet claims advanced by Sov Union, particularly with respect to Ger assets settlement, in order to bring about conclusion of Treaty. However, my Govt considers itself unable to make such concessions to the increased Sov demands as wld impose on Austria settlement more appropriate for conquered rather than for liberated country. Such settlement wld have effect of nullifying Moscow Declaration.

5. In reaching agreement in principle at Paris Conference for settlement Ger assets question, my Govt did not anticipate that Sov Delegate in subsequent conference of deputies in London wld insist on acceptance without modification of Sov proposals based on an interpretation of that agreement which goes beyond decisions reached by Four Ministers. Govts of France, UK and US on other hand have interpreted Paris agreement as expressing willingness on part four powers to conclude Aust Treaty on just basis in keeping with objectives set forth in Moscow Declaration. My Govt accordingly considers that Treaty must not contain provisions which wld limit Aust sovereignty or hinder normal development of Aust econ life.

6. In order that above aims may be achieved, my Govt in conjunction with the Govts of France and UK consider it essential that final settlement involve an equitable division on the oil exploration areas in east Austria, based on principles agreed to in Paris, and provisions which will insure that Austria shall retain adequate rolling stock for normal operation of its railways.

Moreover, my Govt also considers that text of Treaty shld make it clear:

(a) that, as stipulated in Paris agreement, rights of Danube Shipping Company to be transferred to Sov Union shld be only those formerly enjoyed by company;

(b) that Aust law shall prevail in all matters involving operations of Sov enterprises in Austria, except for specific cases which are provided for, and that an arbitration procedure shall also be included for settlement of disputes which permits reference to SYG of UN;

(c) that no unwarranted limitations shall be placed on employment of foreign technicians by Austria; and

(d) that adequate provisions shall be made for restoration of UN property rights or compensation therefor.

7. My Govt, together with Govts of France and UK, trusts that its concern for early conclusion of Aust Treaty is shared by Govt of Soviet Union and in this connection requests that Govt of Sov Union will give most serious consideration to views set out above. Meanwhile, it wld be grateful to receive reply at earliest possible moment proposal that deputies shld resume their negots in New York on September 22."

Concur London's recommendations inadvisable to release publicity [*publicly?*] until Sovs have replied and that Aust Govt be given text of note by Ministers Vienna as soon as Ministers notified that delivery has taken place.

ACHESON

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CFM Files : Lot M-88 : Box 144 : Tripartite Ministers Meetings

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 15, 1949.

Participants: Mr. Bevin  
Sir Roger Makins  
Ambassador Franks  
Mr. Schuman  
Ambassador Bonnet  
Mr. Acheson  
Ambassador Jessup  
Ambassador Murphy  
Mr. Williamson  
Mr. Reber  
Col. Byroade  
Mr. Satterthwaite

AUSTRIA<sup>2</sup>

I said we might take up Austria first on the items of the Agenda as it was the most troublesome. I asked Williamson to explain from charts the economic position of Austria. These charts clearly demon-

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<sup>1</sup> This memorandum was prepared by Satterthwaite.

<sup>2</sup> In previous conversations with Bevin and Schuman, Secretary Acheson had considered the North Atlantic area, Europe, the Middle East, and the Far East. For documentation on these conversations which started September 13, see volumes IV and V.

strate, we think, that if we yield any on our position with the Soviets, Austria could not have a self-supporting economy.

Reber said the principal difficulties which have prevented the carrying out of the Paris agreements have arisen in connection with oil rights, shipping, and an adequate supply of rolling stock. The Soviets claim 60% of the area of the oil exploration lands but this 60% includes nearly all the lands which hold any promise of future development. We are in a dispute with the Soviets also over refineries, over the capacity of several of the plants, and over which ones they should get. The Soviets are allotted 420,000 tons capacity. They claim our estimates of capacity are too high but we think that their estimates are too low. So if the Soviet's claims are met, Austria would have to be an importer of some 30,000 tons a year, with the resultant drain on her economy. The Soviets claim the two most modern refineries and the Lobau pipe line which runs from the producing areas to Vienna. We claim that the pipe line is not a part of the refinery, and should become a common carrier under Austrian control.

With regard to shipping properties, the problem is that the Russians want leases in perpetuity. The problem is not what properties the Russians get, but the fact that leases in perpetuity would give them an indefinite foothold on the Danube.

The Soviets refuse to discuss the turnover of rolling stock to Austria. They have over-marked 500 locomotives and a large number of freight cars as war booty. We feel we must insure that Austria has an adequate supply of both. The Paris communiqué<sup>3</sup> is silent on rolling stock; therefore the Soviets claim it is beyond the competence of the deputies to discuss it. It seems clear that rolling stock does come within the competence of the deputies; that we were right and the Soviets were wrong. Reber reminded me that Vishinsky told me in Paris that the deputies would discuss this question.

I said I thought we were pretty well agreed on the producing oil properties, but that we were not on the fields for future exploration, since the 60% claimed by the Soviets contained nearly all of the probable producing areas. Reber said if the Soviets agree to an equitable division of the principal exploration area, say 60-40, once the principle of division is accepted, the experts should be able to settle the terms of division in 24 hours. Schuman asked what was the production in the fields for exploration claimed by the Russians and Reber said it was very small, but that all of the production and refining there was, was under Russian control. I said that since the pipeline would serve both Austrian and Russian properties and crosses areas

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<sup>3</sup> Under reference here is the Communiqué of the Sixth Session of the Council of Foreign Ministers, June 20, p. 1062.

to be assigned to both, it seemed to us vital that we should stick to our contentions on the pipe line as well as the exploration areas.

Bevin said that the British were concerned with Russian troops staying in Austria and that the main point seemed to be to get them out. If we don't get a treaty, will they stay on? The British do not want to give in to the Russians, but there may be danger of partition of Austria. If we continue to press for our version of the unsolved points, are we not likely not to get them and give in in the end anyway? The Austrians say that they want our troops out, but do they? Are we justified in taking a risk on the terms of the treaty if by doing so we get the troops out? Bevin raised these questions but did not answer them decisively. He said that visitors returning from Austria had told him that the Austrians do not want the troops out. He said he would be willing to stick on anything (in the treaty) if the result would be to get the Russians out.

Schuman said that he too felt it was important to get the Russian troops out of Austria. He agreed with Bevin that an agreement among the Four Powers should be reached before the elections,<sup>4</sup> but he thought that Austria should not be weakened too much just to get the Russians out. He thought it would be useful to make every attempt to get the concessions we wanted from the Russians and that we should make further efforts between now and October. He said the USSR often gives up unexpectedly. He said Vishinski's coming to New York will give us an opportunity to press one or two of the most important points. He thought we must protect the Austrians even against themselves. Bevin inquired whether we should hold out for the total we wanted of the locomotives or compromise. Reber said as a possible compromise Austria could get along perhaps with 300 of the 500 locomotives but the Soviets won't discuss the question at all. Schuman interposed that before the Soviets could discuss the problem they required the decision of Vishinski. Bevin said the problem was not only on the amount, but whether there would be discussions and inquired whether the Austrians needed all of the 20,000 or so freight cars. Reber said probably not, some of the old ones they now possess can be repaired.

Bevin then returned to the Danube shipping problem and asked Reber to read the pertinent part of the communiqué. After Reber had done so, Bevin said that it seemed the only asset was the lease and inquired what the legal position was; that is, is the right to renew an asset? If so, then all rights must go with the leases. Are the Soviets claiming more than that? Are they claiming a freehold? I said I thought they were and Bevin said he didn't understand it that way.

<sup>4</sup> For documentation relating to the Austrian national elections, October 9, 1949, see pp. 1206 ff.

He wondered whether we were trying to substitute a composite period for rights to renew. Bevin thought if the lease is to be for an initial fixed period which also carries indefinite renewal rights you have lost something of value if you substitute a total fixed period with no renewal rights. Reber said that in no case was there a continuous automatic right of renewal. Some leases have optional rights, but these can be refused. Bevin requested that this point be checked. Reber again said that what the Russians want is the right to extend the leases for an indefinite period of duration and Bevin wanted to know whether that was a set-off for a composite period. I said that I understood our position to be that we wanted to turn over to the Soviets exactly what the shipping companies had, no more, no less. The Soviets said that this is not enough, that they wanted the lease in perpetuity which is something additional to the original lease. Bevin said he thought the safe course was that they turn over what the shipping companies had. I said we had better not move from that position. Reber said that some of the leases even with renewal rights are short-term leases. In some cases renewal possibilities exist and in some they do not. Bevin asked whether Austria would be in a position to build other docks. Reber thought that they would.

On the question of refineries, Reber recalled that the Paris agreement provided for the transfer to the Russians of refining plants with a capacity of 420,000 tons, but that the Russian estimates for the capacity of some of the plants are lower than ours. The Russians claim three particular plants, the best ones, and then say arbitrarily that their capacity adds up to the total they are supposed to have. To let them have the Lobau refinery might be a reasonable concession. The Soviets want Lobau, which was built in 1941 by companies owned by U.S. and British interests, Nova which is claimed by French interests and one other refinery. I said I thought we might give in on the refineries; give in on the oil lands for exploration except in the main field, where we should insist on something like a 60-40 division; insist on pipe line rights, and make the Russians talk with us on the locomotives and freight cars. Bevin agreed to this. He said that the shipping company leases should be handed over in the exact form that the Danube Shipping Company had them and to hold out a long time on this. I agreed with Bevin and Schuman that there should be no bargaining here. Bevin said he did not want the Soviets to be able to use the Austrian Treaty as an excuse for a new CFM meeting, and then maneuver the Austrian Treaty to the bottom of the agenda, putting Japan, Germany and China first. If this can't be settled by the deputies, a new forum outside of the CFM is needed. Jessup said that Vishinski had told Kirk he looked forward to informal conversations



in New York—he did not say on what—, that it is hard to do business in the Assembly in the spotlight of publicity. Bevin said he was in favor of talking with Vishinski informally but it must be kept on an informal basis. While the Ministers were in New York, they would assist the deputies. Schuman agreed and it was left that we all were in favor of informal meetings. Murphy said that if the Russians agree to the meeting of the deputies on September 22 they could go as far as possible and then refer to the Ministers while they are still in New York. Bevin then warned that Vishinski might hold up the treaty on something else, such as rearmament, settlement of UN property or something else. Reber said there were additional problems as regards employment of foreign technicians, UN property, displaced persons and repayment for civilian supplies. The first two mentioned were raised in the basic note to Moscow <sup>5</sup> so must be part of any settlement. Bevin then said shouldn't we do our best to settle the remaining points and I agreed. Bevin said he would like to see what all the points looked like. I said we cannot compromise on the employment of foreign technicians. The Soviet proposal would completely preclude a MAP mission on rearmament. Reber said there were no other points on the military side as far as the terms of treaty are concerned, but that 90 days after the peace treaty all occupation troops have to be out. This is too short a time to organize and train the minimum force required for police purposes. Russian consent is necessary if Austria is to start training before the treaty goes into effect, and the Russians say the deputies are not empowered to decide this. Bevin said the Russians might be right on this point. Williamson then said that it takes about two years to recruit 53,000 men, but about 27,000 can be found on the first call-up as soon as Austria has a right to form an army. We think 27,000 men can be trained in three months, but that does not solve the equipment problem for which another year is needed. We can't ship equipment to Austria for the Austrians. I suggested we might get the equipment and store it in Germany and though there is no legislation yet to procure the equipment, this is taken care of in the present MAP bill which would permit us to ship and procure this equipment, although we couldn't transfer it in advance of the treaty's ratification. A simple legislative change will permit the transfer. The appropriation contemplated is big enough to equip 27,000 men. If we have a little time before the treaty is signed, we can take care of the security problem. Bevin agreed. Murphy asked Bevin about the contemplated 5,000 men of the Austrian Air Force which the RAF

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<sup>5</sup> Transmitted in telegram 654, *supra*.

would train. Bevin said that while he wanted to get technicians into Austria the Air Force men could be trained elsewhere, and the equipment is not a problem.<sup>6</sup>

Reber said that on the problem of UN property, the Soviets have assured us that when the German claims under Article 35 are settled, we will be taken care of on UN property claims. Bevin said we should have it in precise terms and I said this was one of the points we should insist on.

Reber said that on repayment for civilian supplies, Austria has already acknowledged certain claims but the Soviets will not agree to specify the amount of their claim in the treaty which would mean that Austria would have to sign a blank check. We have waived our own claims. On displaced persons, the Soviet's proposals would deny relief to certain categories and some 60-80,000 persons might then be forced out of Austria. The Soviet proposal is so loosely drawn that the Soviets could insist upon the denial of relief to almost anyone. The best solution might be to leave this question out of the treaty and rely on Austria's acceptance of UN requirements. The Soviets claim many people who are hostile to the Soviets have taken refuge in Austria. We certainly can't yield on forceful repatriation.

Reber said that on the arbitration clauses, the Soviets have agreed on a third arbitrator but not on how he should be chosen if Austria and the Soviet Union do not agree on the selection. They say the case will never arise. Bevin said he did not think this was a sticking point. I said that there are so many disputed points and chances for disagreement in the treaty, the question of arbitration is a very important one. Reber said that the Austrians say that as long as a dispute is unsettled there is nothing the Soviets can do about the disputed point. Bevin and Schuman agreed with me that we could not decide this point now. Reber said the Soviets claim Austria is not required to acknowledge the capital indebtedness of the pre-Anschluss loans. Bevin said he would not agree to this. The Russians have no right to say what the Austrians should do in the future about their loan obligations.

Murphy suggested that a working party be put to work on these points and report back. Bevin and Schuman agreed with me that this would be a good idea and that it should be done as soon as possible. Franks suggested that since the US has the people available here in Washington, we should produce a draft for comment by the British and French. This was agreed to.

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<sup>6</sup> For documentation relating to the formation and equipment of Austrian security forces, see pp. 1236 ff.

740.0011EW (Peace)/9-1749

*The Secretary of State to the French Minister of Foreign  
Affairs (Schuman)*

SECRET

WASHINGTON, September 17, 1949.

MY DEAR MR. MINISTER: You will recall that at our meeting on September 15<sup>1</sup> it was agreed that a memorandum should be prepared summarizing the conclusions reached with respect to the outstanding issues of the Austrian Treaty, which could serve as a basis for continued negotiations and for any possible informal discussions of the Treaty with the Soviet Foreign Minister. The enclosed memorandum represents our understanding of the agreements reached. I should be grateful for any comments you may care to make or for your confirmation.

I am sending the same communication to Mr. Bevin.

Sincerely yours,

DEAN ACHESON

[Enclosure]

*Memorandum Prepared in the Department of State*

SECRET

[WASHINGTON, undated.]

On September 15, 1949 the three Ministers discussed the remaining unagreed issues in the Austrian Treaty and procedure for further negotiations. Agreement was reached on the following points:

1. The Deputies will reconvene their conference in New York about September 22. They will ascertain whether, as a result of the joint diplomatic demarche in Moscow, there has been any change in the Soviet position on the unagreed issues in the Treaty. If no change materializes in the Soviet position which will permit conclusion of the Treaty, the three Ministers are prepared informally to discuss with the Soviet Foreign Minister the principles involved in the existing disagreements and to seek a final settlement consistent with the agreement reached in Paris on June 20, 1949.<sup>2</sup>

2. The Ministers agreed on the basic position which will be adopted by the Delegations of the US, UK and France in meeting the Soviet claims on the various unagreed articles and recommended specific

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<sup>1</sup> A memorandum of conversation of the meeting of the three Foreign Ministers is printed *supra*.

<sup>2</sup> For the text of the Communiqué of the Sixth Session of the Council of Foreign Ministers, see p. 1062.

changes which could be made in previous positions in order to facilitate agreement. The specific points are as follows:

*a. Article 16—Displaced Persons and Refugees.* The Ministers agreed that no compromise could be made which would prejudice the principle of voluntary repatriation or which would place Austria in a position requiring repatriation of displaced persons and refugees against their will. An effort will be made to eliminate the entire article from the Treaty, and failing this to eliminate the objectionable paragraphs as proposed by the Soviet Delegation.

*b. Articles 26 and 27—Military Clauses.* The Ministers agreed that they could not accept the Soviet proposal prohibiting Austria from employing foreign technicians in military and civil aviation and in the experimentation, design, manufacture and maintenance of war material. Similarly, the position of the three Western Delegations must be maintained with respect to the three annexes attached to Article 27.

It was agreed that the Soviets would be approached on a governmental level at the time of the signing of the Austrian Treaty for the purpose of obtaining their agreement to the initiation of the Austrian Armed Forces program in consonance with the provisions of the Treaty.

*c. Article 35—German Assets.* The Ministers agreed that a further effort would be made to obtain agreement on the German assets settlement by insisting on Soviet adherence to the Paris agreement. An effort would be made to secure an equitable distribution of the oil exploration area by acceptance of Western proposals for a division of the Gross Entzersdorf field and to secure acceptance of the provision that the Lobau-Zistersdorf pipe line shall remain under Austrian jurisdiction to be used jointly by Soviet enterprises. If such a settlement can be reached the Ministers saw no objection to accepting the present Soviet claims for refineries in Austria.

On the question of Danube shipping the Ministers agreed that the Western Delegations should maintain their original position that the Soviet Union receive only the assets held by the DDSG and that they be bound by the terms of the leases.

On the transportation equipment, it was agreed that the question of assuring sufficient rolling stock to Austria must be discussed, as provided for in the Paris negotiations, and an equitable settlement be reached.

It was agreed that the provision for appointment of a third arbitrator by the Secretary-General of the United Nations is an important element in the German assets settlement but the Ministers decided that they wished to examine this question before agreeing on a fixed position.

*d. Article 42—*It was agreed that the Treaty must contain satisfactory provisions respecting the restitution of United Nations property, rights and interests.

*e. Article 48—*It was agreed that the Soviet proposal concerning the payment of pre-Anschluss debts by Austria could not be accepted.

*f. Article 48 bis*—The Soviet proposal cannot be accepted and the Western position should be maintained pending satisfactory outcome of the current bilateral negotiations between Austria and the Soviet Union respecting Soviet claims for relief supplies and services.<sup>3</sup>

<sup>3</sup> In a memorandum to Secretary Acheson, September 23, not printed, Reber reported that Bevin had suggested only one change of substance: an addition to the position on Article 16 which would exclude "refugees" from the scope of the article if the Soviet Union refused to delete the whole article or the objectionable paragraph 5. (740.0011 EW (Peace)/9-2349) No evidence has been found in the Department of State files of any reply by Schuman to this memorandum.

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740.0011EW (Peace)/9-1849: Telegram

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

TOP SECRET

PRIORITY

Moscow, September 18, 1949—6 p. m.

NIAC

2348. Appointment set by Foreign Office at 3:30 this morning (mytel 2344, September 17<sup>1</sup>) and Gromyko received us at 3 p. m. local time today. French Ambassador explained briefly the purpose of the parallel notes, in terms of deputies failure to settle remaining treaty articles in accordance with Paris CFM directive, at same time emphasizing basic common point of departure provided by Moscow declaration of 1943: namely, to reestablish a democratic and independent Austria.

Gromyko agreed that the Moscow declaration was the common basis but that there had been concrete problems and asked whether we had any concrete suggestions.

British Ambassador then enumerated and summarized briefly the six specific points covered by the parallel notes.

Gromyko immediately agreed that the deputies should meet on September 22 in New York and that the Soviet delegation would participate, adding that Zarubin was already on his way to New York. He repeated that we all accept the Moscow declaration, though various concrete questions still remained to be solved.

I concurred in presentation already made by my two colleagues and expressed satisfaction with the Soviet Government agreement to resume talks in New York.

French Ambassador pointed out that eighteen unsettled items at the time of the Paris CFM had now been reduced to six, thus real progress had been made, and Soviet Foreign Minister's statements augured well for resumption of talks in New York.

Gromyko agreed, adding that British Ambassador had enumerated the main unsettled points and expressing hope that remaining questions would be solved in New York.

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<sup>1</sup> Not printed.

Meeting lasted twenty minutes, was amicable with Gromyko in affable mood and apparently not surprised by either our joint approach or our subject. Particularly important is fact that no reference was made to holding CFM in this or any other connection. We have since concerted the substance of this telegram and my British and French colleagues are similarly telegraphing to London, Paris and Vienna.

Also, after consultation, we all feel that publication of the text of the notes would not be advisable in the present circumstance (reference London's telegram 3736 to Department September 16<sup>2</sup>). We would recommend that a communiqué be issued by the governments in London, Paris, and Washington as follows:

"The Ambassadors of France, Great Britain and the US called together on 18 September upon the Acting Minister of Foreign Affairs of the Soviet Union, Mr. Gromyko, to present notes amplifying the communiqué issued in Washington on September 15 by Secretary of State Acheson, Foreign Minister Bevin, and Foreign Minister Schuman, on the matter of the treaty with Austria. During the course of the conversation the outstanding points of difference were outlined.

"The Acting Foreign Minister of the Soviet Union accepted on behalf of his government the proposal already made for the resumption of the meetings of the deputies on the Austrian treaty convening on 22 September in New York; and assured the three ambassadors that the Soviet deputy would participate."<sup>3</sup>

Sent Department 2348, Department pass Paris 340. London 255, Vienna 58.

KIRK

<sup>2</sup> Not printed.

<sup>3</sup> The communiqué was issued by the Western Governments on September 19.

740.0011EW (Peace)/9-2149

*The Acting Director of the Office of German and Austrian Affairs (Murphy) to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*<sup>1</sup>

SECRET

[WASHINGTON,] September 21, 1949.

MY DEAR MR. REBER: The following instructions will serve as a basis for the conference on the Austrian Treaty to convene in New York on September 23.

The basic discussion on the remaining unagreed issues in the Austrian Treaty should be based on the tripartite agreement of Septem-

<sup>1</sup> The source text bears the handwritten notation "Delivered by hand to Mr. Reber Sept. 22, 1949. F[rancis] T W [illiamson]".

ber 15, 1949,<sup>2</sup> a copy of which is attached. The U.S. Delegation will attempt to conclude the Austrian Treaty on the broad lines laid down in this tripartite agreement and in such specific terms as will enable Austria to exist as an independent state.

In addition it will be necessary that an effort be made by the U.S. Delegation, together with the British and French Delegations, to include in paragraph 6 of Article 35 an appropriate guarantee that industrial equipment held or claimed by the Soviets as war booty or as German assets will be transferred to the Austrians together with the industrial plants relinquished by the Soviets under the terms of the lump sum settlement. The present language of the Soviet draft does not cover this problem and if Article 35 bis is agreed the U.S. Delegation must insist upon the inclusion of appropriate provisions in Article 35.

In the tripartite meeting of September 15 the three Ministers agreed to look into the problem of paragraph 10 of the Soviet proposal on Article 35 regarding arbitration procedure. Appropriate instructions will be transmitted concerning the appointment of the third arbitrator after further discussion of this point with the British and French Ministers.

In approaching the problem of final acceptance of the Austrian Treaty the U.S. Delegation must bear in mind a problem which other Delegations do not face. In order to submit the draft Austrian Treaty to public discussion in the United States and to acceptance under constitutional procedures by the Senate, it will be necessary to have sufficient evidence that the U.S. Delegation has obtained the best justifiable bargain on the key issues and has exhausted all negotiating procedures in obtaining terms which not only will safeguard Austrian interests in the future but will also serve the U.S. national interest by terminating military occupation, and will protect U.S. private interests in Austria. The U.S. Delegation, therefore, is instructed during the course of the negotiations to formulate on each of the remaining issues a justification for any terms which may be accepted within the framework of the tripartite agreement.

Sincerely yours,

ROBERT MURPHY

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<sup>2</sup> The text of this agreement is printed as an enclosure to the message from Secretary Acheson to Foreign Minister Schuman, September 17, p. 1154.

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*Editorial Note*

The Deputies for Austria resumed their meetings on September 23 at the Waldorf-Astoria Hotel in New York. The representatives for

the four countries were the same as at the second session of the Deputies from July to September, namely, Reber, Zarubin, Mallet, and Berthelot. At this first meeting of the third series (213th of the Deputies) the Deputies reviewed all the unagreed articles without any change in their respective positions, and they agreed to consult their Ministers before holding any further sessions. The minutes of this meeting and the record of decisions are in CFM Files: Lot M-88, Box 116. There was no telegraphic report of this meeting.

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740.00119 Council/9-2749: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Acting Secretary of State*

SECRET

PRIORITY

NEW YORK, September 27, 1949—6:15 p. m.

NIACT

Delau 303. For Rusk and Murphy from Reber. The following memorandum of conversation between Messrs. Berthelot, Mallet and Reber is transmitted for your information.

I had a long meeting with the British and French deputies this morning, the upshot of which was that both British and French argue that a treaty, even on Soviet terms, at the present time, is better than none at all.

If the negotiations break down now they believe the treaty will be indefinitely postponed and Soviet occupation prolonged, as there would be no point in continuing negotiations if the Ministers are unable to reach agreement. Prolonged Soviet occupation in their opinion will more effectively wreck the Austrian economy than the higher price now demanded. They also point out that the Soviets now have 100 percent of all the oil properties and exploration areas, as well as the industrial plants due to be returned to Austria under the treaty, all of which will operate under Soviet control to the detriment of Austria.

Furthermore, a setback now would have very serious repercussions on the general political situation in Europe and be an evidence of our failure to limit Soviet demands. They regard the withdrawal of Soviet troops from Austria as of such importance as to warrant further concessions. Although they would prefer to limit these concessions to the Soviet terms for Article 35, they might even consider acceptance of the Soviet claims in respect to the other articles, particularly as in their opinion it would be possible to make arrangements with Austria outside the treaty safeguarding UN property Article 42 and payment of the obligations due under Article 48.



I argued that in Washington the Ministers had agreed upon minimum concessions<sup>1</sup> to be given to the Soviets and that acceptance of all of the Soviet demands now might weaken the Western position in Europe. Furthermore the increased burden placed upon Austria might mean, because of the difficulties for Austria to meet the treaty obligations, that the treaty would bring about what British and French feel would be the results of no treaty, namely, complete Soviet control of Austrian economy.

I also pointed out that the increased cost would fall upon the US and might seriously endanger ratification, particularly since there was a large section of public opinion in this country which felt that any treaty with Austria now which called for the withdrawal of Allied troops would endanger Austria's independence.

We agreed because of this apparent basic difference in approach that we should recommend to our respective Ministers to consult among themselves to determine a common approach for the next meeting.

We further agreed that it would be desirable if possible to ascertain Soviet intentions with respect to issues other than those discussed last night<sup>2</sup> before offering any specific concession on the oil exploration areas. I expressed the belief that a concession on any single point would probably not prove conclusive, and that a decision on the future course of action should be taken by the Western Ministers before taking any such step.

[REBER]

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<sup>1</sup> Under reference here is the position agreed by the three Western Ministers in Washington, September 15, which is printed as an enclosure to the message from Acheson to Schuman, September 17, p. 1154.

<sup>2</sup> The reference here is to a meeting of the four Foreign Ministers, September 26 at the Waldorf-Astoria Hotel, at which Vyshinsky maintained that the Soviet terms for the Austrian Treaty must be met. The minutes of this informal meeting, are in CFM Files: Lot M-88: Box 144.

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740.0011EW (Peace)/9-2849: Telegram

*The Acting Secretary of State to the Secretary of State, at New York*<sup>1</sup>

SECRET

PRIORITY

WASHINGTON, September 28, 1949—1 a. m.

NIACT

Audel 184. Personal for the Secretary from Webb.

(Deliver to the Secretary before 9 a. m. Wednesday.)

Memorandum of conversation with Berthelot and Mallet on tactics<sup>2</sup> and issues regarding Austrian Treaty raises serious questions which

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<sup>1</sup> Secretary Acheson was in New York attending the fourth regular session of the United Nations General Assembly.

<sup>2</sup> Transmitted in Delau 303, *supra*.

in our view should be pressed on Bevin and Schuman if they remain adamant on the views of their Deputies. Our views of the situation following your meeting Monday night and the British and French suggestions are as follows:

Bevin and Schuman both agreed with you on September 15 that we would stick to our positions on the remaining unagreed issues, except for a commission [*concession?*] on refineries for which we would ask an equitable distribution of the oil exploration areas. You will recall that each issue was discussed in detail and the implications affecting Austria's future were weighed. Both Ministers agreed with you that any further concessions to meet the Soviet demands would endanger our basic objective of creating in Austria a state capable of independent existence after Treaty comes into force.

We consider present Russian demands unjustified and far in excess of what was agreed in Paris. Vishinsky's position indicates to us that Soviet Union does not want a Treaty at this time which requires military withdrawal from Austria, Hungary and Rumania unless such a Treaty creates conditions that would subsequently permit Soviet penetration and repossession of all Austria. Acceptance of Soviet demands without further negotiation would in our view defeat the purpose of the treaty and all our efforts and expenditures since 1945 toward enabling Austria to maintain an independent existence.

We recognize that Austria would derive many specific benefits from the treaty, but consider that appeasement of the Soviets only to get a peace at any price at this time involves for the US larger and longer range problems which outweigh the benefits of a quick and easy settlement. Even if our terms are accepted, Austria will be saddled with a grave burden and all the resources and hard work of the Austrians for years to come will be centered on discharging the obligation to the Soviet Union. Conclusion of the treaty on basis of our present terms is a calculated risk. To make further concessions on oil exploration, shipping leases, and rolling stock would not only provide the Russians with a permanent foothold in Austria, but would deprive the Austrian economy of key resources which it will require in discharging the lump-sum and all other obligations of the Treaty.

Accepting the Russian demands to achieve a quick settlement after the atomic announcement<sup>3</sup> would in our view have more serious general repercussions in Europe than failure to conclude Austrian treaty immediately and would give the Soviets a misleading and possibly dangerous impression of our general attitude at this time. We do recognize that Russian withdrawal from Austria, and possibly Hun-

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<sup>3</sup> Under reference here is President Truman's announcement on September 23 that an atomic explosion had taken place in the Soviet Union. For documentation relating to this announcement, see volume I.

gary and Rumania, would ease the situation with respect to Yugoslavia, but emphasize that Vishinsky also probably realizes this fact.

Trade of three key points of oil exploration, shipping and rolling stock, for UN property rights, foreign technicians and refugees would be of no value to Austria and would satisfy only secondary issues raised by Western states. It is not an equal trade, such as the lump-sum and frontiers at Paris, and would not insure conclusion of treaty unless Russians desired to conclude treaty at this time. Therefore, I submit the following as the considered opinion of the staff including Rusk, Kennan and Murphy for your consideration for the meeting with Bevin and Schuman and Four-power discussions on Wednesday night:

1. To point out to Bevin and Schuman that there are certain limits in US position made necessary both by fact that US is only Western country which has contributed direct aid to Austria and by the fact that treaties must be ratified by Senate. We would have no intention of asking Senate to ratify a treaty which increased Austria's need for direct aid since the Senate correctly would not agree to any settlement which involved appropriations for payments to the Russians. Secondly, we can not ask Congress to appropriate money to equip Austrian Army if Austria is to be constituted a definite security risk by the very terms of the Treaty. You may wish to point out that without direct aid from the US, Austria has no chances whatsoever of continued independent existence.

2. If tripartite acceptance of the agreement of September 15<sup>4</sup> is assured you may wish in the four-power meeting to attempt to get Vishinsky's views on the unagreed issues as a whole and elicit from him how he proposes to conclude the treaty and on what terms. If specific issues are discussed we feel they should be discussed only in terms of their relation to framework of the Paris Agreement.<sup>5</sup> We accepted Paris Agreement in good faith as a settlement of Austrian question which has been delayed by progressive increase in Soviet demands which in our view are a violation of Moscow Declaration. Vishinsky should be required to make concrete proposals for future procedure and agree to basic principles contained in tripartite note to Soviet Government of September 18.<sup>6</sup> Unless Vishinsky changes his position we do not feel that further meetings of Ministers would produce any results, but that Ministers will meet at any time to conclude Austrian Treaty when Soviets decide to honor their international commitments. If adjournment results, provision should be made for further Deputies meetings either by fixing date for future meeting, directing Deputies to continue for present or providing means for setting future discussions through diplomatic channels.

For your personal information we may eventually be faced by the British and French determination to yield to the Soviet demands. In

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<sup>4</sup> Printed as an enclosure to the message from Acheson to Schuman, September 17, p. 1154.

<sup>5</sup> The communiqué of June 20, p. 1062.

<sup>6</sup> Transmitted in telegram 654, September 15, p. 1146.

that case it may be necessary for you to say that since we do not wish to dictate terms of settlement of European issues, we will refrain from further discussions on the treaty, but will maintain our troops in Austria and our High Commissioner in the Allied Council until the Treaty is settled by UK, France and the Soviets. We consider that tripartite unity is necessary if a satisfactory settlement is to be reached. Failing tripartite unity, we should not wish to stand in the way of the European nations settling the issue on terms agreeable to them, but we must make plain that we cannot continue direct aid and would not ratify the treaty. In this event, it is doubtful whether the Russians would either ratify the treaty or withdraw their troops.

WEBB

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740.00119 Council/9-2849 : Telegram*The Secretary of State to the Acting Secretary of State*

SECRET      PRIORITY      NEW YORK, September 28, 1949—7:30 p. m.

Delau 304. From the Secretary.

At the tripartite meeting this morning, Bevin again made a plea for early conclusion of the Austrian treaty, pointing out that the issues which were holding up the treaty did not involve any large additional amounts over and above the Paris agreement<sup>1</sup> and that Austria was prepared to accept even the Soviet claims in these respects. He stressed the strong desire both in the United Kingdom and in Europe generally to see Soviet troops withdrawn from Austria, not only because [of?] the resultant general improvement in Central Europe, but because of their removal from the immediate neighborhood of Yugoslavia. The British Government was most anxious to extend the jurisdiction of the Council of Europe as far east as possible. If Austria could be reestablished and admitted together with Western Germany, this would immeasurably strengthen the Council and bring it to the borders of Czechoslovakia. He concluded by urging that the wider issues should be weighed against the questions of oil and rolling stock which in themselves hardly seem a justification to hold up the treaty.

Schuman, who was less definite than in his conversation with me last night,<sup>2</sup> agreed with Bevin as to the urgency of an agreement on Austria. He had, however, some reservations with regard to the acceptance of all Soviet claims, pointing out they involve not only quantity of oil or number of locomotives but the question of the degree of Soviet influence and control. He felt that, to some extent, Western

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<sup>1</sup> The communiqué of June 20, p. 1062.<sup>2</sup> No record of this conversation has been found in Department of State files.

policy was at stake and that too rapid concessions on our part might encourage Soviets in their demands in other respects. He felt, however, that all Europe was waiting for a settlement of this question and that every effort possible should be made to conclude it, since failure by the Ministers would be a serious setback. He, however, was not prepared, without further effort, to agree to all Soviet demands.

In summarizing our position, I pointed out that, although the aggregate amounts involved in the Soviet claims might not be large in themselves, these amounts nevertheless were large in relation to Austrian economy and we must therefore look at the situation not in terms of the number of hectares or of the quantity of oil but in terms of their effect on Austrian economy. Secondly, I felt strongly that it was most undesirable in terms of our general policy to permit the Soviets to repudiate the Paris Agreement and to be obliged to accept their terms within 2 weeks of the atomic explosion in USSR. This would give a false impression of our position and might indicate we were being stampeded into agreement. Finally, I stressed Austria's inability to carry out even the terms of the Paris Agreement without large amounts of foreign assistance largely to be provided by the US. In Paris, we had gone a long way to meet the Soviet demands and any additional calls upon the US for assistance to Austria over and above those called for by Paris Agreement would make ratification extremely difficult and further funds hard to find. I knew of no source from which Austria could get the additional amounts required to replace rolling stock taken by the Soviets or to pay for imported oil which might be required subsequently if all good future prospects were transferred to the Soviet Union. In my opinion, the Russians were pressing us as far as they could for the purpose of weakening Austria so that eventually they can establish a permanent hold over the country through control of its economy.

After discussion of the application of the Paris Agreement to the Soviet claim for exploration areas, we agreed that the Soviets had been given no right in Paris to make their own selection of the properties.

Although Bevin was prepared at this stage to put forward further suggestion with regard to the division of the oil exploration lands, it was decided at Schuman's and my prompting that before any further concrete proposals were made by the Western powers, we should review with Vishinsky the entire range of the unagreed issues on the basis of the Washington Agreement. When this was concluded, possibly tonight, we should be in better position to decide what points, if any, we might offer to bargain. In addition to the compromise suggested in the Washington Agreement, we agreed that if the Soviets

were prepared to give satisfaction on rolling stock, including tank cars, question of pipeline would have less importance and might be conceded. Although every effort should be made to secure Soviet agreement to our previous position on Danube shipping, the question of duration of leases should not be allowed to become a sticking point and might be offered in the last resort. The same was decided with respect to the appointment of the third arbiter.<sup>3</sup>

Bevin and Schuman will remain in New York until Saturday and will be available for continued meetings.

[ACHESON]

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<sup>3</sup> The four Ministers subsequently met at the Waldorf-Astoria at 10:30 p. m. on September 28 and discussed Articles 35 and 35 bis, but there was no change in the Soviet position. The Ministers agreed to resume their discussions October 6 if United Nations business did not interfere. The telegraphic report of this meeting. Delau 305, September 29, is in file 740.00119 Council/9-2949. The minutes of the meeting are in CFM Files: Lot M-88, Box 144.

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740.00119 Council/9-2949: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Acting Secretary of State*

SECRET

NEW YORK, September 29, 1949—8:55 p. m.

Delau 307. At a tripartite ministers meeting today, it was agreed that Bevin will see Vishinsky informally, if possible, tomorrow, to ascertain whether Soviet stand is as rigid and inflexible as reported in Delau 305.<sup>1</sup> He will probe whether Soviets really desire to conclude Austrian treaty at this time. If Vishinsky gives any indication he will continue negotiations on a reasonable basis, Bevin will seek to ascertain his minimum position or any other conditions without committing Western states on any specific point.

Bevin has submitted proposals for a comprehensive settlement of outstanding issues which could be used as a basis for fair settlement. No commitment has been made concerning either the text of British proposals pending further study or manner or timing of presentation, if any, to Soviets.

Text British proposal is as follows:

"The following proposals are put forward as an attempt to secure a comprehensive settlement of the outstanding points which the representatives of the three Western powers would be prepared to recommend to their Governments as a settlement fair to all parties.

There are three sets of disagreed articles. First, the political and military clauses—Article 16 on displaced persons, Articles 26 and 27 about German rearmament, and Article 32 on Allied War Graves and

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<sup>1</sup> Not printed, but see footnote 3 above.

Memorials. The second question is the German Assets Settlement under Article 35. The third concerns the other economic articles of the treaty—42 (United Nations Property), 48 (Debts) and 48 bis (Civilian Supplies).

In the first group, the Soviet seek to impose certain obligations on Austria in respect of (a) the grant of relief to displaced persons (Article 16), (b) the employment of foreign technicians (Articles 26 and 27), and (c) the protection of Allied war graves and memorials (Article 32).

It is understood that in the past, the Soviet representative has linked the first two of these points indicating that if the Western representatives agree to impose the restrictions which he wants in regard to displaced persons, he will give up his proposed restrictions in Article 27. Although not convinced that there is any close connection between these two subjects, the Western powers will be prepared to reach agreement on this basis: that is to say, they would agree to the removal of all the brackets in Article 16 if the Soviet representative will agree to the deletion of the phrases in brackets in Articles 26 and 27.<sup>2</sup>

On Article 32 (War Graves) the Western representatives are prepared to accept in principle the Soviet draft.

The second group of questions is that concerning German assets.

On the oil question, the Western representatives would be ready to accept a settlement which gave the Soviet satisfaction on oil refineries and oil distribution, that is to say, to accept Soviet lists 3 and 4, provided that the Soviet will agree to the retention by Austria of the pipeline from Lobau to Zistersdorf as a common carrier. The Western representatives are also prepared to accept Soviet list No. 2 on oil exploration areas subject to the Soviet claim to Gross Enzersdorf being reduced to 60 percent of the concession area. This would mean the transfer to the Soviet Union of a block of 105,000 hectares in the southern half of the area of Gross Enzersdorf. The total area to be transferred to the Soviet Union would be made up to 766,000 hectares by the concession to the Soviet Union of the area of Laa an der Thaya.

On the DDSG the Western representatives consider that the Soviet proposals go beyond the agreement reached in Paris. In the interests of a general settlement they are, however, prepared to agree to the transfer to the Soviet Union of the leases held by the DDSG with the proviso that any lease which expires shall be subject to renewal and that such renewal shall not be unreasonably withheld. If the Soviet consider that renewal is being unreasonably withheld, they should apply the arbitration procedure provided for under Article 35.

### *Rolling Stock.*

Having regard to their understanding and the records of the discussions in Paris on this subject, the Western representatives consider that this question should be discussed by the deputies, who should be instructed to find a solution of the problem which would ensure that Austria retains rolling stock adequate for her economy.

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<sup>2</sup> For the various positions on the unagreed articles of the draft Austrian Treaty, see the Unagreed Articles of the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

On paragraph 7 (a) of Article 35, the Western representatives reaffirm their desire that this paragraph should run :

"All assets in Austria which have become the property of the Soviet Union under paragraphs . . . shall . . . ."

As regards paragraph 9, the Western representatives are ready to accept the Soviet draft on the assurance which has been given by the Soviet deputy that the rights, property and interests in question will remain under Austrian jurisdiction and subject to Austrian law.

The Western representatives are prepared to accept the Soviet draft of paragraph 10 providing for settlement of disputes.

The settlement of questions outstanding on Article 35 proposed above would give the Soviet Union very substantial satisfaction on the question of German assets. The settlement would go much further than the Western representatives had originally envisaged or than they consider to be really justified. In these circumstances, the Western representatives would make that settlement conditional on the Soviet Government accepting their proposals in regard to Articles 42 and 48 which deal with matters which do not affect Soviet interests but which do affect the legitimate interests of other United Nations.

As regards Article 48 bis, Civilian Supplies, the Western representatives propose that this matter be settled by withdrawing the article altogether. This would not prejudice in any way the ability of the Soviet Union to negotiate a separate settlement on this question with Austria."

Department's comments on foregoing British proposal are urgently requested.

[REBER]

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740.0011EW (Peace)/9-3049 : Telegram

*The United States Representative at the United Nations (Austin) to the Acting Secretary of State*

TOP SECRET

NEW YORK, September 30, 1949—11 : 10 p. m.

1212. Bevin saw Vishinsky for over two hours very privately this afternoon. Urgently requests avoidance leaks concerning this meeting. Will give us in morning full memorandum of conversation which we will transmit. Highlights follow.<sup>1</sup>

Vishinsky said Stalin himself had instructed him that he must get Austrian Treaty and apparently convinced Bevin they desire treaty. His attitude much more friendly and accommodating than in meetings of four. On principal points at issue, however, Vishinsky showed little yielding. Vishinsky insisted on legitimacy their claims oil exploration areas and maintained that Austria would have good potential

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<sup>1</sup> The British memorandum of conversation was transmitted in Delau 309, October 1, from New York, not printed (740.00119 Council/10-149).



fields in British and American Zones. On pipeline, Vishinsky intimated possibility treaty might provide for its common use, but insisted on Russian ownership. On rolling stock Vishinsky, embarrassed and ill at ease, gave impression he knew he was wrong but was emphatic that no concession could be made. Vishinsky did indicate if foregoing principal points met, might not be difficulty on other items. Bevin did not cover full details, but mentioned such problems as refugees, military clauses, and Austrian jurisdiction, especially in relation paragraph 9. On this last item, Vishinsky indicated satisfaction could be given. Vishinsky indicated he would seek further instructions from Stalin before Thursday. Bevin, therefore, believes scheduled Thursday meeting desirable, with possible continuation diplomatic channels.<sup>2</sup>

AUSTIN

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<sup>2</sup> On October 1, Bevin sent a letter to Acheson, repeating and elaborating on the substance of his talk with Vyshinsky. The text of this letter was sent to Washington in Delau 314, October 7, from New York, not printed (740.00119 Control (Germany)/10-749). The original text of Bevin's letter is in file 741.61/10-149.

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740.0011EW (Peace)/10-149

*Memorandum by the Acting Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] October 1, 1949.

MEETING WITH THE PRESIDENT, SATURDAY, OCTOBER 1

AUSTRIAN PEACE TREATY

The President read our instructions to the Secretary, included in Audel 184 of September 28, 1949,<sup>2</sup> and the Vishinsky-Bevin discussion reported in telegram no. 1212 dated September 30, 1949.<sup>3</sup> His view was that we should adhere firmly to our position that we would not agree to an Austrian Treaty which made it impossible for Austria to survive as an independent nation. When informed that the cost to us of remaining in Austria might run as high as \$200,000,000 a year, he indicated that he thought this not an excessive price to prevent the Russians from extending the Iron Curtain to the western boundaries of Austria, outflanking Germany and Yugoslavia, and positioning themselves at the Brenner Pass. He felt that even if Schuman and Bevin were willing to agree to such a treaty, we should not.

JAMES E. WEBB

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<sup>1</sup> A copy of this memorandum was hand-carried to the Secretary of State in New York City.

<sup>2</sup> *Ante*, p. 1160.

<sup>3</sup> *Supra*.

740.00119 Council/9-2949: Telegram

*The Acting Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET PRIORITY

WASHINGTON, October 4, 1949—4 p. m.

Audel 186. Fol are Dept's comments on Brit proposal for comprehensive settlement outstanding points Aust Treaty in Delau 307 Sept 29:<sup>1</sup>

1. Proposal for removal brackets in Art 16 in return for deletion of phrase in brackets Arts 26 and 27 raises serious questions in terms US policy. We consider issue on Art 16 will have to be put to Secy for decision since in our view Sov para 5 might prejudice operation within Aust of principle of voluntary repatriation. We consider importance military arts for Austrian security overrides considerations of DP policy, and trade proposed by Brit cld be accepted. Any settlement on this basis however will require good will and cooperation by Aust Govt in effecting repatriation and DP policy within Aust in accordance with agreed international principles.

2. Proposal for acceptance in principle Sov draft war graves art 32 can be accepted.<sup>2</sup>

3. Art 35. (a) Oil. Brit proposal on oil settlement can be accepted as consistent with tripartite agreement<sup>3</sup> and not imposing added burden on Aust.

(b) DDSG leases. Brit proposal in effect assures validity DDSG leases for indefinite future period. Dept considers this inadvisable (1) from point of view of reaction on informed public opinion in US, (2) on economic grounds, since Sovs wld have permanent holding of these areas in Vienna port and up river which wld support their dominance of Aust river traffic, (3) on security grounds, since port areas in Vienna have strategic significance. Accordingly, if any concession is to be made offer shld extend all leases for a definite period of years to be negot by Deputies.

(c) Industrial equipment held or claimed as war booty must be transferred to Aust as provided US draft para 6.

(d) Rolling Stock. We concur that discussion by Deputies wld be desirable in finding solution ensuring Aust adequate rolling stock.

(e) We agree with Brit proposal for para 7 a.

(f) We consider it desirable to continue to insist on "net profits" and "i.e., rents." Sovs have agreed these words to be meaning their draft and ultimate draft shld express this meaning.

<sup>1</sup> *Ante*, p. 1165.

<sup>2</sup> For the texts of the various positions on the unagreed articles, see the Unagreed Articles of the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

<sup>3</sup> Under reference here is the undated memorandum, p. 1154.

(g) We concur para 9 provided assurances of Sov Deputy are recorded officially in some manner.

(h) We believe para 10 must provide for outside appointment of third arbitrator. Since there have been four years of discussion among Four Powers as to meaning and intent of various draft of Art 35, it is only reasonable to expect that, even with best will and utmost good faith, Aust and USSR will run into some difficulties in its interpretation and that these difficulties may be so great as to prevent bilateral agreement on choice of third arbitrator. It is in best interests neither of US nor of Aust to agree to situation from which might arise long unresolved friction between USSR and Aust.

4. We concur in Brit proposals for Arts 42 and 48.

5. As regards Art 48 bis we can not accept Brit proposal in present form. While we appreciate Aust eagerness to conclude agreement at any cost we do not consider that Aust can deal directly with Sovs on this question without opening themselves to endless claims. Unless specified figure is inserted we consider that Sovs will attempt to obtain maximum claims from Aust to be used in connection with their property holdings and other rights for political purposes. We consider, therefore, that present tripartite draft must be upheld.

6. Since there is no indication of Sov attitude to possible general offer of this type we consider that tactical considerations are as important as substantive matters in Brit offer. Any compromise offer to Sovs shld include all points in dispute and not be made on piecemeal basis to insure that change in Western positions will secure conclusion of Treaty at this time. If Vishinsky maintains on Thursday same attitude as in previous mtgs or does not amplify his views as expressed to Bevin consideration shld be given as matter of tactics to question whether offer shld be made at this mtg or withheld altogether. If offer is made it wld provide us with good propaganda basis in Aust to demonstrate our willingness to conclude Treaty and wld highlight Sov intransigence on other hand. If offer extended but not accepted it wld constitute another concession to the Sovs without obtaining objective of conclusion of Treaty, thus weakening Western position in future negots. We consider that any tactical decision on this point must be made with tripartite approval and probably during course of actual negots with Vishinsky.<sup>4</sup>

WEBB

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<sup>4</sup>Reber discussed the contents of this cable with Mallet and Berthelot. Besides sub-paragraph *f* of Article 35, three principal differences arose between the United States position and that of the British and French: the British still did not believe a definite period should be established for the DDSG leases, neither the British nor the French wanted to insist on the clause providing for the outside arbiter, and they were both prepared to drop Article 48 bis entirely. (Delau 312, October 4, from New York, not printed, 740.00119 Council/10-449).

740.00119 Council/10-449

*The Acting Chief of the Division of Austrian Affairs (Williamson)  
to the Minister in Austria (Erhardt)*

TOP SECRET AND PERSONAL

WASHINGTON, October 4, 1949.

DEAR JACK: I deeply appreciated your two letters of September 16 and September 23.<sup>1</sup> There has been so much flip flap that it has been impossible for me to reply to them in detail or to even give you the necessary background of the rapidly moving events on the Austrian Treaty. We have tried to report to you the basic telegrams to and from New York. I was in New York last week and will return tomorrow for the Ministers' meeting on Thursday. I think you may have gathered from the official report that the meeting can only be described as "gruesome." Our Secretary did a fine job in defending Austria's interests and the interests of this Government in the face of British and French willingness to conclude a Treaty at any price and the apparent Soviet unwillingness to conclude a Treaty at any price. The Secretary alternated kid gloves and bare fists on Vishinsky and neither method proved successful in budging the old boy from his position that our records of the Paris meeting were incorrect.

On top of all this, we have had a great deal of local furor. As you know, Louis Johnson has thrown the whole question into the National Security Council and has taken the position that no Treaty with Austria is desirable since the Army can not provide the necessary means for assuring Austrian internal security. Your good friend in Vienna has made a magnificent contribution to this viewpoint and his telegrams of June are quoted on all occasions by our military representatives here. I might state unofficially that the Secretary is slightly burned up about the whole procedure and has expressed himself in no uncertain terms concerning the military attitude. Secondly, the President has become interested in the Austrian settlement and I enclose for your information and for immediate destruction a memorandum of conversation with him of October 1.<sup>2</sup> Thirdly, the Planning Staff has become interested in the question and has formulated certain plans for the withdrawal of four-power forces from Austria with appropriate provisions for the German assets settlement. In this connection it is only fair to point out that none of the plans so formulated would be accepted either by our military or by the Russians and the injection of the Planning Staff's recommendations into the Security Council at this time would have a disastrous

<sup>1</sup> Not found in Department of State files.

<sup>2</sup> *Ante*, p. 1168.

effect. Finally, we are being pushed to unholy lengths by our British and French colleagues to conclude the Treaty on any terms, regardless of the cost. This they can do because they do not bear the cost of keeping Austria alive after the Treaty comes into force and they do not face, therefore, an economic bloc in the Senate which may refuse to ratify the Treaty. The Secretary told Bevin and Schuman, frankly, that before he would agree to conclude the Treaty on the terms they recommend he would wish to have the approval of the National Security Council, the Senate Foreign Relations Committee and the President. In addition, Ernie Gross is very much upset about possible Congressional reactions and has requested full documentation on such problems as the lump sum payment. Eleanor Dulles has had a group of people working on this problem for some time now and for the life of her can not find sufficient knowledge for the installments which the Soviets will wish to receive on time.

The whole process has been rather trying physically on our entire staff, particularly since the meetings with Vishinsky in New York last three-quarters of the way into the night. We are now preparing two approaches, one for an appeal to Congress in the event that the Treaty is signed for assurances for the continuation of aid in spite of the payments to the Soviets and for sufficient funds for the equipping of the initial force of the Austrian army. Secondly, we are preparing a paper on alternative courses of action in the event that no Treaty is signed at this time. Whatever is done will require NSC approval since Louis Johnson will not let us sign the Treaty until he has 88 million dollars for small arms and ammunition and any change in the composition of the military occupation in Austria will also require the personal approval of Mr. Johnson.

The climax was capped by Gruber's projected letter to the Secretary.<sup>3</sup> We handled Kleinwaechter roughly on this one and I am glad to say that the good Doctor withdrew his draft.

In your wide experience in the Department did you find the Latin-American work difficult? With best regards,

Sincerely yours,

FRANCIS

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<sup>3</sup> Not printed; in it Gruber stated that Austria felt a certain disappointment with the Western Powers over the progress toward an Austrian Treaty. They seemed to be fighting as tenaciously as the Soviet Union for their, rather than for Austrian interests, and Gruber felt that the burden of a treaty would be small compared with the existing burdens of continued occupation. He denied that Austria was seeking a treaty at any price, and warned that while the United States material help was appreciated, it was no compensation for Austrian liberty. Finally Gruber appealed to Secretary Acheson not to prevent the conclusion of the treaty. In transmitting the text of the proposed letter to Erhardt, Webb stated that the Department of State had advised Kleinwaechter that it was "ill-advised and that it constitutes a distortion of US position." (Telegram 1217, October 4, to Vienna, not printed, 740.00119 Control (Germany)/10-449).

740.00119 Council/10-449

*Memorandum to the Ambassador at Large (Jessup) by his Special Assistant (Yost)*

SECRET

NEW YORK, October 4, 1949.

Subject: Austrian Treaty

Following are what seem to me principal considerations in relation to Austrian Treaty negotiations, which have reached what may prove to be point of ultimate decision.

The determination of the United States Government to seek an Austrian Treaty was made in the belief that, while serious risks are involved in any settlement concerning a country so situated, the risks arising from a treaty are less than those arising from failure to get a treaty. In recommending this course from the Legation in Vienna we always attached three conditions: (1) that the terms of the treaty not impose on Austria an economic burden impossible to bear considering the help from the West that could reasonably be expected; (2) that a small but well-armed security force be in existence *before* the occupation forces withdrew; (3) that before withdrawal the Western Powers make a public statement which would make perfectly clear to the Kremlin that they continued to consider Austria a part of the Western security sphere and would not be indifferent to an attack upon her. These last two points we considered more important than the terms of the treaty, since we believed that, in view of the extreme weakness of the Austrian Communists, point 2 would prevent internal subversion and, in view of the fact Austria is not worth serious risk of war to the Soviets, point 3 would prevent direct attack.

On the other side, we considered that a very great positive gain would have been achieved by the withdrawal of the Red Army from Vienna, both from the strategic and the political point of view, and by removal of justification for retention of Soviet troops in Hungary and Rumania. The Yugoslav situation makes this point currently of even greater importance. Moreover, we were convinced in Vienna that a definitive breakdown of treaty negotiations would not lead merely to continuation of the *status quo* but to a very sharp deterioration. This deterioration would involve, at the least, a much more direct intervention of the Soviets in the political and economic affairs of Eastern Austria, which would destroy the benefits of ECA there, or, even more likely, a definite partitioning of the country along the German pattern. This could mean the loss to the West of the eastern third of Austria and a serious diplomatic defeat with wide repercussions in the region. In this case, pressure in Western Austria for an Anschluss

with Germany would become very strong and would create a new and serious cause of friction within Western Europe.

It seems to me very likely, in the context of recent Soviet behavior, that while they may have been willing for ulterior motives to accept an Austrian treaty in June they may well *not* be willing now. I would consider it however even more in our interest to obtain one and would urge we do whatever we can to pin them down.

There are obviously limits beyond which we cannot go in making concessions on an Austrian Treaty. I am inclined to agree with the Austrians that the difference between what we have already conceded and what we are now pressed to concede is probably not sufficient to undermine Austrian sovereignty or to aggravate materially the already precarious state of the Austrian economy. I am also a little cynical about any treaty provisions these days lasting more than ten years. However, I would feel that (1) it would be dangerous to our overall position to give the Soviets the impression we will surrender completely if pressed hard enough and (2) the problem of ratification may be a serious one if the NME should decide to oppose it.

My concrete suggestions under all these circumstances would be that we decide tomorrow the maximum we can concede, leaning in the direction of conceding as much as possible, and that we inform Vishinsky at the outset of Thursday's meeting (1) that we are offering our maximum concessions, (2) that if he is prepared to accept we can agree at once, (3) that if he is prepared to reconsider his stand on the disputed points we will be ready to continue the negotiations here or elsewhere but we shall insist on settlement within a brief period, and (4) that if he is not prepared to reconsider we shall feel at liberty immediately to inform the public, particularly the Austrians, of the reasons for the failure to obtain a treaty. It seems to me that, since the meeting can last only an hour and a half, an attempt to deal again with the detailed points, unless Vishinsky manifests a sharp change of heart, might merely result in a failure to sharpen the issue to the point of decision and lead to a breakdown not fully considered by either party.

It seems to me this strategy would be most likely to lead either to a Soviet retreat, if they are not prepared for a breakdown, or to a break under conditions which would manifest our good faith and which could be publicized in Austria in such a way as to protect our position as well as possible. This memorandum is not the proper place to go into it but I am convinced that, if there is a breakdown, we should very promptly announce a new policy towards Austria which, while

maintaining the Allied Council, would amount in other respects to a treaty without a treaty.

C. W. Yost

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740.00119 Council/10-649: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

PRIORITY

NEW YORK, October 6, 1949—5:43 p. m.

Delau 313. At third informal meeting on Austrian treaty of four ministers held October 6 Vishinsky altered Soviet position in several respects but not on important issues of oil exploration areas, pipelines and rolling stock. Ministers agreed that deputies should resume their meetings in New York commencing October 10 and submit preliminary report within two weeks, after Vishinsky objected to US suggestion that deputies meet in Washington.

Vishinsky (1) agreed with Western view that Soviet footnote to sections II, III and IV of list number 5 (DDSG) should apply to all DDSG property mentioned in those sections, not only to land; (2) agreed with Western view that paragraph 9 of article 35 should state Austrian legislation applies to property covered by paragraph 9; (3) agreed in principle with Western proposal for paragraph 12 to article 35, which Soviets would revise to provide in effect that claims of Allied and associated powers shall be satisfied when Austria has fulfilled obligations provided for in article 35; (4) deleted Soviet proposal for reference in article 26 to article 27, and deleted Soviet proposals for paragraph 2 of article 27 and annexes III, IV and V: (5) stated that agreement on Western proposals for article 42 would not be difficult once other important points resolved.

Subsequent discussion brought out: (1) Soviets retain proposals for paragraph 5 of article 16 and for addition to paragraph 3 of article 27; (2) Soviets will consider revising paragraph 2 of footnote to sections II, III and IV of article 35 so as to provide for extension of DDSG leases to land for period of life expectancy of buildings located on such land, not in perpetuity; (3) Soviets seek in paragraph 3 to this DDSG footnote principally exemption from discriminatory action by Austria and will reconsider their wording in this light; (4) Soviets see no reason for deputies not to consider revision of Soviet list number 2 provided all of Gross Entzersdorf included and provided Soviets get alternative areas of equal value; and (5) Soviets refuse to agree to discussion by deputies of rolling stock.<sup>1</sup>

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<sup>1</sup> The minutes for this meeting are in CFM Files: Lot M-88, Box 144.



Department please relay to Vienna as USUN 5, London USUN 22, Paris USUN 21, Moscow USUN 19.

[REBER]

740.00119 Council/10-649

*Memorandum by the Acting Secretary of State*

TOP SECRET

[WASHINGTON,] October 6, 1949.

MEETING WITH THE PRESIDENT, THURSDAY, OCTOBER 6

AUSTRIAN TREATY

I reported to the President the following telephone message from Secretary Acheson with respect to the meetings in New York on the Austrian Treaty:<sup>1</sup>

First, that the meeting this morning had been very disappointing, that Vishinsky had made a few concessions which numerically seemed important but which were really of no substance. That such concessions as he made were on matters on which we ourselves would have been willing to give way. That on the principal things Vishinsky did not budge. That this presented us with a number of very serious questions which would require a careful survey, bringing in all related agencies of the Government, and moving ultimately into the NSC. That as the Executive Branch position crystallized, consultations should be held with the Congressional leaders, who should be brought in far enough ahead to assume part of the responsibility for such actions as are to be taken. That the deputies will meet again on Monday and continue for about two weeks, mainly working on changes in phraseology and such items. That it was important no indication be given of our disappointment at the rate of progress, since this might have an adverse effect on the Austrian elections.<sup>2</sup>

The President agreed with the views expressed by Secretary Acheson and felt that a very careful survey should be made.

JAMES E. WEBB

<sup>1</sup> For a report on this meeting, see Delau 313, *supra*.

<sup>2</sup> For documentation relating to the Austrian national elections, October 9, see pp. 1206 ff.

*Editorial Note*

During the two week period allotted by their Ministers, the Deputies for Austria met ten times at the Waldorf-Astoria Hotel in New York.

In the course of these meetings the Deputies reached agreement on Articles 26, 32, and various paragraphs of 35, but were unable to complete the drafting of the Treaty. At the 223rd meeting, October 21, they decided to continue their meetings for another week before presenting a preliminary report.

The Records of Decisions and Minutes for these meetings including the texts of the agreed articles and paragraphs are in CFM Files: Lot M-88: Box 116; the telegraphic reports of the meetings are in file 740.00119 Council/10-1049 through /10-2149.

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Executive Secretariat Files

*Progress Report on the Austrian Treaty Prepared in the Department of State for the National Security Council*<sup>1</sup>

TOP SECRET

[WASHINGTON, undated.]

*I. Status of the Negotiations.*

The Austrian Treaty has been under negotiation since January 1947. To date, agreement has been reached on 44 of the 52 articles proposed for the Treaty. Two of the major issues hitherto preventing conclusion of the Treaty were discussed at the Paris meeting by the Council of Foreign Ministers. The Ministers agreed on June 20, 1949 that Austria's pre-1938 frontiers would not be altered and accepted a framework for the settlement of the German assets problem in Article 35. The Deputies were instructed to complete the Treaty in accordance with this agreement.

The Deputies met in London from July 1 to September 2, [1] 1949, reaching agreement on eleven articles, but failing to complete the detailed implementation of the Paris Agreement respecting German assets. Negotiations were resumed by the Deputies in New York on September 23. Three informal meetings of the Ministers have been held in New York on the Treaty. At the meeting of October 6, the Ministers instructed the Deputies to resume their consideration of the remaining eight disputed articles on October 10 and to report in two weeks. The negotiations are now in progress.

The agreed articles in the Treaty are satisfactory to the U.S. The only major issue still in dispute is the German assets settlement (Arti-

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<sup>1</sup>The source text was transmitted to the National Security Council as an enclosure to a memorandum from Webb to the Executive Secretary, Admiral Souers, dated October 14.

cle 35) which fundamentally involves the obligation to be placed on Austria by the Treaty.

## II. *Austrian Obligations as Envisaged in the Paris Agreement.*<sup>2</sup>

### A. The Obligation to the Soviet Union.

The Potsdam Agreement (1945) provided for the transfer to the Soviet Union of all German assets in Eastern Austria. Since 1945, Soviet military authorities have held the vast majority of the industrial enterprises and all the economic resources in their zone, which they claim as German assets. By the agreed terms of the Treaty, the Soviet Union will relinquish to Austria all rights and interests in properties now held or claimed in return for the transfer to Soviet ownership of specific property rights in oil and shipping and the payment of a lump sum of \$150 million by Austria. According to the Paris Agreement, this will constitute a final and complete settlement of the Soviet claims under Potsdam. The details of this settlement are attached.

### B. Other Obligations.

In addition to the above obligation to the Soviet Union, other Austrian obligations under the Treaty payable in schillings within the next ten years may total between 3-4 billion schillings. This estimate includes claims payable to Austrians, compensation to UN nationals, restitution expenses, repatriation, etc. The value equivalent of this figure can not be computed until the new rate of the Austrian schilling is determined. It is not anticipated that the value equivalent will exceed \$90 million in local currency.

## III. *Present Soviet Demands.*

The Soviets have interpreted the Paris Agreement in such manner as to add to the total obligation on Austria. The present Soviet demands include:

1. Acceptance of the Soviet list for the division of oil exploration areas. If this Soviet proposal is accepted, 100% of the proven oil resources and 84% of the possible resources in Austria would be transferred to the Soviet Union, Austria would retain 2 million tons of possible resources. The Western counterproposal would give Austria possible resources of approximately 5 million tons. If oil were discovered the Soviets would profit to the extent of \$30 million at current prices.

2. Acceptance of the Soviet proposals for shipping properties and leases. Although it was agreed in Paris that the Soviet Union would receive what the Danube Shipping Company possessed, the Soviet Delegation demanded perpetual leases. The present modified demand is for extension of the leases for the life of the buildings or improvements located thereon.

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<sup>2</sup> The communiqué of June 20, p. 1062.

3. Acceptance of the Soviet position that transportation equipment taken as war booty need not be returned to Austria, under the lump sum settlement. If the Soviet position is accepted the loss of locomotives roughly equivalent to 25% of Austria's operating locomotive park, will be serious, although locomotives which would otherwise be returned to Austria may require replacement within a few years. The cost of new machines would amount to approximately 20 million dollars at present prices. A U.S. counterproposal is contained in Article 35 bis.

In addition, the Soviets demand in Article 48 bis, which was not discussed at Paris, payment by Austria to the occupation powers of claims for supplies and services since 1945. If this proposal is accepted Austria will be required to pay to the Soviet Union an acknowledged debt currently estimated to be 150 million schillings. There is no indication, however, that the current estimate is definitive and unless a fixed amount is agreed it may be anticipated that the Soviets would find reasons for further claims for an additional 100 million schillings and possibly more.

#### IV. *Other Unagreed Issues in the Treaty.*

The remaining unagreed issues are as follows:

1. *Article 16.* The Soviets have offered to accept the U.S. position on "voluntary repatriation" and the inclusion of refugees with DP's in return for U.S. acceptance of paragraph 5 prohibiting Austria from granting relief to persons refusing to return to their native country or who fought or collaborated with the enemy during the war. This proposal would give the Soviet authorities another form of pressure on the Austrian Government.

2. *Article 27.* The Soviets have agreed to eliminate the restrictive annexes in the military articles but insist on inclusion of a provision prohibiting employment of foreign technicians. Acceptance of the Soviet proposal would make difficult both effective work by a MAP mission and implementation of plans for development of Austrian civil aviation

3. *Article 32.* There is no basic objection to the Soviet proposal for an article on War Graves and Memorials.

4. *Article 35.* In addition to the German assets settlement discussed above, the Soviet proposal provides an arbitration procedure for the settlement of disputes. The U.S. position has been that appointment of the third arbiter by mutual consent is not adequate and that the Secretary-General of the United Nations should be empowered to appoint the third arbiter in the event of disagreement between the USSR and Austria.

5. *Article 42.* This article relating to UN property remains unagreed, although the Soviets have stated that if their other demands are met, the conclusion of this Article would present "no difficulties".

6. *Article 48.* The Soviets propose inclusion of a phrase releasing the Austrian Government from obligations in respect of certain Aus-

trian securities which were the subject of payment agreements between Germany and the creditor states after March 13, 1938. The Soviet amendment would adversely affect British and French security holdings but would not affect U.S. interests.

*V. Views of the Other Powers Respecting the Conclusion of the Treaty.*

**A. Soviet Position.**

The Soviet Union has shown no indication that it is ready to compromise on basic issues, although minor concessions were made in the recent informal meetings of the Ministers. This may indicate that the Soviets are disposed to agree to the Western position on provisions of the Treaty which do not directly affect Soviet interests but are considered important by the Western powers. It is, of course, not certain that the Soviet Union is ready to conclude a Treaty at this time. The development of the Yugoslav situation may have served to make the Soviets hesitant to withdraw their troops from Austria, thus eliminating the legal basis for their continued military occupation of Hungary and Rumania.

**B. British and French views.**

The British and French Governments favor conclusion of the Treaty at this time even at the price of the present Soviet demands.

**C. Austrian views.**

The Austrian people are becoming restless under military occupation now in its fifth year and the Austrian Government has urged conclusion of the Treaty as soon as possible. The Austrian Government has indicated that it views the U.S. as primarily responsible for the failure to conclude the Treaty.

*VI. The U.S. Position.*

The early conclusion of an Austrian Treaty, based on the Moscow Declaration, has been a consistent objective of U.S. policy since 1943. Prolonged efforts have been made since January 1947 to conclude a Treaty in accordance with the principles of the Moscow Declaration.

Although the U.S. is reluctant to accept the present Soviet proposals, it is recognized that definite advantages would follow from the early conclusion of the Treaty.

**A.** The demand for U.S. direct aid would be substantially reduced. In the absence of a Treaty the outside assistance which Austria will require to sustain its present economic level may amount to a total of approximately \$600 million over the next six years. This estimate does not include the U.S. cost of occupation. With a Treaty it is estimated that this sum could be reduced to a total of approximately \$350

million for the same period. The latter sum does not include MAP assistance, the cost of which in the first year is estimated at approximately \$80 million.

B. Withdrawal of the Soviet military forces will make difficult any direct aid they might give to the Austrian Communist Party and thereby reduce the threat to Austrian internal security. The insignificant Communist vote in both post-war elections demonstrates the extent of Austrian resistance to Communism. Austrian requirements for the maintenance of internal security are the subject of an NSC Staff Report ("Future Courses of U.S. Action with Respect to Austria")<sup>3</sup> on which early action is anticipated.

C. Political advantages of the first magnitude will be obtained through the withdrawal of Soviet forces from Austria. Conclusion of the Treaty will make possible the first rollback of Soviet Military control in Europe since the end of the war, thereby reducing existing tension in the entire Danubian area and encouraging various groups, such as in Yugoslavia, to resist Soviet pressure. Withdrawal of the troops will terminate the paralyzing effect of Soviet military intimidation and intervention in Austria. Abolition of the zones will restore to the Austrian Government freedom of action and full use of the political and economic energies required for the consolidation of Austria as a Western outpost. Conclusion of the Treaty will enable Austria to participate in the Western European regional organizations.

The alternative to conclusion of the Treaty involves the danger of a partition of Austria and the certainty of continued occupation costs and large scale financial assistance. It may not be assumed that the *status quo* can be maintained. In the absence of a treaty, both a change in the Austrian attitude and increased Soviet efforts to consolidate their position must be anticipated. Any deterioration in the Austrian situation would involve additional liabilities for the U.S. and adversely affect the U.S. position in Europe.

In light of the above considerations, the U.S. Delegation is endeavoring to conclude the Treaty, but is making strong efforts to reduce the Soviet demands.<sup>4</sup>

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<sup>3</sup> NSC 38/4, November 17, p. 1190.

<sup>4</sup> The Progress Report was discussed at the 47th meeting of the National Security Council, October 20, and transmitted to the President along with the views of the Department of Defense, which are printed *infra*. The Department of State then telegraphed Reber to obtain British and French concurrence for an extension of the Deputies' meetings in New York. The United States Deputy was not to modify any Western position in the extended negotiations without receipt of further instructions. (Audel 195, October 20, to New York, not printed, 740.00119 Council/10-2049).

Executive Secretariat Files

*Memorandum by the Under Secretary of the Army (Voorhees) to  
the Secretary of Defense (Johnson)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] 20 October, 1949.

Subject: Austrian Treaty Negotiations—NSC 38, 38/1 and 38/2<sup>2</sup>

1. On the political and economic questions, I believe that the Department of Defense should recognize that primary responsibility for these aspects of the treaty rests with the State Department. On this account, I recommend that you inform the President through the National Security Council of General Keyes' views, and that, while not concurring in the State Department's position, you do not actively oppose it.

2. General Keyes' views as restated last night are as follows:

"If we assume that all concessions are acceptable and that the four powers and Austria sign ratify and deposit the treaty it is felt here that Austria cannot withstand Soviet domination any more than her neighbors Czechoslovakia and Hungary were able to ward off communist inroads. Austria cannot pay the cost of the present treaty. Soviet penetration in the economic field is assisted by the concessions agreed in Article 35. Those can and will lead to political crisis and assist in political penetration. The lack of provision for an adequate security force in being at the time of ratification of the treaty will lessen Austrian will to resist the imminent inclusion of Austria in the Soviet sphere of influence. From my local point of view I feel that if the treaty as presently proposed and further modified by the concessions suggested in your DA-1 is concluded it can only be interpreted as a Soviet victory. A victory won by typical methods of stubbornness and intransigency; won by advancing exorbitant demands and gaining their ends through minor and relatively unimportant concessions. Thank you."<sup>3</sup>

3. On the military aspects, two points are presented:

First, the equipment for an Austrian Army. MAP authorities feel that the equipment can be supplied without essential impairment of the plans for other European countries. To prevent loss of time until

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<sup>1</sup> The source text was transmitted to President Truman as an enclosure to a memorandum from Johnson, through the National Security Council, October 21, not printed. A copy was also sent to the Department of State. (Executive Secretariat Files)

<sup>2</sup> NSC 38 is printed in *Foreign Relations*, 1948, vol. II, p. 1510; regarding NSC 38/1, see the editorial note, p. 1287; NSC 38/2 is not printed.

<sup>3</sup> Apparently this paragraph is an extract from a telecon between the Department of the Army and General Keyes, October 19, with regard to the progress report prepared by the Department of State. DA-1 is the usual indicator for a portion of such a telecon sent from Washington.

Congress can give the legal authorization for MAP assistance to Austria, I believe that you should recommend to the President that the equipment required by Austria be provided under MAP and given sufficiently high priority to insure its delivery in time to provide for an adequate Austrian security force.

The second military objection is that the State Department's proposed course does not assure an adequately trained Austrian Army in time. Under an Allied Control Council directive, no Army can be formed. Already agreed terms of the treaty authorize an Austrian Army but require Allied troops to leave Austria within ninety days after ratification. Ninety days is entirely insufficient to organize an effective force to maintain internal order. State proposes in spite of the Control Council directive to commence forming a force before ratification. General Keyes believes that this is unsatisfactory. He fears that if this is done another Austrian Army might be formed in the Soviet zone with obvious dangers. Accordingly, I believe that you should recommend to the President that he direct that, at some appropriate point in the treaty negotiations, the U.S. should insist that the Control Council directive be rescinded in time, or that the presently proposed term of the treaty be changed, to allow not less than six months to form an effective Austrian army before Allied troops leave.

4. Speaking more broadly, I recommend that you inform the President that General Keyes, General Bradley and General Burns<sup>4</sup> all are inclined to feel that making a treaty with the concessions at present proposed and without provision for an Austrian security force adequately trained and equipped in time, will create grave danger of entire loss of Austria to the Russians; further, that because Russia probably desires to maintain its troops in their present positions to outflank Yugoslavia while the trouble with Tito continues, there is no motive for the Russians to accept an Austrian treaty unless they get virtually everything they want, or unless they believe that the circumstances will be such that they can probably take over Austria. Therefore, Russia's acceptance or rejection of provisions giving time for training and equipping of the security force may well be the determining test for us as to whether the treaty is desirable.

5. Accordingly, I recommend that no treaty be agreed to unless it provides for adequate and timely Austrian security forces.

TRACY S. VOORHEES

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<sup>4</sup>Major General James H. Burns, Assistant to the Secretary of Defense for Foreign Military Affairs and Military Assistance.



740.00119 Council/10-2449

*The Chief of the Division of Austrian Affairs (Williamson) to the  
Minister in Austria (Erhardt)*

TOP SECRET AND PERSONAL

WASHINGTON, October 24, 1949.

DEAR JACK: I hope that by now you have seen the top secret telecon of October 19 with General Keyes.<sup>1</sup> I noted with interest that the political adviser was not present at this telecon although two representatives of the Department participated in it at this end. As a result of General Keyes' views there was no decision in the National Security Council on Thursday.<sup>2</sup> I attended this meeting and saw the way in which General Keyes' views were used to cast doubts on the entire question of any Austrian treaty. The upshot of the meeting was that Mr. Acheson and Louis Johnson will, respectively, present the State and Defense positions to the President probably tomorrow. The issue will be this: Shall we conclude the Austrian Treaty by accepting the Soviet demands which we consider to be in excess of the Paris agreement? Johnson told the Secretary that he did not wish to embarrass him in any way but that the military consequences of a treaty were so great that the President would have to make up his mind. This puts the President in a rather difficult spot and if he were not an amiable man I believe he would get very mad with his Secretary of State and Secretary of Defense for bad staff work, and ask them to go back to the NSC to work out an agreed recommendation.

I might add that there would have been an agreed recommendation had it not been for the telecon. The memorandum prepared for Mr. Johnson's briefing at the NSC, which had been thoroughly cleared in all parts of the military establishment, was torn up after the telecon and a new memorandum prepared, which states that the National Military Establishment does not concur in the State Department's view on the Austrian Treaty but does not actively oppose it. General Keyes states that a treaty for Austria is a victory for the Russians, that Austria cannot pay the cost of a treaty, and finally that every concession that we have made on Article 35 provides a basis for Russian infiltration in Austria.

As the matter has developed in the NSC, if the President agrees we will conclude the treaty and then ask the Russians for quadripartite agreement to form an Austrian army. If the Russians refuse to grant this request, the implication of the Defense's position is that we will have no treaty. The Defense's position is as follows: "Therefore Russia's acceptance or rejection of provisions giving time for training

<sup>1</sup> Not found in Department of State files.

<sup>2</sup> Regarding the forty-seventh meeting of the National Security Council, October 20, see footnote 4 to the Progress Report on the Austrian Treaty, p. 1177.

and equipping of the security force *may well be* the determining test for us as to whether the treaty is desirable." In government circles this is good procedure, since it means you may enjoy your cake and after having eaten it may still have the cake for future consumption. In the last analysis this leaves the Department of State in a rather bad position. I am sure, however, that it will work out in a satisfactory manner.

I regret very much that we have not been able to keep you informed by official telegram. Any telegram of this nature which goes to Vienna would have to be distributed in the Army and the negotiations with that outfit are so delicate that we do not wish to upset them by making available to you information which is not made available to General Keyes. I shall continue to do my best to keep you informed by delayed letters.

Sincerely yours,

FRANCIS

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740.0011EW (Peace)/10-2649: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET

WASHINGTON, October 26, 1949—7 p. m.

Audel 200.<sup>1</sup> For Reber. Fol are instrs for negots on Aust Treaty:

You shld endeavor to seek agreement on remaining unresolved issues of Treaty at early time on best terms obtainable. This objective requires every effort be made with Brit and Fr cooperation to reduce Sov demands particularly those considered in excess of agreement in principle reached in Paris CFM<sup>2</sup> or which affect Austs future status of independence or economic security.

Remaining unagreed issues are listed below in relative order of importance, the least important being listed first:

1. Art 48
2. Art 16
3. Art 35, Para 12
4. Art 35, List 3, refineries
5. Art 35, List 3, pipelines
6. Art 35 bis
7. Art 48 bis
8. Art 35, List 5, DDSG leases
9. Art 35, Para 10, proposal for third arbiter
10. Art 35, List 2, oil exploration areas
11. Art 42
12. Art 27

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<sup>1</sup> Repeated to Vienna as 1323, London as 3854, Paris as 4086, and Moscow as 789.

<sup>2</sup> The reference here is to the communiqué of June 20, p. 1062.

Tripartite tactics shld be devised with respect to these issues to obtain maximum concessions from Sovs and maximum acceptance of Western position as defined in recent tripartite ministerial mtgs. It is realized modifications will be required in previous US position on specific issues in order to obtain general advantages to be derived from conclusion of Treaty. In event Sov refusal to accept compromise solution, the present situation would be reversed and onus would be squarely on Sovs for holding up Treaty on details after demonstration Western willingness to conclude Treaty.

Purpose shld be to save points 11 and 12 above and obtain any possible modification of Sov points 7, 8, 9, or 10 by sacrifice of earlier points if necessary. In our view this might be accomplished by one or more offers of a package settlement in which West offered to grant or drop certain points in return for reciprocal concessions on part of Sovs. Various combinations are possible, on which your recommendations wld be appreciated. Any such combination settlement proposed to Soviets shld be made on ad referendum basis. Subsequent negots wld be directed toward modifications or concessions on specific points within framework of proposed combinations. It is estimated that approximately three weeks will be required for these negotiations.

Agreement on following points of procedure after conclusion of negots on unagreed articles will also be required:

1. Agreement on records of decisions particularly those which involve clarification of text.

2. Clarification by Deputies of any major outstanding drafting points of agreed articles prior to reference to drafting committee. You shld submit recommendations on the points which may be involved.

3. Formulation of report transmitting agreed text of Treaty to Ministers for approval. It is possible that Ministers may suggest changes through diplomatic channels after submission of agreed text.

4. Designation of a four-power drafting committee of legal experts to prepare final text for signature.

ACHESON

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740.00119 Control (Austria)/10-2649

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] October 26, 1949.

Participants: [President Truman]

Mr. Dean Acheson, Secretary of State

Mr. Louis Johnson, Secretary of National Defense

GA—Mr. Byroade

GAA—Mr. Williamson

Together with Mr. Johnson, Secretary of National Defense, I discussed today the question of the Austrian Treaty with the President.

The President stated that he had read the Progress Report<sup>1</sup> on the negotiations, prepared by the Department of State, and Mr. Johnson's memorandum of October 21.<sup>2</sup> Mr. Johnson briefly summarized an additional paper of the military views on the problem of the creation of an Austrian security force.<sup>3</sup> The President stated that he had given the problem careful consideration and felt without question that the Treaty should be concluded in order to obtain the withdrawal of Soviet military forces from Austria and to gain the general political advantages which will be derived from this action. He considered that steps can and should be taken by the Department of State and the Department of National Defense prior to the withdrawal of the occupation forces to establish an adequate Austrian security force.

Mr. Johnson stated that although it was his personal opinion that the Treaty should be concluded now, he had wished to inform the President of the military views concerning the relationship between the conclusion of the Treaty and the problem of creating the security force. The President felt that no major difficulty would be encountered in this respect.

I informed the President that the Senate Foreign Relations Committee had been apprised of the progress of negotiations on the Treaty and the nature of the problems which this Government would face in the event of its conclusion.

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<sup>1</sup> Ante, p. 1177.

<sup>2</sup> Not printed; it transmitted the memorandum by Voorhees, October 20, p. 1182.

<sup>3</sup> The paper under reference here can not be identified further.

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740.00119 Council/10-2749: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET      PRIORITY      NEW YORK, October 27, 1949—6:27 p. m.

Delau 336. From Reber. Department's instructions of October 26<sup>1</sup> most helpful. I have discussed them with French and British Deputies who assure me of their full cooperation in continued efforts to reduce Soviet demands and secure conclusion of treaty. As proposed in Delau 332<sup>2</sup> we have agreed that primary endeavor should be made to resolve outstanding issues of Article 35 which we expect will permit us to obtain greater concessions from Soviets on other Articles. It would of course be made clear that any modification of US position on outstanding issues of Article 35 is being made in light of Zarubin's

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<sup>1</sup> Transmitted in Audel 200, p. 1185.

<sup>2</sup> Not printed.

declaration that agreement on this article would eliminate difficulties as regards other articles.

Department will recall that agreement was reached last Friday to review situation within one week, and agreement to proceed beyond this date will necessitate such review tomorrow.

As it will have to be demonstrated that continuation of negotiations will be profitable we consider that in such review a first step should be made tomorrow along lines suggested in Department's latest instruction and accordingly have agreed to attempt secure modification of Soviet List 2 and acceptance of Western draft of paragraph 7<sup>3</sup> in return for final agreement on List 2 as modified and on List 3. It is unlikely Soviets will be in position to accept such suggestion without further instruction but it would also be indicated at same time as a form of package settlement we would be prepared accept Soviet version paragraph 12 in return for agreement upon appointment of third arbiter and that modification of Soviet position on DDSG leases (paragraph 2 of footnote to List 5) would facilitate agreement on paragraph 3 of footnote. The latter would be acceptable particularly as Soviets insist that liabilities in question only relate to leases themselves and do not apply to services or constitute any special exemption from Austrian law.<sup>4</sup>

In tripartite meeting this afternoon I stressed that US willingness to continue to seek agreement on remaining unresolved issues on best terms obtainable was contingent on assurances received from Messrs. Bevin and Schuman on September 15 that at the time of signature Soviets would be approached on governmental level for purpose of obtaining their agreement to initiation of Austrian Army program. I requested this matter be recalled to attention of their respective governments.

Please relay to Vienna 24, Paris 42, London 65, Moscow 53.

[REBER]

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<sup>3</sup> For the texts of this and subsequent drafts indicated in this telegram, see the Unagreed Articles of the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

<sup>4</sup> The course of action outlined in this cable was approved by the Department of State (Audel 202, October 28, to New York, not printed, 740.00119 Council/10-2749) and proposed with British and French concurrence at the 227th meeting of the Deputies on October 28. The Soviet Deputy then reiterated his previous position on all of the points proposed by Reber, and the Deputies adjourned until October 31 to allow time for further study of the proposal. (Delau 338, October 28, from New York, not printed, 740.00119 Council/10-2849). On the 31st the Soviet Deputy continued his stand on the outstanding issues of Article 35 and the meetings were suspended until the next Chairman ascertained that a basis for further meetings existed. (Delau 339, October 31, from New York, not printed, 740.00119 Council/10-3149).

740.00119 Council/11-1049 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

NEW YORK, November 10, 1949—2:25 p. m.

Delau 344. From Reber. It was agreed yesterday with Mallet and Berthelot that I should see Zarubin for purpose of ascertaining if possible whether he required further instructions from Moscow before settling article 35.

In our conversation this morning Zarubin explained Soviet experts in Vienna had rejected British suggestion for rectification of Gross Entzersdorf concession but that subsequent to yesterday's meeting<sup>1</sup> he had telegraphed to Moscow for further instructions. I pointed out Ministers had agreed to principle that list two might be modified and that this seemed only possible chance of embodying this agreed principle in text as it did not prejudice Soviet interests. I then said if Soviets could agree to this modification of list two I did not believe there would be any great difficulty in reaching agreement upon article 35 provided it was clear that Soviets would accept West text for other articles. Zarubin explained that the only remaining difficulty related to paragraph 9 of article 42.<sup>2</sup> He did not see how it could be possible to get over this difficulty unless we would be willing to settle matter of compensation with Austrian Government outside treaty. I pointed out that not only had we gone a long way to meet Soviet view on article 35 but that we had been assured by Mr. Vishinsky that once this article was settled the other articles would present no difficulties. I was prepared to recommend, I said, that we accept Soviet draft of paragraph 7 (a) of article 35 and if necessary eliminate article 35 bis provided paragraph 9 article 42 were accepted. I told him we had studied possibility of settling this matter outside the treaty but that solution was not possible. I made it quite clear we intend to hold Soviets to their declaration that once Soviet Government had received satisfaction with respect to article 35 other clauses would be settled and that the only means of settling article 42 would be to include

<sup>1</sup>The Deputies for Austria had resumed their meetings November 9 (the 229th meeting) after a ten day interval taken to afford the Soviet Deputy time to study the United States proposal on Article 35 (Delau 336, *supra*). Zarubin indicated no change in the Soviet position at the meeting. Delau 343, November 9, from New York, not printed (740.00119 Council/11-949).

<sup>2</sup>For the texts of this paragraph and those referred to below, see the Unagreed Articles of the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

paragraph 9. Zarubin promised to consult his Minister and Moscow if necessary.<sup>3</sup>

He then told me he would have to return to London in ten days or two weeks. I urged therefore that he obtain necessary authority to permit us to conclude work of deputies next week which he said he would try to do. As to work of drafting committee which he apparently wishes to supervise he suggested it meet in London when deputies had finished. I pointed out this would mean further delay and that it was my understanding that both British and French deputies would nominate representatives to sit on drafting committee in this country, probably Washington, and that I hoped he would be able to follow same procedure which would avoid considerable loss of time and enable us to conclude all necessary work prior to end of year. Zarubin did not know whether this would be possible but agreed to discuss this matter later.

Repeat to Vienna as USUN 30, London 77, Paris 50, Moscow 58.  
[REBER]

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<sup>3</sup> On November 15 Reber asked Zarubin if he had received any reply from Moscow following this conversation. The Soviet Deputy was evasive, and indicated no change in the Russian position. Reber gained the impression that Zarubin was in no hurry to conclude the treaty. Delau 349, November 15, from New York, not printed (740.00119 Council/11-1549).

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Executive Secretariat Files

*Report by the National Security Council to President Truman*

TOP SECRET

[WASHINGTON,] November 17, 1949.

NSC 38/4.<sup>1</sup>

## FUTURE COURSES OF U.S. ACTION WITH RESPECT TO AUSTRIA

### THE PROBLEM

1. To consider the nature and timing of possible courses of action available to the United States with respect to the Austrian treaty and Austrian post-treaty security.

### ANALYSIS

#### 2. *U.S. Views Concerning the Austrian Treaty*

a. Negotiations on the Austrian treaty were resumed by the Deputies on September 23, at the invitation of the United States. Current negotiations have included informal meetings of the Foreign Min-

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<sup>1</sup> NSC 38/4 is a revision of NSC 38/3 dated November 8, regarding which, see editorial note, p. 1287. The differences are indicated in the footnotes to the source text.

isters. After discussion on October 26, 1949 with the Secretaries of State and Defense<sup>2</sup> and in the light of the discussion at the meeting of the National Security Council on October 20, 1949,<sup>3</sup> the President has determined that it should be United States policy to agree at an early date to a draft Austrian treaty on the best terms obtainable. If the present schedule prevails and agreement is obtained, the Austrian treaty may be concluded by the Deputies within the next few weeks and presented to the four governments for final acceptance.

b. Assuming the early conclusion of the treaty, the United States is thus faced with the necessity of meeting the problem of Austria's internal security following the withdrawal of the forces of occupation. From the strategic viewpoint, the Joint Chiefs of Staff have stated that withdrawal of the occupation troops before Austria can organize, train and equip reasonably adequate security forces would create a military vacuum in Central Europe in which the communists, following their common practice, may be expected to seize power and dominate the country, thus creating a Soviet salient in the East-West line.

### 3. *The Problem of Austrian Internal Security*

#### a. *Views of the Joint Chiefs of Staff*

The Joint Chiefs of Staff have stated that they recognize that political and economic considerations may dictate the conclusion of an Austrian treaty now, but that, from the strategic point of view, the treaty should be concluded in such a manner that Austrian armed forces are reasonably adequate to perform all tasks envisaged in the treaty.

#### b. *The Immediate Need for an Austrian Army*

General agreement exists that the most urgent problem involved in the conclusion of the treaty is the creation of an initial Austrian army capable of maintaining internal order during the period immediately following the withdrawal of the occupation forces and pending the expansion of the army to the full strength authorized by the treaty. Specifically, the internal security of Austria requires, in addition to local police, a mobile army competent to impose martial law in the principal industrial and political centers in the event of internal disorder, and to prevent the entry of foreign action groups attempting to create internal disorder or to engineer a *coup d'état*.

#### c. *Views of the Austrian Government*

The Austrian Government considers that it will be able to maintain internal security by means of its police and gendarmerie, and reasonably adequate armed forces.

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<sup>2</sup> For a record of this discussion, see the memorandum by Secretary Acheson, October 26, p. 1186.

<sup>3</sup> No record of this discussion has been found in Department of State files.



*d. British and French Views*

Agreement exists between the Governments of the United States, Great Britain and France on the one hand and between the Governments of the United States and Austria on the other hand that the conclusion of the treaty at this time is desirable. However, the exact extent or effectiveness of British and French participation in the program for Austrian internal security has not been determined. An official request was sent to the British and French Governments on July 22<sup>4</sup> for information on the assistance which they could give to the fulfillment of the Austrian military program. The British Government has replied that it considers the equipping of the Austrian army a United States responsibility. Mr. Bevin informed the Secretary of State on September 15, 1949 that he would inquire into the possibility of leaving surplus British equipment for the Austrian army following the withdrawal of the occupation forces. There is no estimate as to the amount of such equipment which might be available. The British Government has indicated its willingness to equip and train the Austrian air force consisting of 5,000 men and 90 planes. The British Foreign Minister stated on September 15 that training could take place outside of Austria. The French Government has stated that its Ministry of National Defense is engaged in a study of possible French assistance in equipping the Austrian army. The French Government added that it might be able to provide light weapons, machine guns, automatic rifles, pistols and ammunition, but raised the question of how the transfer of this equipment would be financed. These questions are being pursued through diplomatic channels by the Department of State in an effort to obtain more precise information as to the extent of assistance which may be expected from the British and French.

*e. Availability of Funds*

It will be necessary to take immediate steps, simultaneously with other required actions, to provide funds for equipment for the Austrian army. Detailed methods for obtaining these funds are set forth in paragraph 4g below.

*f. Treaty Limitations*

Article 33 of the draft treaty, which article is consistent with other post-war treaties and has been accepted by the Four Powers, provides that all occupation forces will be withdrawn within 90 days after the treaty comes into force. Austria has no army at present. Unless steps are taken toward the creation of an army prior to the effective date of the treaty, the possibility exists that Austria may be faced with the necessity of organizing, equipping and training, within a period of

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<sup>4</sup> No record of this request has been found in Department of State files. For further documentation on the United States interest in the formation and arming of Austrian security forces, see pp. 1236 ff.

90 days, armed forces adequate to assume responsibility for internal security. Even if all the required military equipment were readily available, no adequate force could be organized and trained in that period.

#### 4. *Measures Required for Austrian Internal Security*

a. The United States High Commissioner for Austria has stated that the full treaty-limit army of 53,000 (including 11,000 gendarmes) will be required to assure the internal security of Austria. The Austrian Government considers that one to two years will be required to organize, train and equip such an army. Realizing that a lesser force must be constituted initially, the United States High Commissioner has recommended an initial army of approximately 28,000,<sup>5</sup> which can be recruited as soon as the Austrian Government is given the authority to do so. The complete cooperation of the Austrian Government will be required in the creation of the Austrian army and its effective use in the maintenance of internal security.

b. It has been determined that small arms and ammunition could be furnished within three to four months, and armored cars and light tanks within four to six months, without reducing the minimum requirements of the United States Army. Procurement of motor transport would require at least twelve months.

c. It is estimated that, given United States assistance on the necessary priority, weapons, ammunition, armored and transport vehicles to equip an Austrian army equivalent to two divisions could be furnished within approximately twelve months.<sup>6</sup> If United States assistance is rendered in the form of equipment needed in the internal security role, artillery, fire control equipment, and similar expensive items could be eliminated and more small arms, automatic weapons, armored cars, light tanks, motor transport, and mobile communications equipment could be furnished.

d. The United States could furnish equipment for an initial army of approximately 28,000 or for an expansion of the gendarmerie training program within nine to twelve months at a cost of about \$82,000,000 under conditions outlined in subparagraph c above.<sup>7</sup>

<sup>5</sup> In NSC 38/3 this figure was 27,000.

<sup>6</sup> In NSC 38/3 the end of this sentence and the beginning of the next one read: ". . . twelve months at a cost of about \$77,000,000, plus ocean transport. If this amount were spent exclusively for equipment needed . . . ." After the figure \$77,000,000 was a footnote indicating that it was under revision by the Department of the Army.

<sup>7</sup> In NSC 38/3 subparagraph d read as follows:

"The United States could furnish equipment for an initial army of 27,000 or for an expansion of the gendarmerie training program within nine to twelve months at a cost of about \$40,000,000 under conditions outlined in subparagraph c above."

After the figure \$40,000,000 was a footnote indicating that it was under revision by the Department of the Army.

e. A normal training program for the army would require about nine months. By confining unit training entirely to the internal security role, this training period could be reduced to a minimum of six months. This minimum training time is based on the required individual and unit training subjects which must be covered, regardless of the size of the force involved. Furthermore, whether the Austrian security force is organized in army or constabulary type units, the six months minimum training period will be required. In any event, training can proceed concurrently with the arrival of equipment.

f. It would be preferable to furnish equipment for the army from a single source in order to avoid difficulties in procurement, supply, financing, and training. It is desirable, however, to secure tangible assistance from the British and French. Such assistance could be rendered initially by transferring to the Austrian army suitable types of supplies and equipment within the British and French Zones.

*g. The Availability of Funds*

(1) It was not practicable, in view of international commitments, to name Austria specifically as a recipient country in the legislation for the Military Aid Program (MAP). It would, however, be appropriate for the Congress to designate Austria specifically as a recipient immediately upon the signing of the treaty, provided Four Power agreement to proceed with the organization of the Austrian army has been obtained. Failing such agreement it would not be practicable to designate Austria as a recipient until the coming into force of the treaty. When Austria is designated in the legislation as a recipient, military equipment can be provided from the following sources:

- (a) From U.S. military stocks in the occupied areas in Europe.
- (b) From domestic U.S. military stocks.
- (c) From stocks previously furnished to or programmed for North Atlantic Treaty countries under MAP.

(2) It probably will be impossible to transfer equipment formally to Austria before the treaty is ratified. It is also inadvisable to transfer such equipment formally to Austria before Congressional authority is obtained. However, it is possible to take action now to insure that the necessary equipment will be available under the Military Assistance Program promptly on the coming into force of the treaty and the taking of Congressional action. To accomplish this, the following actions should be taken now:

(a) Program equipment for Austria under the Military Assistance Program with a sufficiently high priority to insure its availability when required.

(b) Ship such equipment to Austria and/or Germany under the Military Assistance Program for storage and retention there under U.S. controls.

Should conclusion or ratification of the treaty be seriously delayed with a resultant postponement of an Austrian army, the equipment could then be made available to the North Atlantic Treaty countries with a minimum of delay.

5. *Alternative Courses of Action*

a. *Acceptance of the Treaty*

(1) *Without regard to the security problem*

This would involve organizing, training and equipping the Austrian army within the 90-day period stipulated in the treaty. Since this period is wholly inadequate to provide the means necessary for maintaining Austrian internal security, this course of action should not be adopted.

(2) *Delay in ratification*

Unless modified, the Allied Council prohibition on the creation of the Austrian army is binding until the coming into force of the treaty. From the military viewpoint, a delay in ratification would not provide the required time unless the Western Powers agree to take action without Soviet approval to create the army at least three months prior to ratification. Furthermore, from the political viewpoint, the United States should not be placed in the position of delaying ratification. It is doubtful whether the British or the French Governments would support such action. The onus for delay would be placed solely on the United States and would jeopardize United States influence in Austria. Therefore, for political reasons, this course of action is not desirable. However, this method should be considered as an alternative if delays are encountered in the creation of the Austrian security forces.

(3) *Creation of the Austrian army or expansion of the present gendarmerie training program without Soviet approval*

The Western Powers are currently training and equipping one gendarmerie regiment in the Western zones. . . . The expansion of the present gendarmerie program would require at least six months. An initial Austrian army of approximately 28,000<sup>8</sup> could be organized, trained in the internal security role, and partially equipped in a like period. The creation of an army is the preferable solution, as the urban police force and the present gendarmerie regiment meet the requirements for constabulary type units. . . .

(4) *Obtain Soviet concurrence for Austria to organize its army prior to the coming into force of the treaty*

The three Western Ministers agreed on September 15, 1949,<sup>9</sup> that the question of Austria's right to organize its army prior to the coming into force of the treaty would be raised with the Soviet Government at the time of the signing of the treaty. If Soviet agreement is obtained, this course of action would provide sufficient time for organizing, training, and equipping the army and would be the most desirable solution from both the political and military points of view.

<sup>8</sup> In NSC 38/3 this figure was 27,000.

<sup>9</sup> The text of this agreement was sent as an enclosure to the message from Acheson to Schuman, September 17, p. 1154.

*b. Modification of the Treaty*

From the military point of view, the phasing-out of the occupation forces in consonance with the ability of the Austrian army to assume the responsibility of internal security would further the desired objective, if other means are not successful. It would be necessary, however, to secure Four Power agreement to increase the 90-day period (Article 33) to 180 days. From the political viewpoint, such a proposal would not be desirable, as it would open the door for the Soviets to request reconsideration of any other agreed article, such as the article relating to Austria's frontiers. A proposal to increase the 90-day period might also result in a Soviet demand for modification of the existing agreement on the schedule for the relinquishment to Austria of German assets now held by the Soviet authorities (Article 35).

## CONCLUSIONS

6. The United States should insure, by all appropriate measures prior to the withdrawal of the occupation forces, that the Austrian armed forces are reasonably adequate to maintain internal security.

7. An initial Austrian army of approximately 28,000<sup>10</sup> would be required to maintain internal security in the period immediately following the withdrawal of the occupation forces and pending the expansion of the army to the full treaty-limit of 53,000 within one to two years.

8. Of the possible courses of action available to the United States (paragraph 5 above), the following are politically or militarily undesirable and should not be adopted:

a. To accept the treaty without regard to the security problem.

b. To modify the treaty by extending the 90-day period for withdrawal of occupation forces to 180 days.

9. After signing an agreed treaty, the most desirable course of action is to seek Soviet agreement at the first feasible time thereafter for the immediate creation of an Austrian army. If such Soviet agreement were obtained, any additional time which might be required could be provided by delaying ratification of the treaty.

10. If it proves impossible to obtain Soviet agreement for creation of the Austrian army prior to the coming into force of the treaty, the following course of action should be adopted as an alternative: After signing an agreed treaty, to take such steps as may prove feasible to create an Austrian army or expand the gendarmerie training program (preferably the former) in the Western Zones without Soviet approval and to obtain the Western Powers' agreement to take such action at least three months prior to ratification. In judging the

<sup>10</sup> In NSC 38/3 this figure was 27,000.

feasibility of these steps consideration should be given to the possibility of Soviet retaliation such as refusal to ratify the treaty, creation of communist para-military forces in the Soviet Zone, or denunciation of a treaty if one has been ratified.

11. In any event the United States should take the following steps immediately:

a. Continue efforts to obtain agreement by the United Kingdom and France to assume their share of the mutual responsibility for the internal security of Austria.

b. Continue to impress upon the Austrian Government the necessity for complete cooperation with the Western Powers in the creation of the Austrian army.

c. Program equipment for Austria under the Military Assistance Program with a sufficiently high priority to insure the availability of essential equipment for an Austrian army by the coming into force of the treaty.

d. Ship equipment programmed for Austria to Austria and/or Germany for storage and retention there under U.S. control.<sup>11</sup>

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<sup>11</sup> The conclusions contained in NSC 38/4 were approved by President Truman on November 18, and their implementation was to be coordinated by the Secretary of State (Executive Secretariat Files). On December 29, the Department of State submitted a report to the National Security Council which detailed the progress made toward coordinating policy with the British and French authorities for the formation of a future Austrian Army. A copy of this report is in file 740.0011EW (Peace)/12-2949.

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740.00119 Council/11-1849: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

NEW YORK, November 18, 1949—8:14 p. m.

Delau 355. 1. At 234th meeting AusDeps agreed article 35 and discussed articles 35 bis and 42.

2. On list two SovDep stated that, despite reexamination of matter by Vishinsky following latter's conversation with McNeil on November 17,<sup>1</sup> SovDel rejects British proposal re Gross Entzersdorf (Delau 323<sup>2</sup>) and maintains Soviet proposal for this list.

WesDels observed that SovDel had rejected every West proposal for implementation of Vishinsky's agreement at meeting of ministers

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<sup>1</sup> A summary of McNeil's conversation with Vyshinsky was transmitted in Delau 353, November 18, from New York, not printed (740.00119 Council/11-1849).

<sup>2</sup> Not printed; under this proposal the Soviets would have released about 1200 hectares to Austria from the Gross Entzersdorf field (740.00119 Council/10-1349).

on October 6<sup>3</sup> that Soviet list 2 could be revised provided changes not prejudicial to USSR, but stated that in view Soviet refusal to negotiate this issue they would accept Soviet list 2 as well as Soviet list 3 in order these vital points not stand in way reaching agreement on treaty.

WesDels stated their agreement to Soviet lists 2 and 3 indicates not that they have been convinced Soviet claims are meritorious but that they wish to see protracted treaty negotiations concluded, and that in thus reaching agreement on article 35 they would insist on SovDel living up to its repeated assurances that other articles would present no difficulty once German assets issue had been resolved. USDel insisted that his agreement on Soviet lists 2 and 3 could be given only with understanding that other articles can be accepted by Soviets particularly 27, 42 and 48.

3. WesDeps agreed to omission article 35 bis provided other articles agreed.

4. On article 42 SovDep indicated indirectly Soviet acceptance West positions on paragraphs 1, 2, 3, and 8 and omission Soviet paragraph 9 but repeated West paragraph 9 (CFM 101<sup>4</sup>) unacceptable on ground it disputes legitimacy of Soviet claims to German assets. WesDeps took SovDel to task for failure live up to its assurances referred to above, repeating arguments listed in Delau 345. USDep referred to Dodge's remarks at AusDep's 60th meeting 29 November 1947 to show compensation principle included in lump sum approach from its inception and not something injected in deputies discussion since Paris CFM.

Next meeting November 19.

Department please relay to London as USUN 88, Paris as USUN 60, Moscow as USUN 67, Vienna 41.

[REBER]

<sup>3</sup> A record of this meeting was transmitted in Delau 313, October 6, p. 1175.

<sup>4</sup> Not printed; for the texts of the several paragraphs under reference here, see the Unagreed Articles of the Draft Treaty for the Re-establishment of an Independent and Democratic Austria, September 6, p. 1131.

740.0011 EW (Peace)/11-2849

*Memorandum of Conversation, by the Officer in Charge of Italian-Austrian Affairs (Williamson)*

TOP SECRET

[WASHINGTON,] November 28, 1949.

Participants: Mr. Jean Daridan, Minister Counselor, French Embassy  
WE—F. T. Williamson  
E. P. Allen

Mr. Daridan called to present an *aide-mémoire*<sup>1</sup> giving in detail the position of the French Government with respect to further negotiations on the Austrian Treaty which had been outlined on November 28 by Mr. Berthelot to Mr. Reber (Delau 362, November 28<sup>2</sup>). Mr. Daridan inquired whether the Department of State had any comments on the *aide-mémoire*. I outlined the Department's position as follows:

An agreement was reached by the three Ministers on September 15, 1949<sup>3</sup> that the three Governments concerned would approach the Soviet Government through diplomatic channels at the time of the signature of the Treaty to request that the Allied Council decisions against remilitarization be set aside in Austria and that the Austrian army be organized prior to the coming into force of the Treaty. At that same time the Ministers agreed on a tripartite position respecting the remaining unagreed articles in the Treaty. After September 15 further meetings of the three Ministers were held in New York and informal meetings were held with Vishinsky. During the course of these subsequent meetings the positions on the remaining unagreed articles as agreed on September 15 were modified with a view to obtaining the conclusion of the Austrian Treaty at an early time. There was no discussion, however, of the agreement concerning the diplomatic approach to the Soviet Government on the Austrian army.

It was stated that the Department took a serious view of the problem raised in the French *aide-mémoire* since an approach to the Soviet Government on the question of the Austrian army at this time would create an interminable delay in the conclusion of the Treaty. It was pointed out that final agreement had not been reached on the military clauses but that agreement in principle had been reached on the German assets settlement. Therefore, nothing in the remaining articles provided any bargaining power for the Western Powers to force a Soviet acceptance of the proposed communication on the Austrian army.

It was further pointed out to Mr. Daridan that the U.S. Government considered that its extensive interests would be protected by the procedure proposed for paragraph 9 of Article 42 respecting claims of UN nationals. It was further pointed out that we were reluctant to

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<sup>1</sup> Not found in the Department of State files.

<sup>2</sup> Not printed; it reported that Berthelot had urged Mallet and Reber to maintain their positions on Articles 16 and 42 until the Soviet Union agreed to the organization of an Austrian Army prior to the entry into force of the Treaty. The French Government now considered Article 42 should be subordinated to prior Soviet agreement on the formation of the army. Reber added his feeling that this position was only a pretext for the indefinite postponement of the treaty which French officials in Vienna had recommended. (740.0011 EW (Peace)/11-2849)

<sup>3</sup> Sent as an enclosure to the message from Acheson to Schuman, September 17, p. 1154.



accept the Soviet paragraph 5 of Article 16 on displaced persons but would not consider that this issue should block the conclusion of the Austrian Treaty. Every effort will be made to secure adequate protection for the DP's affected by this article outside the framework of the Treaty. Similarly, adequate protection for UN and Austrian interests can be achieved outside of the formal commitments made in Articles 42 and 48 bis.

Mr. Daridan was informed that the U.S. Government was deeply concerned by the problem of post-Treaty security in Austria and was considering every step which can be made under existing regulations to provide for the organizing and equipping of the Austrian army. He was informed that the French Government would shortly receive a formal communication from the U.S. Government on this question. He was informed that to date full coordination of tripartite policy existed among the three High Commissioners in Vienna on this question.

Mr. Daridan finally was informed that the three Western Deputies had agreed to postpone any further meetings on the Austrian Treaty until the French position was clarified. This action was taken in order to preserve tripartite unity in the negotiations, to save Mr. Berthelot from embarrassment and to prevent Zarubin from utilizing this move for disrupting the Treaty talks. He was informed that representations would be made by the Embassy in Paris to Mr. Schuman <sup>4</sup> with the hope that the French position would be altered and that the Austrian Treaty could be concluded at an early time on the best terms obtainable. Mr. Daridan stated that he would transmit these views to the French Foreign Office.

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<sup>4</sup> In telegram 4574, November 28, to Paris, not printed, the Department of State instructed Bruce to see Schuman, explain the United States position, and urge the withdrawal of the French proposal. Bruce was to tell Schuman that the United States was giving careful consideration to working out the best procedures for the organization and equipment of an Austrian Army once the Treaty was concluded. (863.20/11-2849)

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740.0011 EW (Peace)/12-249: Telegram

*The Ambassador in France (Bruce) to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET

PARIS, December 2, 1949—10 p. m.

15.<sup>1</sup> USUN for Reber.

1. I saw Mr. Schuman at 7 o'clock tonight, with British Ambassador.<sup>2</sup> He said that he would agree with our position in regard to the

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<sup>1</sup> The source text is the copy in the Department of State files.

<sup>2</sup> Sir Oliver C. Harvey.

Austrian army. He stated that although there were various things in the proposed treaty which he did not like, he would accept it with the exception of paragraph 5 Article 16. On this he would never cede. He felt that this question was one of no material concern to France but that from the standpoint of international morality it was the most important clause in the treaty. He said that he had made his position in this regard very plain to Messrs. Bevin and Acheson at their last meeting in New York about October 1.<sup>3</sup> He recalled that on the occasion he had told the other ministers that not to make proper provision for the protection of displaced persons and refugees in Austrian territory would be a criminal neglect of the duty which they owed humanity. He said that this sentiment had been fully shared by Mr. Acheson who had agreed with him that to allow the Russians any pretext to seize upon these unfortunate persons would be outrageous.

2. He said that it had been his understanding that the Russians had expressed an intention to agree to the stand of the three Western Allies on other clauses of the treaty provided that Soviet wishes in regard to Article 35 were complied with, but that after satisfying Soviets on Article 35, the other three powers had allowed themselves to be out-traded on other disputed points. He went on to say that quite frankly in his personal opinion there was some question as to the wisdom of signing as imperfect a treaty as the one under discussion, especially since the present Austrian Government has shown itself so responsive to narrow domestic political influences. He had the impression that since a treaty on almost any terms would gain for it temporary political popularity the Austrian Government was more concerned with such reactions than it was in safeguarding some of its own very fundamental interests and that in its eagerness to have an immediate treaty, it would certainly not worry overmuch about safeguarding the future of strangers in its midst. He wanted to make it quite clear however that he had no desire whatever to delay the signature of the treaty and that his position on Article 16 was not in any respect a pretext for such delay.

3. It is my conviction that Mr. Schuman is unalterably opposed to any language in the treaty which either directly or by implication would jeopardize the position of refugees past, present and future. He says that his representatives in New York are thoroughly conversant with the language to which he would agree. He pointed out that displaced persons would still be taken care of during the life of IRO by the funds of that international organization and time would be given for their eventual disposition and settlement, but in the case of refu-

<sup>3</sup> Schuman was probably referring to the tripartite meeting in New York, September 28, at which the Austrian Treaty was discussed. A summary of this meeting was transmitted in Delau 304, September 28, p. 1163.

gees they will be left without any protection whatever, which aside from its bearing on the current problem in Austria, might become a precedent if similar cases should arise elsewhere in the future.

4. Mr. Schuman's attitude and expressions during this meeting were marked by a gravity and depth of feeling unusual even for him.<sup>4</sup>

Sent Department 5104; repeated London 892, Vienna 87, Department pass USUN New York 15.

BRUCE

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<sup>4</sup>On December 5, the Counselor of the French Embassy, Wapler, handed Williamson another *aide-mémoire* explaining the French position on the treaty and reiterating the French misgivings over the concessions to the Soviet Union. The texts of the *aide-mémoire* and the memorandum of conversation with Wapler, neither printed, are in files 740.00119 Council/12-549 and 740.0011EW (Peace)/12-549. On the following day the French Foreign Ministry agreed to the Soviet text for Article 16 provided the four Deputies understood that the provisions of paragraph 5 concerned displaced persons. Telegram 5128, December 6, from Paris, not printed (740.0011EW (Peace)/12-649).

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740.0011 EW (Peace)/12-349: Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

TOP SECRET  
PRIORITY

NEW YORK, December 3, 1949—2:15 p. m.

Delau 367. From Reber. It is difficult to evaluate Zarubin's present objective and significance of tactics he has adopted during past few meetings. As Department is aware, despite repeated assurances that Soviets foresaw no difficulties once problem of German assets and paragraph 9 of Article 42 had been disposed of, new problems are being created. Linking of remaining paragraphs of Article 42 and Article 48 with successful outcome of Vienna negotiations<sup>1</sup> on services and supplies may be, as I had previously reported, intended to bring pressure on Austrians to accept Soviet claims in this respect. There is also possibility that for some reason of their own, Soviets have decided to postpone conclusion of treaty until a time more favorable to them and thus are using Vienna negotiations as pretext for delay. More than ten days have passed since Austrians made their offer and still no reply has been forthcoming. Soviets may intend to suggest next week that deputies reconvene in London some time shortly after first

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<sup>1</sup>Under reference here were talks between Soviet and Austrian officials in Vienna under Article 48 bis of the Draft Treaty for the settlement of amounts due the Soviet Union for goods and services rendered to Austria during the occupation. A summary of the Austrian proposals of November 24 was transmitted in Delau 363, November 28, from New York, not printed (740.00119 Council/11-2849). No reply had been received by the Austrian Government to that proposal.

of year. Zarubin has in past said that if work cannot be finished in New York, why not move to London.

Although when pressed this morning, Zarubin maintained Soviet position on Article 27, he has continually in past reiterated that once other articles were settled, in particular 16, this particular clause would not give rise to difficulty. There is, of course, no guarantee that he will live up to this assurance. It seems more likely to me, however, that Vienna negotiations may prove stumbling block and deputies will be unable to conclude by next week, especially as there is every indication the French will not change their position on Article 16 until progress has been made on other articles.

Department please relay London as USUN No. 98; Paris as USUN No. 70; Moscow as USUN No. 76; Vienna as USUN No. 51.

[REBER]

740.00119 Council/12-749: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

SECRET

PRIORITY

WASHINGTON, December 7, 1949—2 p. m.

Audel 222.<sup>1</sup> For Reber. Fol instrs transmitted in view of situation arising 241 mtg (Delau 368<sup>2</sup>) and ur evaluation of Zarubin's present tactics. US objective remains unchanged that Aust Treaty shld be concluded at early date on best terms obtainable. Previous instrs have indicated importance of Arts 27 and 42. Problem involved in para 9 Art 42 has been resolved by proposed protocol with Aust.<sup>3</sup> US position on Art 27 remains unchanged and securing our position is of fundamental importance.

Exact tactical moves in negots until time Zarubin's departure shld be determined by you in agreement with Brit and Fr. In gen, pressure shld be maintained on Sovs on Arts 42, 48, 48 bis rather than Arts 16 and 27 since any concessions on latter group wld affect basic US interests as well as Fr position on DP's. Concessions on 16 and 27 without agreement on 42, 48, and 48 bis wld not in our judgment secure conclusion of Treaty.

<sup>1</sup> Repeated to London as 4370, Moscow as 893, Paris as 4701, and Vienna as 1567.

<sup>2</sup> Not printed; in it Reber reported on the 241st meeting of the Deputies in which no progress had been made on the texts of the unagreed articles. (740.00119 Council/12-549).

<sup>3</sup> Under reference here is a note transmitted in telegram 1647, December 2, from Vienna, not printed, in which the Austrian Government agreed to compensate U.N. nationals for any losses incurred through the transfer of property in Austria to the Soviet Union (740.00119 Council/12-249).

It is Dept's view negots be continued until time of Zarubin's departure. If issues Arts 42, 48 and 48 bis settled in satisfactory manner Arts 16 and 27 cld then be negotiated. If no agreement is reached prior Zarubin's departure you shld make strong protest re delay in conclusion Treaty and utilize to fullest extent previous statements by Vishinsky and Zarubin that they desire completion of Treaty.

If Sovs propose negots be resumed at later time, you shld accept ad referendum and press for exact date. Diplomatic note wld then be sent to Moscow protesting delay and accepting a new conference. Brit and Fr wld be urged to send similar protests.

If Sovs do not propose renewal of negots, Brit Deputy may wish to propose new conference in London after appropriate interval. In Dept's view, negots shld be resumed, after action proposed above is taken, and no opportunity shld be given to Sovs to prevent conclusion of Treaty.

ACHESON

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740.00119 Council/12-1349 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

SECRET

NEW YORK, December 13, 1949—12:41 p. m.

Delau 376. From Reber. I discussed future procedure with Berthelot and Mallet both last night and this morning following Deputies Meeting. Despite Soviet suggestion made December 8 to postpone session for four or five days (see Delau 375<sup>1</sup>) no progress is being made in Vienna talks and communication received by Deputies from Austrians today states that up to last night Soviet reply Austrian proposals of November 24 has not been received. This situation may last indefinitely and Zarubin's attitude indicates present pressure is not serving to expedite Soviet reply. In these circumstances, British and French desirous of suspending talks not later than December 16 and of resuming in London January 18, as suggested in Delau 374,<sup>1</sup> or earlier if Department considers this desirable. Such suspension however, should only be for a fixed date and it is important to obtain prior agreement to resume in January in order to give Zarubin opportunity to obtain the necessary instructions. Proposal for suspension might be made at tomorrow's meeting provided in meantime there is no news from Vienna to justify continued meetings here at this time. It will be necessary to give Zarubin at least 48 hours to obtain his government's consent to date for resumption and it would therefore be undesirable

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<sup>1</sup> Not printed.

to wait until last minute before suggesting Christmas recess. British and French not only anxious to return on December 16 but believe this suspension will be useful as giving time to prepare program to take care of situation created by Soviet paragraph five, article 16 and to ascertain from Austrians their real desires in connection with 48 bis. British and French Legations Vienna have reported there are indications that Austrians now hesitant to settle 48 bis through direct negotiations preferring that terms be imposed by treaty. This course seems undesirable because Austrians should accept responsibility of deciding whether to buy treaty on Soviet terms for article 48 bis.<sup>2</sup>

Department please relay London as USUN 107; Paris as USUN No. 79; Moscow as USUN No. 85; Vienna as USUN No. 60.

[REBER]

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<sup>2</sup> Following the receipt of this cable the Assistant Secretary of State for European Affairs, Perkins, telephoned Reber and told him that the Department of State was averse to taking the responsibility for adjourning the talks, but if there was no indication of progress by December 16 the meetings could be adjourned until January. Memorandum of telephone conversation, December 13, not printed (740.0011 EW (Peace)/12-1349). No further progress was made and the Deputies agreed to adjourn their discussions until January 9 when the meetings would resume in London.

## VIII. THE EFFORTS OF THE UNITED STATES TO ASSURE MAINTENANCE OF THE INDEPENDENCE AND INTEGRITY OF AUSTRIA <sup>1</sup>

### A. THE INTEREST OF THE UNITED STATES IN THE QUESTION OF RELAXING QUADRIPARTITE CONTROLS ON AUSTRIAN POLITICAL PARTIES; THE NATIONAL ELECTIONS ON OCTOBER 9, 1949

740.00119 Control (Austria)/3-1949 : Telegram

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

SECRET      PRIORITY

VIENNA, March 19, 1949.

P 3156. From USFA signed Keyes, cite PADC for action to Department of Army for JCS and to State. British High Commissioner has presented United States and French High Commissioners and United States and French Ministers with identical *aide-mémoires* <sup>2</sup> setting forth proposal of British Government to instruct British High Commissioner to modify his attitude toward admission of new political (Austrian) parties. Reasons set forth are that present control (based on quadripartite decision of September 1945 <sup>3</sup>) is interference in Austrian internal affairs and no longer justified; the danger from splinter parties is not considered serious risk to coalition; "that purpose of proposal which they have in mind would simply be to free the occupying powers from the embarrassment of continued interference in Austrian internal affairs. Their proposal would have the additional merit that, if the Soviet Government rejected it, the Western powers would at least have shown the Austrians that they had tried to secure for them a greater measure of independence from allied control". Before so instructing British representative, full agreement of United States and French elements was desired.

After careful and thorough consideration and review, I am advising General Galloway that I am unable to give the agreement sought and propose to adhere to my current position.

<sup>1</sup> Continued from *Foreign Relations*, 1948, vol. II, p. 1352.

<sup>2</sup> Not found in Department of State files.

<sup>3</sup> The reference here is to the proclamation of September 11, 1945, of the Allied Council which, *inter alia*, required all political parties in Austria to be approved by the Council. For the text of the proclamation, see *Gazette of the Allied Commission for Austria*, No. 1 (December 1945-January 1946), p. 26; a summary of the proclamation is printed in *Foreign Relations*, 1945, vol. III, p. 683.

The 3 Western powers have maintained Austria would best be served by restricting political activity to the 3 existing major parties.

Nothing has been presented as proof that the proposed action will result in any accrued benefit for Austria as a whole from the point of view of the mission of the occupying powers.

While the proposed change of policy may outwardly appear as a removal of interference in the internal political life of Austria, it will, in effect, constitute subtle intervention in behalf of the Socialist Party. As this controversy is purely one between the People's Party and the Socialist Party it must be apparent that the stand taken by the occupying powers, individually or collectively, must favor one party or the other. Consequently, the proposal of the British, regardless of how it is dressed up, is merely the transfer of the advantage which the People's Party, the present party in power, now enjoys to the Socialist Party, which has sought aid and encouragement from the British Labor Party. I cannot recommend changing horses in the middle of the stream.

I feel that any embarrassment in retaining control over the admission of new political parties at this critical time must surely be less than that accruing from imposition of occupation costs, the renouncing of which would have a much better long-range beneficial value to Austria than the relinquishment of control over a multitude of splinter parties just prior to a national election.

Our policy has been to strive for and support national political stabilization within Austria—in other words, the *status quo*. It must be recognized that there will be certain conflicts between our declaration supporting the sovereignty and independence of Austria and the practical implementation in the face of Soviet participation. Our control over political parties for the purpose of maintaining political stability and avoiding political disturbances in this critical period is certainly as easily defeated [*defended*] as the control and veto of Austrian laws, the imposition of immunities, the requisitioning [*requisitioning*] of dwellings and services, etc.

[KEYES]

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740.00119 Control (Austria)/3-1949: Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, March 23, 1949—6 p. m.

260. Dept supports position US High Commissioner USFA's P 3156 Mar 19<sup>1</sup> Allied Council should not recognize other than three

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<sup>1</sup> *Supra*.



existing parties in Aust and regrets Brit disposition to change attitude at this late date prior to coming elections.<sup>2</sup> While US position from standpoint adherence to democratic principles may be somewhat vulnerable believe it justified by fol considerations:

1. Political stability:—If Allied Council recognizes one splinter party it would appear morally obligated to recognize all applicants qualified with respect to program free of Nazi features. In view tendency already evident to form number groupings both right-wing and left-wing character we believe admission other parties would lead to political fragmentation and uncertainty that would threaten existence of stable coalition and benefit chiefly Communists and Sovs. Schaerf's effort to estab left-wing Progressive Socialist Party USFA's P 3154 Mar 18<sup>3</sup> appears to foreshadow Communist and Sov tactics under such circumstances in attempt to undermine strength and influence Socialist Party.

2. Non-intervention in present election campaign:—As suggested P 3156 AC recognition other parties now will be interpreted as intervention on behalf Socialists against interests of People's Party in election campaign already under way even though AC action may be presented as one taken on basis of democratic principles. We feel US would be less subject to criticism in Aust if no change made at this time in control over splinter groups than if introduction of change consequences of which will be bound to attract widespread and concentrated attention.

3. Question of freedom of action Aust Govt:—Recognize our position has effect of limiting independence Aust Govt in manner inconsistent with certain our stated objectives in Aust yet consider this to be one of controls necessary to maintain for present in larger undertaking to achieve and safeguard maximum extent of Aust independence in face Sov and Communist efforts to bring Aust under domination USSR. Maintenance of this control appears far less objectionable from standpoint of relation to Aust independence than continued imposition levy schilling requirements for meeting occupation costs. This might be suggested to Brit reps in discussions on both subjects at Vienna.

4. Question of partisan motivation:—Our impression is Aust proponents admission splinter parties motivated less by principle than by considerations immediate campaign tactics. Thus Socialists put in paradoxical position espousing action that would lead to estab right-wing party presumably under control former Nazi elements. Such party would seem objectionable to Socialists except as instrumentality for partisan advantage in electoral contest.<sup>4</sup>

ACHESON

<sup>2</sup> The Austrian national elections were scheduled for October 9, 1949.

<sup>3</sup> Not printed.

<sup>4</sup> In telegram 269, March 25, to Vienna, not printed, the Department of State informed Legation Vienna that a British Embassy official had presented arguments similar to those expressed in telegram P 3156, *supra*, and had been told that the United States could not support the British proposal (740.00119 Control (Austria)/3-1949).

863.00/3-2949 : Telegram

*The Chargé in Austria (Yost) to the Secretary of State*

SECRET

VIENNA, March 29, 1949—4 p. m.

325. Liberation Front of Slovene Carinthia has applied Allied Council for recognition as political party. This organization is pro-  
Tito Communist and favors annexation disputed area to Yugoslavia.

US policy is not to recognize additional parties before coming election, but we have not stated policy in these broad terms in AC and it would be preferable not to do so. All new parties have so far been refused either as Nazi dominated or as lacking sufficient support to justify recognition. Difficult to adopt attitude Liberation Front lacks support, since it admittedly has about 3,000 members. New grounds must therefore be advanced.

There would be some advantage in recognizing party in order to forestall Yugoslav claims Slovene minority is being persecuted and denied political rights. Austrians would, however, deeply resent approval Slovene party when all new Austrian parties are being disapproved, and this course is therefore not recommended.

Best attitude would seem to be following: to maintain that since whole problem of Slovene rights and Yugoslav claims is currently being debated by deputies in London<sup>1</sup> it would be improper for AC to take action at this time which might complicate their work and application of Slovene Liberation Fronts should therefore be denied pending agreement on article 5 of treaty. We proposed to adopt this attitude in AC but wish first to make certain Department and USDel see no objection from point of view treaty negotiations. We believe French and British will also be willing to follow this line.<sup>2</sup>

Sent London 97, (for USDel), repeated Department 325.

YOST

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<sup>1</sup> The reference here is to the discussions of the Deputies for Austria of the Council of Foreign Ministers which were in progress at London. For documentation on these discussions, see pp. 1066 ff.

<sup>2</sup> Telegram 304, April 4, to Vienna, not printed, concurred in these recommendations, stating that rejection might be based on insufficient local support and premature pending decision on Slovene question at London (740.00119 Control (Austria)/4-449).

863.00/5-549 : Telegram

*The Chargé in Austria (Yost) to the Secretary of State*

SECRET

VIENNA, May 5, 1949—3 p. m.

495. Reference Legtel 477, May 2.<sup>1</sup> Helmer's rash statement on

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<sup>1</sup> Not printed; it summarized Helmer's speech to Socialist Party functionaries in which the Minister of the Interior stated that the formation of new Austrian political parties could not be prevented under Austrian law and that they would therefore have to be recognized and allowed to function. Helmer claimed the Allied Council decision of 1945 pertained to the 1945 election alone and the 1946 Control Agreement did not include approval of political parties among the prerogatives of the Allied Council. (863.00/5-249)

fourth party question has created considerable confusion in People's Party but seems to have strengthened opposition of western occupation powers to Socialist stand.

During call on Vice Chancellor May 3 to introduce Dowling<sup>2</sup> Schaerf raised question on his own initiative and made quite clear Helmer statement represents official position Socialist Party and that party has no intention of withdrawing from this position. In reply to query as to attitude of People's Party, he said no Austrian could contest legal position based on Austrian constitution and that only unanimous action Allied Council could prevent new parties from appearing on ballot. He repeated this statement several times and it was obvious he did not expect any such unanimous action. As to previous action of AC he took position that it forbade parties to campaign but not to appear on ballot. He maintained that it would be impossible for any Austrian official to refuse to inscribe on ballot any party not excluded by Austrian law. Schaerf was most friendly but it was quite obvious he was determined by hook or by crook to thwart our efforts to prevent new parties from participating in elections.

Matter has been discussed with both Figl and Gruber, who of course insist that Helmer's statement does not represent Austrian Government position, that it is not justified legally and that it is most unfortunate. They seem, however, somewhat at a loss to know what position their party should take and avoided discussion of the issue at this week's cabinet meeting. Gruber reiterated to us at length arguments against the fourth party with which Department is fully familiar but seemed to hope that action by Allied Council would relieve People's Party of necessity of taking public stand on this issue. Fact is of course that Socialist emphasis on "sovereign democratic rights of Austria" is naturally popular with Austrian opinion and People's Party does not wish to appear publicly as champion of overriding authority of Allied Council.

We feel that prompt action must be taken to reassert authority of Allied Council on this issue. British element here, which has always favored our point of view on this issue, also desires to take quick action, presumably to forestall further manoeuvres in London by Labor Party supporters of Austrian Socialists. We understand Bevin had intended to reply May 2 to question in Parliament on this subject by indicating that British were prepared to abandon AC control over formation new Austrian parties if other occupation powers would agree. Helmer's statement, however, caused him to put off reply until next week.

Our present intention is to raise question in regular meeting of AC Political Directorate taking place today and endeavor to obtain agreement immediate despatch of letter to Minister of Interior from US

<sup>2</sup> Walter C. Dowling had been appointed Counselor of the Legation in Austria on May 1.

chairman of Directorate inviting attention to AC decision of September 11, 1945, and stating that this decision remains in full effect and that no new Austrian parties may campaign or participate in elections without prior notification to and approval by AC. If Soviets will not agree to despatch of such letter by Directorate, matter will probably have to be referred to Executive Committee.

Sent Department; repeated London for USDel 131.

Yost

863.00/5-649 : Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, May 6, 1949—8 p. m.

440. Dept concurs in course indicated last paragraph urtel 495 May 5.<sup>1</sup> Lemberger, First Sec Aust Leg, in personal and unofficial conversation with officer Dept has discussed at length Soc policy on fourth party and maintenance coalition as disclosed in his private correspondence with Schaerf and Deutsch.<sup>2</sup> Our impression based on this correspondence and activities Soc leaders is that Socialists are heavily exaggerating grievances with People's Party which they would not do unless they believed this strategic moment for gaining dominant position among Aust parties, had decided seize opportunity, and believed that they could with impunity. Apparently count on no opposition from Sov and Brit and believe People's Party can be torpedoed unless saved by open US support. Entire situation requires careful analysis and cautious treatment, particularly in view of reply which will be made by Bevin in Commons next week. Meanwhile in absence quadripartite agreement both general question and any related question of specific parties should be extensively examined in committees AC in order that problem may receive further consideration and if possible maintenance AC decision 1945.

ACHESON

<sup>1</sup> *Supra*.

<sup>2</sup> A memorandum of this conversation between Coburn Kidd of the Division of Austrian Affairs and Dr. Ernst Lemberger, first Secretary of the Austrian Legation in Washington, May 4, is in the London Post Files: Lot 58 F 47: Box 1393: 350 Austria.

740.00119 Control (Austria)/5-2549 : Telegram

*The Acting Secretary of State to the Legation in Austria*

SECRET US URGENT

WASHINGTON, May 25, 1949—6 p. m.

508. Reurtels 545 May 12 and 586 May 20,<sup>1</sup> in view Sov and Brit

<sup>1</sup> Neither printed; telegram 545 reported that the Soviet Representative in the Political Directorate had refused to write a communication to Helmer calling attention to the Allied Council decision of September 11, 1945. Telegram 586 reported Soviet refusal to agree even to a resolution reaffirming the 1945 decision on political parties, and the referral of the question to the Allied Council meeting May 27. (863.00/5-1249 and 2049)

positions respectively it appears profitless continue attempt in May 27 AC meeting obtain reaffirmation 1945 AC decision on new parties.

Under circumstances alternative to deadlock desired by Sov element would appear to be reference to Executive Committee again for purpose burying issue or for reconsideration on different basis. Pls discuss fol suggestion with Gen Keyes as basis for US action. Adopt position that AC decisions should be either enforced or explicitly abrogated. If 1945 decision on new parties not abrogated it seems incumbent on the High Commissioners under Art 2 (b) of Control Agreement to insure enforcement in their respective zones. If there is no desire on part of other powers to enforce decision, US prepared to associate itself with any proposal to repeal this or any other pre-Control Agreement measure restrictive of Aust Govt in manner not sanctioned by June 1946 Control Agreement.

Present ambiguous situation with all powers acknowledging validity 1945 decision without intention enforce it benefits Socialists as Brit desire and works against People's Party as Sovs desire. US should avoid position of open support or opposition to either of Aust parties. Although outright repeal 1945 decision will in fact aid one party, US can consistently support move as measure increase Aust Govt independence and curtail pre-Control Agreement powers exercised by occupation authorities. This objective desirable regardless which party benefits most incoming election. If move for repeal blocked by failure obtain Sov agreement, US position clear for the record and onus for continued uncertainty as to legal status new parties will rest on Sovs.

If Gen Keyes agrees with foregoing and proposed action takes place on May 27, Figl and Socialists should be informed that US is not abandoning its policy of encouragement and support of coalition of two parties. Maxim of hanging together or hanging separately will continue just as applicable to People's and Socialist parties after the election as before.

WEBB

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740.00119 Control (Austria)/5-3149 : Telegram

*The Chargé in Austria (Dowling) to the Secretary of State*

SECRET

VIENNA, May 31, 1949—11 p. m.

634. While Soviet attitude thus far re fourth party issue does not indicate their policy now aimed at action along lines set forth Deptel

519, May 27,<sup>1</sup> we have been concerned that moves by Austrian authorities or Western Powers should not enable them adopt such course if it subsequently became expedient. In discussion US position (Deptel 508, May 27<sup>2</sup>) prior May 27 AC meeting, it was noted that endeavor obtain reaffirmation 1945 decision might provide some indication Soviet intentions this regard, as it seemed unlikely they would agree this legal clarification if they were deliberately planning basis on which to challenge validity of elections and legitimacy Austrian Government thereafter.

In AC meeting, Soviets not only agreed affirmation as desired by other elements (Legtel 621, May 27<sup>3</sup>) but at close of debate introduced prepared statement which if accepted at face value was merely plea that AC abandon unwarranted objections heretofore raised by Western Powers to number of political party applications and instruct political directorate approve all comers provided only that they met minimum requirements of 1945 decision. (Western Powers denied Soviet allegations re previous rejections, and after offering consider any new evidence re previous applicants, argued political directorate needed no new instructions.) We are inclined to believe, however, that Soviet motive was to offset any possible stabilizing effect which might result from reaffirmation 1945 decision, and thus ensure agitation fourth party issue be kept alive.

Hazard of future Soviet action therefore remains, and must be weighed in AC consideration of forthcoming British proposal for rescinding 1945 decision, as well as new election law which is now being studied by legal division and will come before Executive Committee June 17.

DOWLING

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<sup>1</sup> Not printed; it asked whether the Soviet Government's refusal to reaffirm the Allied Council's 1945 decision on political parties would enable it to challenge the validity of the October elections, to withhold recognition of the new government or, if the elections were challenged, deny the legitimacy of the existing government's acting as a caretaker (863.00/5-2749).

<sup>2</sup> *Supra*.

<sup>3</sup> Not printed.

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863.00/7-1149 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET      PRIORITY

VIENNA, July 11, 1949.

P-3579. Action to Department of Army for JCS and State from PACG. Signed Keyes.

1. Subject is Austrian fourth party question. Reference State Department cables London to Vienna 129 and 132 dated 6 July.<sup>1</sup>

2. My views regarding formation of additional political parties in Austria are stated in my P 3156, dated 18 [19?] March 1949.<sup>2</sup> These were confirmed by JCS and State, and still represent my recommendations. The combined pressure of the British and Austrian Socialists on the United States treaty delegation represents misdirected effort to embroil the United States element in local Austrian political affairs to the enchantment [*enhancement*] of the fortunes of the Austrian Socialist Party. These are tactics which the latter have used in Vienna, and I would recommend that both the British and the Austrians be encouraged to restrict their activities to Vienna or Washington channels. Use of other liaison, such as treaty delegation, only serves to weaken the authority of the High Commissioner and of the Allied Council.

3. The position of Schaerf and the British Foreign Office on behalf of the Socialist Party does not, in my opinion, serve the best long-range interests of democratic Austria and would be of obvious advantage to the Communists in the present East-West struggle. No reliable evidence exists to support the expedient Socialist logic that the elections will be later challenged, and speculation upon the outcome of the elections, particularly of a major shift to the People's Party, is a questionable basis upon which to alter our position of four years' standing. Socialist threat to play ball with the Communists in the event of election losses is little more than thinly disguised blackmail, and one more reason why the United States should not intervene on their behalf.

4. Regarding cable Delau 140 (Vienna 132), acquiescence of Socialists is not to People's Party but to the Allied Council and is not matter of choice as long as the occupation exists. Continued acquiescence to occupation costs and other more damaging Soviet controls reflects somewhat on altruism of Socialist position on the issue. I do not believe it advisable at this time to encourage the Austrian belief that the occupation may be terminated in immediate future.

5. Schaerf's visits to London invariably weaken British support of United States' position at Allied Council. At the moment the

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<sup>1</sup> Neither printed; telegram 129 (Delau 136) reported that the British Foreign Office, fearing a Socialist Party challenge of the validity of the elections at the end of occupation, was instructing its Embassy in Washington to endeavor to change the United States position with respect to Austrian political parties. In telegram 132 to Vienna (2617 to Department of State) Reber reported that Schaerf, who had just arrived in London, had voiced a similar concern about a possible challenge of the elections and hoped that the United States position would be reviewed. (740.00119 Council/7-649)

<sup>2</sup> *Ante*, p. 1206.

British have held up the introduction of their announced proposal to rescind the Allied Council decision of September 1945, but it is likely that further pressure from London may hasten it—particularly if any encouragement received from United States representatives there.

6. Request that I be consulted prior to any change in policy on this matter.

[KEYES]

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863.00/7-1249

*Memorandum by the Acting Special Assistant, Office of German and Austrian Affairs (Beam) to the Secretary of State*

SECRET

[WASHINGTON,] July 12, 1949.

The British Minister has presented a note to the Department<sup>1</sup> requesting that the United States reconsider its position with respect to the recognition of new political parties in Austria. The U.S. High Commissioner to date has insisted upon upholding the Allied Council decision of September, 1945, which establishes conditions making it impossible for new political parties to be created. Considerable pressure has been brought not only by the British Government, but also by the Austrian Socialist Party to obtain a change in the U.S. position. The leader of the Austrian Socialist Party has informed the United States Deputy on the Austrian Treaty in London that the Socialist Party may find it necessary to challenge the elections which will be held on October 9 unless provision can be made to permit various groups of electors in Austria to function as political parties in the elections.

This question has long presented a problem in the Allied Council, and at present the United States element is supported only by the French who have expressed a willingness to change their position at an appropriate time to repeal the 1945 decision. The British and Soviet elements have informed the Austrians that they will not enforce the decision in their zones. A recommendation was sent by the Department to General Keyes that the Allied Council decision must either be upheld uniformly in all four zones or be repealed.<sup>2</sup> He chose to insist that the Allied Council decision be upheld and in the attached telegram P 3579 of July 11<sup>3</sup> has forcibly stated his view that no new political parties should be created. General Keyes further requests that he be consulted prior to a change in policy in this matter.

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<sup>1</sup> Not printed.

<sup>2</sup> See telegram 508, May 25, p. 1211.

<sup>3</sup> *Supra*.



The United States position on this question is no longer tenable and our policy should be changed to permit the unhampered activity by political groups in Austria. The attached telegram from the Secretary to General Keyes comments on the need for such action and asks him to concur in the recommendations. No reply should be made to the British memorandum until General Keyes' recommendations have been received.

*Recommendations:* It is recommended that the attached telegram be signed.

[Annex]

*Draft Telegram by the Secretary of State to the United States High Commissioner for Austria (Keyes)*<sup>4</sup>

SECRET

WASHINGTON, July 12, 1949.

US URGENT

Personal for Gen Keyes from the Secretary. Pls transmit fol message to Gen Keyes:

I have considered at length the problem raised by your P 3579 July 11 and various messages from our Legation with respect to the situation affecting new political parties in Austria. This question has now become acute not only in terms of various pressures but also by reason of the approaching elections and the possibility that the first draft of the Treaty may be completed by the deadline of Sept 1 as set by the Ministers at Paris.

I consider that our general approach to all questions in Austria should take into account the possibility of Treaty settlement and should be based on the objective that the maximum number of functions now exercised by the Allied Council be transferred progressively to the Austrian Government.<sup>5</sup> Such action is necessary in order to create in Austria as soon as possible the situation which will exist after the completion of the Treaty and the subsequent liquidation of Allied controls.

With specific reference to the forthcoming elections we should allow maximum opportunity for the expression of the democratic will of the Austrian people and permit political activity to take place without interference in order that the election may reflect the Austrian

<sup>4</sup> On the source text Williamson had written: "This telegram was sent to General Keyes by the Department of the Army—July 15, 1949 WAR 91539."

<sup>5</sup> In the source text at this point the following sentence had been deleted: "Consequently, steps should properly be taken at this time to repeal Allied Council legislation limiting the activities of the Austrian Government or placing restrictions on its sovereign rights."

popular will and take into account all shades of difference existing within the present major parties. We should neither favor nor hinder any particular party in the present coalition but should make it abundantly clear to the leaders of both parties that their complete cooperation and coalition is even more necessary after the elections than it was under military occupation in order to meet and to deal effectively with the Communist threat and to fulfill the terms of the Treaty.

It seems to me that the situation which gave rise to the decision of the Allied Council in 1945 concerning the formation of new political parties no longer prevails in Austria and that we need not fear the consequences of unlimited political activity which were taken into account at that time. I recommend, therefore, that you inform the leaders of the People's Party and the Socialist Party that the United States is prepared to agree to the repeal of this particular decision for the reasons which have been stated. I would appreciate receiving your recommendations for the repeal of any other decisions of the Allied Council still in force which limit the activities and responsibilities of the Austrian Government.

I consider that the repeal of the 1945 decision is necessary if we are to avoid charges of discrimination by either political party or by other occupation powers. I do not believe that we can effectively stop the Austrians from engaging in political party activity under the present election law. Such action would in itself destroy the Allied Council decision of 1945 and would seriously weaken the authority of the Allied Council within Austria.

Finally, I consider that the repeal of this decision would demonstrate our confidence in the Austrian people and our belief that the forthcoming elections will choose a government which is dedicated to the maintenance of democratic institutions.

I hope you will reconsider our position in the light of my comments. If you concur with my recommendations I will request our Ambassadors in Paris and London to transmit the foregoing recommendations to the British and French Governments for their information.

ACHESON

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740.00119 Control (Austria)/7-1649: Telegram

*The Chargé in Austria (Dowling) to the Secretary of State*

SECRET

VIENNA, July 16, 1949—5 p. m.

859. Delau 136, July 6.<sup>1</sup> Re renewed British proposal for rescission AC 1945 decision on Austrian political parties. Legation is not in-

<sup>1</sup> Not printed; but see footnote 1 to telegram P 3579, July 11, p. 1213.

clined to regard seriously British argument that Socialists might through inclination challenge elections after occupation ends, be led into cooperation with Communists. Former may well be tempted challenge elections if they suffer serious losses but Legation believes present staunch opposition to Communists would be maintained and that challenge if made would therefore be confined to such legal measures as might be undertaken for record and propaganda purposes without benefiting Communists. We view with less equanimity possibility that Soviets might challenge legality of new Austrian Government (Legtel 634, May 31<sup>2</sup>).

In any event we consider British proposal academic at this stage for it appears unlikely Soviet element AC would concur even if Western Powers were to reach agreement thereon. Moreover provision in 1949 electoral law for presentation list of candidates by 100 voter groups seems to have stopped for moment at least clamor for political liberty instigated by Socialists and subsequently taken up albeit half-heartedly and for propaganda only by People's Party. This provision, although included in constitutional law, is not of constitutional nature and could therefore be over-ruled only by unanimous AC action which could never be obtained. Socialists have indicated to Legation that they would oppose any Allied action against implementation this provision; some People's Party representatives have said privately they would like prevent implementation but have indicated party could take no overt action while other representatives feel implementation will not harm party and should therefore be supported. Legation considers it important that controversy this point be avoided and therefore feels it essential that groups be permitted submit lists of candidates provided they adhere to letter of law and do not engage in political campaigning. At present, however, prospective new parties including pro-Nazis have already begun political campaigning while implying they will participate in elections under 100 voter group provision. Legation considers this situation must be corrected and to this end submits following recommendations:

1. US should endeavor obtain AC approval new parties which meet qualifications set forth 1945 decision in order to demonstrate that decision does not in fact work to repress all new parties.

2. Once AC approval of new parties has been obtained US should then endeavor obtain AC action against unapproved parties now campaigning with intention participate in elections under 100 voter group provision. This action will by the nature of the situation hit the Kraus group<sup>3</sup> primarily and should be coupled with renewed publicity re US

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<sup>2</sup> Ante, p. 1212.

<sup>3</sup> An association of independent newspaper editors in the western provinces of Austria, led by Dr. Herbert Kraus, editor of the weekly *Berichte und Informationen*, which hoped to run candidates in the October national elections.

opposition to Nazism. Since it is believed pro-Nazi tendencies of Kraus group can be clearly demonstrated Legation believes it would be difficult for other elements in AC to refuse to go along with US in disapproval this group.

3. In connection with action outlined in 2 above US should make it clear that it will not object to participation in elections of 100 voter groups which adhere strictly to electoral law and do not engage in political campaign. Our position would be that any group making political campaign should be regarded as political party and thus subject to AC 1945 decision.

Legation believes that foregoing course, if it could be successfully carried out, would go far towards eliminating any grounds on which elections could subsequently be challenged while at same time permitting Austrians considerable degree political liberty and yet allowing US take preventive action against recrudescence Nazism. If concurrence other AC elements could not be obtained we would at least have demonstrated justifiable basis US attitude re Austrian political developments.<sup>4</sup>

Sent Department 859, repeated London 159.

DOWLING

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<sup>4</sup> In telegram 864, July 18, from Vienna, not printed, Dowling reported that he had failed to reconcile his and Keyes' views on the fourth party question, and while he was not satisfied with the program outlined in this telegram, he felt it was the only feasible action since the 1945 decision could not be rescinded. (863.00/7-1849)

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863.00/7-2149 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET      PRIORITY

VIENNA, July 21, 1949.

P 3531. From USFA signed Keyes action to JCS and State.

1. Subject is Austrian fourth party question. Reply to War 91539 dated 16 [15] July.<sup>1</sup> Reference my P 3579 dated 11 July.<sup>2</sup>

2. My carefully considered position remains based upon the following reasoning and convictions:

a. That a further sub-division of Austrian political elements is not conducive to political stability nor social equilibrium.

b. That a weakening in this respect would offer opportunities for Communist penetration not now present, through "divide-and-conquer" tactics which the Soviets have never before failed to exploit. By diversification of its political forces, Austria's will to resist would inevitably be softened.

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<sup>1</sup> Printed as an annex to Beam's memorandum, July 12, p. 1217.

<sup>2</sup> *Ante*, p. 1213.

c. In the long range interests of the Austrians themselves and in fulfilling the spirit of our international commitments towards Austria's destiny, it is the duty of the US element to provide the political stability and cohesion now discarded by the coalition in the struggle for advantage in the coming elections.

d. That in practical reality, none of the new parties aspiring to participation offer any significant and genuinely beneficial choices to the voter which cannot be found in the platforms of one of the three existing parties.

e. That the apparent inconsistency between US ideology and restriction of political expression here will be forgotten with other campaign charges immediately following the election, while the damage done by further dispersion of anti-Communist forces may be permanent.

3. The present turmoil over the fourth party question was initially precipitated by the direct intervention of the British Labor Party, at the instigation of its Austrian counterpart. However, it is primarily a local election campaign issue, and would have been settled here except for the unexpected success of the Vice Chancellor's tactics in aligning the support of the British Foreign Office. Therefore, the Socialist maneuver has disrupted a three year solidarity of the Western powers on the question of political parties. Viewing the Socialist success in dictating to the British High Commissioner and, through the same channels apparently gaining headway to some extent with the US, the People's Party is now trying to demonstrate that it too can wield similar influence. Actually, the issue of allied control over political parties has now given way to a struggle over control of the US, British and French elements of the Allied Council. The political party question will be kept alive as a campaign issue only so long as the Austrian politicians are able to obtain advantages through intercession via indirect channels. There can be no doubt that the Soviet element profits from such a situation. Prolonging exploration inevitably draws the US element here more deeply into inter-party political disputes, and weakens the position and authority of the US High Commissioner.

4. A US proposal to rescind the Allied Council decision of 11 September 1945 on control of political parties would enjoy neither success nor support at the present time, i.e.:

a. The British Deputy Commissioner called upon me on 18 July to state that his element no longer advocated nor desired to rescind this decision nor did it wish to consider additional political parties and hoped to avoid raising these questions in the Allied Council. The British element is embarrassed at its present position. While recognizing the possibility of concerted Nazi participation under the 100 voter clause, he hoped that this particular provision of the election law would serve to reconcile criticism of the Allied Council restriction

and provide dissident voters with ample choice in the exercise of their franchise.

b. At an interview earlier on the same day, the French High Commissioner expressed his continued opposition to repeal of this Allied Council decision. He prefers that no additional parties be given quadripartite approval, but if it should become necessary recommends that such action be delayed as long as possible to minimize or eliminate their influence in the elections. He is even more disturbed than the British element at the possibility of Nazi groups utilizing the 100 voter clause to obtain representation.

c. It is generally agreed that there is little likelihood of Soviet approval to alter the 1945 decision. Figl reported that in an interview on 14 July with the Soviet Deputy Commissioner, the latter emphasized his view that the decision of 11 September 1945 is still fully in force.

d. On 15 July Chancellor Figl and Foreign Minister Gruber called on me and, rather than advocating rescission of the 1945 decision, urged that I invoke it in the US Zone to suppress the political campaign being waged by Nazi groups, including the Association of Independents led by Herbert Kraus. While recognizing the responsibility of the Austrian Government in this matter, they professed the inability to intervene inasmuch as (a) it would appear as an election maneuver, and (b) the Socialist Minister of the Interior would have to be replaced in order to accomplish this, with a certain break-up of the coalition as a result. The Chancellor was reminded of his recent urgent arguments against additional parties on the grounds that the coalition should be maintained and Soviet tactics combatted. Gruber insisted that they were still of the same opinion, but believed the admission of new parties to be now unavoidable.

e. The Socialist Party has evolved its interpretation that "election parties", as opposed to "political parties", are free to participate in the forthcoming elections without Allied Council approval and is no longer pressing for abolition of the 1945 decision.

f. The Austrian Government has yet to make formal request to the Allied Council for rescission.

g. In Cable No. 859, 15 July,<sup>3</sup> the Legation here does not recommend the elimination of the 1945 decision.

h. If the Western elements unsuccessfully advocate abolition of allied controls over political parties, we shall henceforth have no bases for rejecting the application of new parties, no matter how objectionable including Nazis. This will result in surrender to the Soviet element of sole discretion as to which additional parties should or should not be permitted to exist.

5. Although the election activity of the 100 voter groups is to a certain extent contrary to the AC decision, their apparent evasion is a nuisance that must be borne, while they still conform to Austrian law. Their existence will be insurance against fears of later challenge to the validity of the elections, and will provide an alternative to those dissatisfied with the present parties. The uncertain footing upon which

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<sup>3</sup> *Supra.*

the fourth parties are now established serves to weaken their operation and discourage adherents. Certainly unilateral practical measures, i.e., use of force, to halt "illegal campaigning" are out of the question. Allied Council agreement to prohibit activity of unauthorized parties is unlikely—particularly since the Soviets regard the Kraus group as a source of embarrassment to the US element worth perpetuating. The visit of Figl and Gruber seemed to constitute principally a plea for US assistance to the People's Party in order to offset the damage done in the recent exposure of their negotiations with ex-Nazis at Oberweiss. Due to the professed inability of the Austrian Government to undertake suppression of fourth party campaigning, they were requesting the US element to take this action. In separate interviews with me today (21 July) Figl and Gruber confirmed their views expressed on 15 July and again urged action against the Nazi-dominated groups in the US Zone.

6. In further comment on WAR 91539, with the exception of the formation of an adequate Austrian Army, there is no Allied Council control still in force that cannot be assumed by the Austrian Government within a period of 90 days. The reasons which in 1945 gave rise to the establishment of allied controls over political parties still prevail today; the situation has changed only in the alignment of the great powers. Within a year the battle line between the East and West began to be drawn and defined and it is now clearly on this basis that parties which are unimportant or harmless in themselves today assume potential importance in serving Soviet purposes, particularly if obligated to the Soviet element for support of their recognition. Existing Austrian legislation cannot adequately guarantee the perpetuation of the safeguards established in Paragraph 1 of the Allied Council decision of 11 September 1945,<sup>4</sup> either in the case of existing parties or in regard to possible future parties. To any Austrian, it must be obvious that our stand is against Communist penetration and not against Austrian democracy; as was acknowledged by Gruber in his subsequent interview on 21 July. Charges of suppressing democracy

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<sup>4</sup> This paragraph read :

"Effective this date democratic political parties are hereby allowed maximum freedom to develop their political activities throughout Austria, on condition that :

a. They pledge themselves to the strengthening and maintenance of a free and independent Austria ;

b. They maintain democratic principles and the resolute fight against Nazi ideology in all its aspects and forms in political, social, cultural and economic life ;

c. They do not disturb public order as established by the rules and regulations of the occupying authorities ;

d. They do not carry on any activities against the Occupying Powers or any one of them, or against their troops in Austria." (*Gazette of the Allied Commission for Austria*, No. 1 (December 1945-January 1946) p. 26.)

will never be too impassioned so long as all political and other interested parties look to the US to pay the \$150,000,000 treaty ransom. I must emphasize that unilateral US concessions are graciously applauded by the Austrians, but likewise satisfy the Communists and serve to establish more firmly than ever the initiative with the Soviets. We are moving toward a point when the making of concessions merely to laud democracy places one in the position of dying definitely yet gloriously defending his right-of-way on a hair-pin turn in the Alps.

7. I fully appreciate the sincere recommendations of the State Department, but in the genuine interests of the future of Austria and of the US stake in the east-west struggle, cannot concur in the proposal to introduce into the Allied Council the rescision of the 1945 decision.

[KEYES]

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863.00/7-2849 : Telegram

*The Secretary of State to the Legation in Austria*

SECRET      NIACT

WASHINGTON, July 28, 1949—1 p. m.

810. Pls transmit fol message to Gen Keyes :

Reply in P 3531 July 21<sup>1</sup> to personal message of July 15 WAR 91539<sup>2</sup> concerning question of Aust political parties is now being considered. Notwithstanding arguments used in ur reply we consider that recommendations contained in WAR 91539 should be carried out.

We are informed that the Fr High Commissioner will introduce in the Allied Council on Fri a proposal that the Aust Chancellor submit to the Allied Council a list of political parties which should be permitted to take part in the forthcoming elections and requesting that approval be given for those parties which fulfill the conditions of the 1945 decision of AC. Further information indicates that Brit High Commissioner has been instructed by his Govt to reject the Fr proposal and to move for repeal of 1945 decision.

Until this question can be given further study by appropriate agencies in Wash it is desirable that US position on the Fr proposal be reserved. Position on the Brit move for repeal should also be reserved unless earlier recommendation on this subject can be accepted. This action is desirable if we are to avoid possible conflict in future between Aust constitution as reflected in recent election law and AC decisions. Such conflict would cast doubt on the validity of elections. Similarly it will be impossible to curb activities of political groups

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<sup>1</sup> *Supra.*

<sup>2</sup> Printed as an annex to memorandum by Beam, July 12, p. 1216.



under the 100 voter clause and this device may be used to permit the operation of disguised Nazi and Communist groups.

ACHESON

863.00/8-249 : Telegram

*The Under Secretary of the Army (Voorhees) to the Chairman of the Joint Chiefs of Staff (Bradley), at Vienna*

SECRET      PRIORITY

WASHINGTON, August 2, 1949.

War 92293. Pass to Bradley for JCS for action upon arrival in Vienna,<sup>1</sup> for Keyes for information from Voorhees.

The Secretary of State and General Keyes have differing views on the elimination of restrictions on the activities of political parties in Austria. General Keyes arguments have been given full consideration by Secretary Acheson but the Secretary still holds to his former views. This question is primarily a matter of foreign policy in which, after giving Acheson our frank opinion, I feel we should defer to his final decision as Secretary of State. In his P 3664 dated 30 July 49<sup>2</sup> Keyes requested that no decision to change his position be taken prior to his discussions with the Joint Chiefs of Staff. Since Keyes is responsible to the Joint Chiefs of Staff on political as well as military matters, I transmit hereafter the proposed directive to him on this matter and request that you transmit it to him for implementation unless you feel his arguments against the course proposed are so valid from a military point of view as to justify reopening matter with Secretary of State. The directive is as follows:

"The Secretary of State considers it important, from the standpoint of foreign relations and in particular from the standpoint of our future relations with Austria, that the existing Allied Council restrictions on the activities of political parties in Austria be eliminated at an early date in order that the Austrian people may be free to exercise their voting prerogatives in the forthcoming elections on October 9, 49, without restrictions imposed by the occupying powers. Such action is required also in order to avoid possible future conflict between the Austrian constitution as reflected in the recent election law and Allied Council decisions and in order to avoid the possibility that because of such conflict doubt may be cast on the validity of the elections.

You are directed to take such action as may be appropriate to accomplish the foregoing recommendation of the Secretary of State. This may take the form of action initiated by you to repeal the 1945

<sup>1</sup> General Bradley and the other members of the Joint Chiefs of Staff had left the United States on July 29 on a trip to Western Europe. They visited Frankfurt, London, and Paris before arriving in Vienna on August 7, and they left for the United States on August 8.

<sup>2</sup> Not printed.

decision of the Allied Council on this subject or by your supporting a similar proposal on this subject if such action is initiated by one of the other elements of the Council."

[VOORHEES]

863.00/8-349 : Telegram

*The Secretary of State to the Legation in Austria*

CONFIDENTIAL      NIACT

WASHINGTON, August 4, 1949—6 p. m.

861. Sov position that under election law approval of "voter groups" not required ur 973 Aug 3<sup>1</sup> is unacceptable in view recent AC re-affirmation that 1945 decision considered in effect. Dept considers that as long as 1945 decision not explicitly repealed US position wld be rendered ambiguous and contradictory if we specifically sanctioned 100 voter group principle as means of circumventing original AC decision. However, as previously expressed Dept considers that 1945 decision shld now be repealed.

Fair consideration shld be given to any applicants, and approval given if prospective parties possess minimum number of adherents and have politically unobjectionable program and leadership. Although this position considered basically unsatisfactory, because it solves neither problem of 100 voter groups nor addresses itself specifically to parties such as Democratic Union or Kraus group, it will at least preserve continuity of policy, pending final decision on relinquishment of all foreign controls on Austrian elections.

EC discussion may afford opportunity to determine whether Sovs wld now approve eliminating 1945 decision.<sup>2</sup>

ACHESON

<sup>1</sup> Not printed.

<sup>2</sup> At the meeting of the Executive Committee, August 5, all four occupying powers maintained their positions on the three political parties which sought approval, and, at the demand of the Soviet representative, the question was submitted to the Allied Council meeting on August 12. (Telegram 996, August 6, from Vienna, not printed, 863.00/8-649)

863.00/8-349 : Telegram

*The Chargé in Austria (Dowling) to the Secretary of State*

SECRET      PRIORITY

VIENNA, August 8, 1949—9 p. m.

NIACT

1001. Personal for Williamson—not for distribution outside Department. General Keyes raised fourth party issue privately with Joint Chiefs of Staff during Vienna visit and I understand they have

requested discussion with Secretary upon their return to Washington tomorrow and before Department takes final decision this matter.

At general USFA briefing of Joint Chiefs this morning, I endeavored present Department's position as best I could without giving offense General Keyes and without flatly contradicting arguments which I assumed he had stressed in private session. Subsequently I talked privately with Gruenther, and I believe he at least appreciates our attitude.

Frankly, I am increasingly concerned about this issue. General Keyes has long since ceased to discuss it with any of his staff, except me, and of late I too have not been fully informed, although I apparently retain his confidence and our relations are most friendly. From his conversations and indirectly I know, however, that he has discussed privately with Figl possibility of unilateral action in US Zone against Kraus group on grounds of pro-Nazi activities. He is also considering possibility of restricting political activities of groups not yet approved by AC on basis of old AC decision that social-political societies, which must include among their aims maintenance of fight against Nazi ideology, must be reported to AC. This decision has never been enforced, although it remains on AC books.

While I am not informed as to General Keyes' immediate plans, I am inclined to believe that he has not yet definitely decided upon any specific action. I am sure, however, that he has not wavered in his basic aim of maintaining AC 1945 decision in effect and of using it to prevent formation of any new political parties whatsoever. To this aim, I might now add that of preventing participation in elections of any 100-voter groups (Legtel 997, August 8<sup>1</sup>).

General Keyes has been guided in this matter by his sincere conviction that if new, small parties are permitted they will somehow become Soviet tools and thereby undermine Austrian political stability. He also feels that if Western powers once propose rescission AC 1945 decision and this proposal is then rejected by Soviets, former would forever after be disbarred from disapproving any political party which might apply for AC sanction, whereas Soviet representative would remain free to approve or disapprove at will. He is also sincerely concerned at possible revival Nazi activities.

I have thus far endeavored to work with General Keyes on this matter and to find some solution which, while meeting the Department's views, would at the same time be acceptable to him. I also had some illusory hope that with passage of 1949 election law issue would be dropped until such time as AC restrictions could be quietly re-

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<sup>1</sup> Not printed; in it Dowling reported that Keyes interpreted telegram 861, August 4 *supra*, to mean that 100-voter groups would have to have Allied Council approval in order to participate in the national elections. (863.00/8-849)

moved. It is now evident, however, that Soviets intend to press every possible aspect of problem in attempt embarrass West powers and then to dramatize issue before Austrian people. To me, at least, it is increasingly clear that only way out of this dilemma is advocacy of complete political freedom for Austrians through repeal of AC 1945 decision. If Soviets reject this proposal, we shall then have freed ourselves from any charge of suppressing Austrian political freedoms, without in any way impairing our right to take whatever steps under 1945 decision we feel would contribute to Austrian stability. If, on other hand, Soviets should surprise us by agreeing to rescission, then I for one am prepared for us to take our chances on blocking Soviet maneuvers and preventing resurgence of Nazi ideology through various means still left to us here.

DOWLING

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863.00/8-1049 : Telegram

*The Chargé in Austria (Dowling) to the Secretary of State*

SECRET      PRIORITY

VIENNA, August 10, 1949—6 p. m.

1022. Personal for Williamson—not for distribution outside Department. Before leaving last night for Innsbruck, General Keyes reviewed for me his recent action re fourth party issue, including discussions with Joint Chiefs.

He finds position outlined Deptel 861, August 4<sup>1</sup> entirely satisfactory, and if required, will state in AC meeting August 12 that 100-voter groups as well as regularly established new parties are subject AC approval under 1945 decision.

General Keyes also informed me he had rejected proposal just made by Béthouart, reading in translation as follows: "The Allied Council decided to write a letter to the Austrian Government in the following terms: (a) It authorizes the formation of all new political parties or groups constituted for the forthcoming elections under the provisions of the electoral law, except those with neo-Nazi or pan-German programs, or composed of neo-Nazi or pan-German elements. (b) As regards these latter, the Austrian Government, which is responsible for denazification, should submit their requests for approval to the Allied Council, together with the Government's recommendations thereon".

In conversation today, French Minister said he understood Béthouart's proposal made without specific approval Paris in endeavor to find formula satisfactory to three Western powers, but he believed

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<sup>1</sup> *Ante*, p. 1225.

French Foreign Office would approve if it found favor with London and Washington. British Minister says he and Galloway have recommended London accept proposal, but Keyes said later personally pleased at his rejection. Both British and French Ministers would prefer repeal 1945 decision, but in absence thereof, strongly support action along lines Béthouart's proposal. I also believe it most satisfactory compromise solution yet suggested.

DOWLING

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740.00119 Control (Austria)/8-1349 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET      PRIORITY

VIENNA, August 13, 1949.

P 3729. From USFA Vienna. Signed Keyes. Action to Dept Army for JCS pass to State from PACG. In preparation for the Allied Council meeting yesterday (12 August 1949) I had before me State Department cables numbers 973 August 3, 861 August 4, 896 August 9, 210 August 10, 1020 August 10, 61 August 10, and 902 August 10.<sup>1</sup> Number 861 seemed clear and I was prepared to act upon it at yesterday's meeting; however, in deference to number 902,<sup>2</sup> I took no position regarding the 100 names voter groups, even when the French did so. Prior to the Allied Council meeting, General Galloway and I met with General Béthouart, at the latter's request, and he informed us, first that he had just returned from Paris and he had been given new instructions regarding the proposal he was to make at yesterday's Allied Council Meeting. Briefly, it was that the Austrian Government be called upon to furnish a list of all political parties and groups desiring to participate in the elections, and that list augmented by the applications already before the commission, would be promptly considered by the political directorate, and all parties not determined to be neo-Nazi or Pan-German would be approved by the Allied Council.

This differed from the proposal presented by him last Monday,<sup>3</sup> in that this time it is the Allied Council that gives the approval and determines the Nazi or Pan-German parties rather than the Austrian

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<sup>1</sup> Of the messages under reference in this sentence telegram 861 is printed on p. 1225; the other messages are not printed.

<sup>2</sup> Not printed; it instructed Legation Vienna not to change the criteria for approving political parties or take any stand for the time being regarding the 100-voter groups. (863.00/8-1049)

<sup>3</sup> For the proposal under reference here, see telegram 1022, *supra*.

Government. He announced at the same time that Mr. Schuman had again instructed him to stand firm against the rescision of the decision of 11 September 1945.

In the midst of our conference, General Galloway was notified by telephone that word had been received from London authorizing him to agree to General Béthouart's proposal as set forth last Monday, General Galloway replied that it was too late, as General Béthouart had withdrawn the plan and had a new one. This shows the state of confusion we are all in. General Galloway also stated that inasmuch as he had no instructions to propose the rescision of the decision of 11 September 1945, and that there was no chance of agreement on such a proposal within the discretion left to him, he would apply it, and in his view, that decision clearly applied to the so-called 100 voters groups.

Thus after almost two months of fencing, all three Western elements are again agreed on that one subject at least. General Galloway and I agreed that when General Béthouart made his proposal at the day's meeting, we would note it and agree to study it with a view to discussing it at the next Allied Council meeting, or sooner if our respective instructions called for a special meeting.

At yesterday's meeting, in the debate over the three parties up for approval, in two cases the British took their former stand; namely, that of adhering to their government's announced policy calling for the turning over of the whole matter to the Austrians, and that they had nothing to say. The French deferred expressing their views pending action on their new proposal. It was listed on the agenda as the last item. The Soviet element recommended approval, the United States element asked for further study of the application.

On the third party, on which the French, United States and Soviets were agreed to disapproving because of neo-Nazism, the British, getting out of a tight hole, stated that inasmuch as they had not been able to see the decision of 11 September 1945 rescinded, would abide by it and join the other three on disapproving. When the French finally presented their new proposal, General Béthouart came out with a declaration that the 100 name voters groups would come within the provisions of the decision of 11 September 1945.

As stated above, in view of State cable number 902, I refrained from making any comment.

The majority of today's Vienna papers except Communist gave prominent play to Béthouart's proposal but comments have not as yet been analyzed.

[KEYES]

863.00/8-1749 : Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, August 20, 1949—2 p. m.

3102.<sup>1</sup> Pls bring fol to Schuman's attention :

In order to end confusion in AC Vienna on question of political parties and their participation in the forthcoming elections Brit High Commissioner will introduce on Aug 26 resolution to repeal AC decision of Sept 11, 1945 which established four-power control over formation new parties. Brit High Commissioner also instructed to oppose proposed Fr compromise to request list of parties recommended for authorization by Aust Govt and to exclude only those of Nazi or pan-German character. Gen Keyes has been instructed to support Brit resolution for repeal and consequently will take no position on proposed Fr compromise.<sup>2</sup>

We consider that common tripartite policy in AC on this question is necessary in order that control over political parties in forthcoming elections may be transferred to Aust Govt and AC authority in this field terminated. This action is designed to avoid misunderstanding among occupation powers concerning extent of intervention in Aust political life which may be possible either under existing decision or as result of agreement on various compromise proposals. This course is also justified in order to avoid future contesting of elections by Aust parties or by USSR on ground that full democratic franchise and freedom of action by political parties was hampered by AC.

Recent AC approval Aust election law creates further confusion as it will be impossible to prevent 100-voter groups from functioning in elections as political parties. We consider that activity by 100-voter groups unless prohibited specifically by AC would undermine authority of AC and would endanger anticipated anti-Communist majority in elections. If AC decision remains in force Sov element will continue to introduce applications for new parties thus giving Sovs veto power over new parties and decisive control over Aust political life.

We consider repeal AC decision would be preferable to present situation and to possible uses which Sovs may make of existing AC authority. Repeal decision would deprive Sov member of veto privileges on Aust political life and would reduce to a minimum

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<sup>1</sup> Repeated to Vienna as 980, London as 2889, and Moscow as 588.

<sup>2</sup> Mr. Voorhees, in WAR 93103, August 19, not printed, gave General Keyes a restatement of the Department of State position. In telegram 1125, August 24, from Vienna, not printed, Dowling reported that Keyes interpreted his latest message regarding the approval of political parties to mean that he had not yet received definite instructions to support the British resolution. (863.00/8-2449)

danger of wastage of votes from coalition authority by rise of splinter parties.

US objective in instructions to Keyes motivated by desire to preserve freedom of elections in Aust, to prevent future contesting of elections and to prevent AC from being placed in position of giving approval or disapproval to any splinter group which may apply for recognition. In view of Treaty developments we consider that Western occupation powers should seek gradual transfer of control and responsibility to Aust Govt in Aust internal matters and repeal of AC decision would be major step in that direction. It is believed that most effective means for combatting Communist pressures and infiltration in Aust is maintenance of present coalition. In forthcoming elections we consider best means of maintaining coalition is to transfer responsibility for political party activity to Aust Govt and to avoid appearance that any particular party in Aust has support of Western occupation powers.

Please express to Schuman hope that appropriate instructions will be sent to Fr High Commissioner to support Brit and US elements on this question at forthcoming AC meeting.<sup>3</sup>

ACHESON

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<sup>3</sup> Telegram 3476, August 23, from Paris, not printed, reported that Schuman, who was personally handling the matter of the repeal of the Allied Council decision on Austrian political parties, was visiting Germany and would not return to Paris until August 25. The French Foreign Ministry would, however, try to telephone the United States views to him. (740.00119 Control (Austria)/8-2349) In a subsequent telegram Embassy Paris reported a discussion between Schuman and Béthouart in Germany during which the British proposal failed to gain the support of the French Foreign Minister. (Telegram 3537, August 27, from Paris, not printed, 863.00/8-2749)

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863.00/9-149 : Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, September 1, 1949—6 p. m.

3258.<sup>1</sup> Convey substance fol to Schuman :

US High Commissioner in Allied Council Vienna Aug 26 was unable accept Fr proposal on relaxation restrictions on polit parties due reasons stated Deptel 3189 Aug 26.<sup>2</sup> Ref also Deptel 3102 Aug 20.<sup>3</sup> Fr

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<sup>1</sup> Repeated to London as 3157 and to Vienna as 1040.

<sup>2</sup> Not printed; it stated that Béthouart's proposal would merely transfer the decision on political parties to the Austrian Government which was not charged with passing such judgment. The result would be renewed disagreements on desirability of individual parties which would strain the coalition. The French proposal would also include groups other than political parties that might put up candidates. (863.00/8-1949)

<sup>3</sup> *Supra*.



High Commissioner on other hand was unable accept Brit proposal which had US support for repeal AC restrictions due misgivings about alleged inadequate safeguards in Aust legis against revival Nazi and Pan-Ger parties, ref Embtel 3537 Aug 27.<sup>4</sup> Fr position resulted in split US-Brit against Fr-Sov on crucial question of transferring control over polit activity to Aust Govt.

We appreciate sincerity and logic Fr position but believe fol facts shld be pointed out with request Fr position be reconsidered :

(1) Béthouart stand puts Fr element in position favoring more restrictive policy than that of any other element. Although Sovs unwilling agree on repeal of 1945 decision, they at least advocate sanctioning legality 100-voter groups. Fr position has so far been 100-voter groups shld specifically come under purview of 1945 decision.

(2) Since Sov position is designed as basis for propaganda as well as desire retain veto power on polit activities and elections, it particularly desirable expose it as such and isolate Sovs on this issue rather than present them with Western disunity. Such disunity makes it impossible for us attack Sov stand as interference in Aust polit life without embarrassing Fr, which we of course wld not desire.

(3) Fears regarding Nazi or Pan-Ger character of new parties, while not completely unfounded, are somewhat inappropriate in view likelihood Aust treaty in near future, which wld make impossible any further direct control by occupation powers as well as possibility AC action can be taken against Nazi and Pan-Ger tendencies as long as AC continues to exist.

(4) Present confusion, with elements holding different interpretation of 1945 decision, is not conducive to atmosphere of security which is essential in holding democratic elections under mil occupation. Although Sovs may not directly interfere in elections, possibility cannot be overlooked parliament members elected under 100-voter clause may be challenged later and legality of elections and future Govt may be called into question by elements desiring create disunity and confusion in Austria.

In interest overall policy toward Aus, which transcends importance individual arguments, and on which we know West powers in complete agreement, Schuman may wish review situation in order unanimous agreement on repeal of 1945 decision may be reached prior Oct elections.<sup>5</sup>

For ur info Sovs opposed Brit motion only after Fr stand was known. AmEmbassy London, will Brit join US in foregoing representations to Schuman?

ACHESON

<sup>4</sup> Not printed.

<sup>5</sup> In telegram 3631, September 2, from Paris, not printed, Bruce reported that after he had reviewed the French position on Austrian political parties with Schuman, the Foreign Ministry had sent new instructions to Béthouart which it felt would enable the three Western powers to reach a common policy (863.00/9-249).

863.00/9-949 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

PLAIN PRIORITY

VIENNA, September 9, 1949.

PC 21593. JCS pass to State from PACG signed Keyes.

1. Subject is Executive Committee action of 9 September on Austrian elections.

2. Subject of discussion was following letter from Federal Chancellor dated 31 August (reported in our P 3815<sup>1</sup>):

[Here follows a request by the Austrian Federal Government that the Allied Council guarantee completely free electioneering for the forthcoming elections and confirm that these should be held exclusively in pursuance of Austrian laws.]

3. The US Deputy Commissioner endeavored to secure adoption of the following reply:

"The Executive Committee, on behalf of the Allied Council, agreed that electioneering pursuant to the Austrian Federal Constitution and the Austrian laws will be free from interference or restriction by the Allied Council or any element and the legality of the elections held exclusively in pursuance of Austrian laws will not be subject to challenge by the Allied Council or any element".

This was rejected by the Soviet member who declined to explain his refusal to safeguard the election results. After a lengthy discussion, the following reply was agreed and dispatched to the Chancellor:

"The Executive Committee, on behalf of the Allied Council, declares that the elections which will take place throughout Austria on 9 October will be conducted in accordance with the electoral law of 1949, which was passed by the Austrian Parliament and which the Allied Council approved on 24 June and accordingly notified the Austrian Government by letter (SEC A 49/76<sup>2</sup>), dated 24 June 1949. The Executive Committee agrees that electioneering groups (*wahlwerbende Parteien*) may participate freely in the elections in accordance with the Austrian electoral law of 1949".

[KEYES]

<sup>1</sup> Not printed; in it Keyes transmitted the text of the Federal Government's letter and reported that he would support it. (863.00/9-249)

<sup>2</sup> Not printed.

863.00/10-1049 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

CONFIDENTIAL

VIENNA, October 10, 1949—11 a. m.

1361. In yesterday's elections People's Party won 77 mandates, Socialists 67, Union of Independents 16, Left Block 5. Final figures

and percentages not yet available but it appears both coalition parties lost about equally to Union of Independents, Left Block gained slightly, especially in Vienna where it won a basic mandate.

Although coalition parties still have overwhelming majority and results can therefore be regarded as victory for democracy and moderation, the most notable features of election were (1) slight Communist gain, in spite of probability Communists did not get proportion of new voters, which indicates that at least in Vienna Schaerf won over some left-wing Socialists; (2) loss of absolute People's Party majority; (3) marked swing to the right, with heavy Socialist losses especially in Vienna; (4) strength of Union of Independents, which got basic mandates in all six Western provinces and all but three Western election districts. The latter feature is most important, since Union could now give either major party a majority.

As long as major parties continue cooperation, stability of government is assured but (1) Socialist loss to Left Block was probably partially due to dissatisfaction of rank and file with coalition policy, and Socialists may feel that to recoup their losses a more vigorous policy is necessary, also their weak showing may make it more difficult to hold followers; (2) more likely, right-wing element within People's Party which supported policy of wooing ex-Nazis may, now that this policy has failed, urge cooperation with Union of Independents at expense of Socialists. Socialist weakness and possibility of majority without them offers constant temptation to right-wingers in People's Party to push measures which Socialists cannot accept. Union of Independents represents extreme right, and cooperation between it and People's Party could force split in coalition. Fortunately, there is no sign of such cooperation yet, coalition government will probably be formed and situation remain unchanged for the present, but gains of left and especially right at expense of center justify vigilance in future, although not undue alarm.

ERHARDT

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863.00/10-1349 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

CONFIDENTIAL

VIENNA, October 13, 1949—6 p. m.

1383. In conversation reflecting general satisfaction People's Party leaders with election results, Gruber confirmed that coalition would continue with Figl as Chancellor and Schaerf Vice Chancellor.

He anticipates that negotiations with Socialists will not be "too difficult" as few changes are expected other than abolition of Ministries of Food, Economic Planning and Electricity and Power. He understands Socialists are considering replacing Helmer, and said People's Party will probably replace Kolb. Negotiations between two

parties have now begun, but new government will not be formed until after Socialist convention October 28.

Re coalition, Gruber said People's Party was definitely opposed to inclusion of League of Independents in government, and that Schaerf had told him yesterday Socialists were similarly opposed. Obviously recognizing vital importance Socialists' dominance of labor, Gruber reiterated view, frequently expressed by People's Party leaders as well as Socialists, that coalition would be essential at least for next few years. He admitted that People's Party leaders were already having to contend with inclination of local leaders in Styria and Carinthia to form state governments with League and exclude Socialists, but insisted that this idea would be rejected.

Other sources agree that present coalition will probably continue unchanged. Socialist leaders, while bitterly critical of People's Party tactics in smearing Socialists in campaign against People's democracies, and still too depressed by their losses to give much thought to future, say they are entirely willing to continue cooperation on present basis as long as People's Party avoids drift to right. Since moderate candidates of People's Party generally made better showing in elections than Right-wingers, it can be hoped that influence of former will predominate in party councils.

Reports are current, however, that Right-wingers, while sharing party view against inclusion of League of Independents in federal government, are prepared cooperate with [another?] Austrian group to extend granting them participation in administration of nationalized industries and other minor government jobs. It may be difficult also to exclude League entirely from state governments in Western Austria where they made strongest showings. Such cooperation, however, unless concurred in by Socialists in advance, would undoubtedly place additional strain upon coalition.

Therefore, although logical outcome of election results should be increased cooperation of moderate elements of two major parties in progressive government program, extremists in both camps possess possibilities of exerting disruptive influence.

ERHARDT

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863.00/11-749 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

SECRET

VIENNA, November 7, 1949—6 p. m.

1504. Legtel 1502 November 5.<sup>1</sup> After long and heated discussions

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<sup>1</sup> Not printed; it reported that the negotiations on the composition of the new Austrian Government had been broken off on November 4, when the People's Party had rejected the Socialist Party's demands for stronger participation in economic affairs. (863.00/11-549)

Saturday and yesterday, Socialist and People's Party negotiators reached agreement on composition new government which was approved by executive committee two parties today. Joint meeting scheduled this afternoon to name ministers and communiqué on new cabinet may be issued tonight.

Under agreement Socialists obtained new Economic Ministry controlling nationalized industries including railroads posts and telegraphs and electric power but excluding banks. Ministry will, however, be subject on policy matters to recommendations of 4-member commission (2 Socialists, 2 People's Party) with differences between ministry and commission to be decided by cabinet as whole. As further balance Socialists yielded Ministry of Foods whose functions will go to Agriculture and accepted People's Party demand for retention State Secretary in Interior Ministry.

Agreement generally regarded as victory for Socialists although moderate elements People's Party appear not too dissatisfied with solution. Raab and right-wingers, however, are understood to have fought vigorously against acceptance Socialist demands and argued that formation new government could be postponed indefinitely unless Socialists backed down. Moderates who insisted delay would lead to deterioration internal situation and jeopardize treaty negotiations won out only when Figl threatened resign. Right-wingers expected abide loyally by party decision but obviously regard solution as first step towards complete Socialism in Austria and are privately implying that Figl is weak man who must be replaced by stronger party leader.

ERHARDT

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**B. THE INTEREST OF THE UNITED STATES IN THE FORMATION OF A FUTURE AUSTRIAN ARMY AND THE ARMING OF THE AUSTRIAN POLICE AND GENDARMERIE**

863.20/1-1049

*The Secretary of Defense (Forrestal) to the Secretary of State*

TOP SECRET

WASHINGTON, January 10, 1949.

Your letter of 7 December<sup>1</sup> stating that the Austrian Government is requesting that negotiations on the Austrian Treaty be resumed has been referred to the Secretary of the Army, the Joint Chiefs of Staff

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<sup>1</sup> Not printed.

and the Munitions Board for consideration in connection with any activities having to do with the development of general foreign military aid requirements or the formulation of military assistance legislation.

The current program for the training of the Austrian police in the United States Zone has been completed. While United States weapons for the police are not to be issued except for emergencies or training, detailed plans have been prepared to permit rapid distribution.

General Bradley has requested the Joint Chiefs of Staff to conduct, as a matter of priority, an availability study on the equipment required by General Keyes to organize, train and equip the basic cadres for the Austrian Army to be formed within the Austrian *Gendarmerie*. It is expected that this study will be completed in the near future.

The Joint Chiefs of Staff are currently conducting studies on foreign military aid programs and it is understood that the equipment requirements for the basic Austrian Security forces will be included in these studies. Obviously, it is undesirable that any public discussions be held on this subject. It is therefore necessary to consider the inclusion of some funds to be expended at the discretion of the President in any proposed legislation for foreign military aid.

Sincerely yours,

FORRESTAL

863.20/2-749

*The Minister in Austria (Erhardt) to the Secretary of State*

[Extract]

TOP SECRET

VIENNA, February 7, 1949.

No. 78

SIR:

[In the first four sections of this despatch Erhardt reported on the organization and strength of the police and *gendarmerie*, the reliability of the security forces, their equipment, and plans to improve them.]

*Conclusion*

The Austrian security forces are even at present fairly adequate to take care of minor internal disorders while the occupation troops are still in Austria. They are not well enough armed or equipped to take care of a major uprising, such as could conceivably take place in Vienna or in the Soviet zone. However, certain steps can be taken to improve this situation, which would enable the Austrian police to sup-

press any probable disorders likely to occur from the Communist para-military organizations now known to exist. In order to be able to safely suppress any possible disorders from Communist para-military organizations which could be formed, Austria needs a regular army.

Steps which can be taken to improve the efficiency of the security forces are:

(1) Removal of all Communists from positions of influence, and as far as possible from the police entirely. The Ministry of the Interior is now proceeding as fast in this direction as is wise; further steps should be taken as soon as occupation troops withdraw.

(2) Redistribution of arms at present available to the police. If on conclusion of the French and British studies the Austrians are unwilling to take steps to do this, pressure should be brought to bear, in case issue of U.S. arms has not made such a course unnecessary.

(3) Continuation of the training program of police and *gendarmerie* in the use of U.S. arms, and if possible its extension to other zones of Austria.

(4) Stockpiling of sufficient arms and ammunition in Austria to ensure that on the withdrawal of occupation forces security forces in all of Austria can be provided with uniform arms on the same basis as the issue now foreseen in case of emergency in the U.S. zone and ammunition on a much higher basis. British stocks of pistols and rifles might be used. A study should be made to determine how many weapons are needed to make U.S. zone stocks sufficient for the other zones as well. Police in Vienna and *gendarmes* in Lower Austria should be particularly heavily armed, and the *gendarmerie* should be completely mobile. Automobiles, personnel carriers and trucks should be furnished, if possible, as well as radios.

(5) Formation of a mechanized regiment within the *gendarmerie*. The French should be urged to abandon their opposition to this procedure, and every effort should be made to find the necessary equipment.

It is believed that all of the above steps can be taken prior to the withdrawal of occupation troops, and that if they are taken the danger of internal disorders in Austria will be minimized during a period when the future Austrian army is likely to be under full strength and insufficiently trained. It should be emphasized that the police and *gendarmerie* cannot be sufficient to deal with all emergencies which might occur, and a well organized and equipped army, even if under full strength, must be in existence before occupation forces withdraw.

Respectfully yours,

JOHN G. ERHARDT

863.105/2-1249 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

TOP SECRET      PRIORITY

VIENNA, February 12, 1949.

P 3015. Action to Dept Army for JCS to State cite PAGCT from USFA sgd Keyes. Reference is made to WX 83786.<sup>1</sup>

Conference was held 10 February 1949 with British High Commissioner on subject Austrian *gendarmerie* regiment. We are in agreement that procedure outlined in reference cable should be followed in furthering plan except that, for political reasons, Austrian *gendarmerie* preferably should not be deputized as part of our security forces under rules of land warfare. It is considered that formation of a *gendarmerie* regiment of three battalions distributed over three Western occupied zones under operational control of Austrian Ministry of Interior is justified under terms of Allied Control agreement for Austria. This procedure is more likely to be acceptable to Austrian Government and would not justify undesirable Soviet countermeasures.

Absence of French High Commissioner from Vienna precludes discussion of subject with him prior to 17 February. However, applicable contents of reference cable have been transmitted to appropriate member of his staff. Meeting contemplated with General Béthouart earliest after his return. We are assuming that French have been approached at governmental level as outlined in cable 898, Secretary of State to Vienna Legation, 30 November 1948,<sup>2</sup> and that General Béthouart will have been informed of change in former position of French Government.<sup>3</sup>

[KEYES]

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<sup>1</sup> Not printed; in it the Department of the Army authorized Keyes to issue equipment to the Austrian *gendarmerie*. The Department of State approved this action, but wanted the program carefully coordinated with the progress of the Austrian Treaty negotiations in London and with the efforts to obtain quadripartite agreement for the establishment of Austrian armed forces. Keyes was instructed to deputize the Austrian *Gendarmes* as part of his security forces and issue them equipment corresponding to the training and missions they would perform. (Department of Defense files)

<sup>2</sup> *Foreign Relations*, 1948, vol. II, p. 1375.

<sup>3</sup> In telegram P 3050, February 19, from Vienna, not printed, Keyes reported that he had conferred with the French High Commissioner, Béthouart, who agreed to the approach to the Austrian Government. Implementation of the plan, including the issue of equipment, would be contingent on the approval of the three Western governments following its acceptance by the Austrian Government. (863.105/2-1949)



863.105/2-1949: Telegram

*The Secretary of State to the Legation in Austria*

TOP SECRET

WASHINGTON, February 19, 1949—3 p. m.

150. Subj Aus *Gendarmerie* Regiment, USFA's P 3015 (Feb 12<sup>1</sup> taken up today with Fr Emb here on basis P-3050 Feb 19.<sup>2</sup> Reference made to previous position Fr Govt indicated in Fr Emb communication Nov 16, 1948, Deptel 898 Nov 30.<sup>3</sup> In view of joint steps High Commissioners, mentioned P 3050, inquiry made whether we were correct in assuming Fr Govt had modified its position and no longer had earlier reservations, and also whether new instrs along this line have been sent to Fr High Commissioner. View was stressed that after tripartite approach to Aus Govt in Vienna decision as to implementation plan, including initial issue of equipment, should be taken only after consideration matter by three Govts in light current status treaty negotiations. We asked then whether on this understanding Fr Govt approved course set forth P 3050. Emb communicating immediately with FonOff and reply expected within next few days.

ACHESON

<sup>1</sup> *Supra.*<sup>2</sup> Not printed, but see footnote 3 to telegram P 3015, *supra.*<sup>3</sup> *Foreign Relations*, 1948, vol. II, p. 1375.

863.105/3-1949: Telegram

*The Secretary of State to the Legation in Austria*

TOP SECRET

WASHINGTON, March 18, 1949—11 a. m.

243. Reply from Fr Emb re estab Aust *gendarmerie* force Deptel 150 Feb 19<sup>1</sup> and USFA's P 3111 Mar 9<sup>2</sup> is in substance as fols: Fr Govt has not changed attitude set forth *aide-mémoire* Nov 16, 1948.<sup>3</sup> Appears essential in case estab mobile *gendarmerie* regiment approved by Aust Govt plan shld be carried out only after an understanding by three Govts and implementation should depend on or be related to (*subordonnée à*) development Treaty negots at London.<sup>4</sup>

<sup>1</sup> *Supra.*<sup>2</sup> Not printed; in it Keyes reported that the three Western High Commissioners had informed Figl and Schaerf of the plan to form a *gendarmerie* regiment in the Western zones of Austria. Figl assured the Commissioners that the plan would be entirely satisfactory to the Austrian Government.<sup>3</sup> Not printed. For a summary of the *aide-mémoire*, see telegram 898, November 30, *Foreign Relations*, 1948, vol. II, p. 1375.<sup>4</sup> For documentation relating to the Austrian Treaty negotiations, see pp. 1066 ff.

Re approach to Aust Govt in matter *aide-mémoire* recalled it had been agreed Oct 1948 by US, UK and FR elements desirable to reach general accord on organization future Aust army before beginning discussions with Aust Govt on formation *gendarmérie* force.<sup>5</sup>

Fr Emb rep informed orally Fr position second sentence para one summary above was in accord with ours if language "*subordonnée*" interpreted as "be related to" and wld not be held to preclude decision to proceed with plan if Treaty not concluded in current negots. Fr Emb rep stated he understood this interpretation to represent attitude FonOff and Fr Govt wished to make certain whatever outcome Treaty negots implementation plan to form *gendarmérie* wld be reviewed by three Govts before action taken in Vienna. On basis para 1 urtel 1270 Dec. 6, 1948<sup>6</sup> it was pointed out we were not aware any such agreement three Elements last Oct mentioned above. He replied he wld endeavor obtain further info although acknowledging Fr High Commissioner may have gained mistaken impression of arrangements considered by three Elements Vienna past autumn.

ACHESON

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<sup>5</sup> The text of the French *aide-mémoire* of which this is a summary is in file 863.105/3-1349.

<sup>6</sup> *Foreign Relations*, 1948, vol. II, p. 1376.

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863.105/3-2449 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

TOP SECRET

VIENNA, March 24, 1949—6 p. m.

299. *Démarche* of French Embassy on Austrian *gendarmérie* (Dep-  
tel 243, March 18<sup>1</sup>) is not understood here. As General Keyes has re-  
ported to JCS three Western High Commissioners in full agreement  
presented proposal to Austrian Government two weeks ago and Aus-  
trians have accepted enthusiastically. They expect to present detailed  
plan of their proposed organization about middle April after con-  
sideration of which, further recommendations in regard to imple-  
mentation will be submitted by Three High Commissioners to their  
governments. Austrians have expressed preference not to receive heavy  
arms at this time and this portion of standard equipment will pre-  
sumably be held for present in Western hands. When General Keyes  
informed Béthouart of French Embassy *démarche*, latter expressed  
great surprise, stated that Paris fully aware of steps taken and that

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<sup>1</sup> *Supra*.

he had just discussed question there again during visit last week end and found full agreement.<sup>2</sup>

ERHARDT

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<sup>2</sup> General Keyes had reported to the Department of the Army along these lines in telegram P 3175, March 23, from Vienna, not printed (863.105/3-2349). In telegram 290, March 31, to Vienna, not printed, the Department of State informed Erhardt that it believed the French wanted to review the question of the Austrian *Gendarmerie* after the planning had been completed and before the decision was made to proceed with implementation. It asked that Béthouart seek clarification in Paris and stated that efforts would also be made in Washington to obtain further information. (863.105/3-2449)

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863.105/6-949 : Telegram

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

TOP SECRET

PRIORITY

VIENNA, June 9, 1949.

P 3459. From USFA sgd Keyes to JCS pass to State from PAGCT. Reference is made to P 3175.<sup>1</sup>

1. Austrian plan for *gendarmerie* regiment has been received by US, British and French elements and found generally acceptable. Plan has been returned to Austrian Ministry of Interior with suggestions to insure that regiment provides means of training cadre for Austrian army in accordance with basic concept as well as a unit capable of operations in the event of disorder. Ministry of Interior has been advised that we must obtain specific approval of 3 governments before any equipment can be issued but that *gendarmerie* should be prepared to form one company in each of 3 zones at any time after 1 July 49. Ministry has been advised further that flow of equipment will depend largely on ability of two major political parties to reach agreement on a satisfactory plan for future Austrian army.

2. I have confirmed statements made to Ministry of Interior (paragraph 1 above) in conference with Austrian Federal Chancellor and Vice Chancellor.

3. Authority is requested to proceed with issue of equipment authorized in WX 83786<sup>2</sup> at my discretion. It is contemplated that initially only small arms, unarmored vehicles and appropriate equipment will be issued. Other types will be issued progressively in accordance with developments in the local situation as agreed among the 3 Western High Commissioners for Austria as well as progress of Austrian arms plan (paragraph 1 above). It is considered from local

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<sup>1</sup> Not printed, but see footnote 2 to telegram 299, *supra*.

<sup>2</sup> Not printed, but see footnote 1 to telegram P 3015, February 12, p. 1239.

viewpoint that progressive implementation of plan as outlined above will not influence adversely negotiations in CFM on Austrian question.<sup>3</sup>

4. British and French High Commissioners, Austrian Federal Chancellor and Vice Chancellor concur in above. British and French state they are forwarding similar recommendations to London and Paris.<sup>4</sup>

[KEYES]

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<sup>3</sup> In telegram WAR 90083, June 13, to Vienna, not printed, the Department of the Army granted Keyes the authority to issue the equipment and reported that the Department of State also approved his plan (Department of Defense files).

<sup>4</sup> On June 14, the Department of State cabled London and Paris, reviewing the course of the developments with respect to the Austrian *Gendarmerie*, and requesting that representations be made to the British and French for support in obtaining the agreement of the Austrian coalition partners on a satisfactory plan for the future Austrian Army (Telegram 2032, June 14, to London, repeated to Paris as 2080, 863.105/6-1449).

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740.00119 Control (Austria)/6-1649: Telegram

*The Acting Secretary of State to the United States Delegation at the Council of Foreign Ministers*

TOP SECRET      US URGENT      WASHINGTON, June 16, 1949—3 p. m.

Secdel 1692. Joint Chiefs of Staff request transmission fol views on conclusion Aust Treaty:<sup>1</sup>

Basic views in JCS memo Jan 28<sup>2</sup> reaffirmed concerning necessity of providing adequate security forces in Aust prior to withdrawal occupation forces. After reviewing plans for equipping *gendarmerie* regiment and present situation re mil assistance program JCS conclude that if Treaty is arranged at current mtg CFM it will be impossible for Aust to have adequate security forces prior to withdrawal occupation forces within 90 days after Treaty comes into effect. From strategic point of view withdrawal occupation forces prior to creation adequate Aust forces would create mil vacuum in which Communists may be expected to attempt seizure of power. Therefore, JCS recommend that withdrawal occupation forces not be completed until such time when adequate Aust forces can assume security responsibilities. JCS recommend discussion during Treaty negots of provision for gradual reduction occupation forces to be taken only in relation with Aust ability to organize, train and equip security forces.

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<sup>1</sup> For documentation relating to the discussion of the Austrian Treaty at the Sixth Session of the Council of Foreign Ministers, see pp. 913 ff.

<sup>2</sup> Not printed; the record copy in JCS files is dated January 31. The Joint Chiefs of Staff reaffirmed their views in a memorandum of June 8 to the Secretary of Defense.

JCS and NME consider Treaty shld become effective only after US is assured Aust forces are adequate to perform all tasks envisaged in Treaty.

Foregoing summary of JCS and NME views was made by Dept. Full text of NME communication fols by air pouch.

WEBB

740.00119 Control (Germany)/6-3049: Telegram

*The Secretary of State to the United States Deputy for Austria at the Council of Foreign Ministers (Reber)*

TOP SECRET

WASHINGTON, June 30, 1949—6 p. m.

2251.<sup>1</sup>Audel 63 for Reber. Gen Keyes advises Brit High Comm states his Govt questions advisability proceeding with plan Deptel 2032 June 14<sup>2</sup> for Aust *gendarmierie* on grounds action would affect Treaty negots.<sup>3</sup> Brit High Comm requested to reexamine problem and submit recommendations to his Govt. US and Fr High Comms consider that implementation of plans shld be carried out without delay. Aust Govt concurs. US and Fr are prepared to initiate program in respective zones about July 15 regardless of Brit participation.

Pls discuss this question with FonOff in effort obtain Brit concurrence. We see no reason why plan shld not be carried out as originally conceived. Brit High Comm hopes appropriate instrs will be transmitted from London to enable participation. Delay to Sept 1 will in our opinion adversely affect Western security interests.<sup>4</sup>

ACHESON

<sup>1</sup> Repeated to Paris as 2356 and Vienna as 656.

<sup>2</sup> Not printed, but see footnote 4 to telegram P 3459, p. 1242.

<sup>3</sup> General Keyes' report to this effect was transmitted in telegram P-3541, June 29, from Vienna, not printed (863.105/6-2949).

<sup>4</sup> In Delau 138, July 6, from London, not printed, Reber reported that Bevin had agreed to send instructions to the British High Commissioner, enabling him to participate in the plan for equipping the Austrian *Gendarmerie* (740.00119 Council/7-649).

### *Editorial Note*

At its 43rd meeting, July 7, 1949, the National Security Council considered the question of the future course of United States action with respect to Austria. Secretary Acheson agreed that a further study should be made of the problem of training an Austrian Army to determine what was necessary from the standpoint of United States security interests. The military representative, General McNarney, felt that unless adequate Austrian forces were trained, equipped, and in opera-

tion before the withdrawal of occupation forces, the danger of Communist revolution would be serious, since revolutionary organizations would have been created in the Soviet zone prior to that time. For this reason the National Military Establishment considered that the existing plan, to train one *gendarmérie* regiment, was not sufficient. (Executive Secretariat files)

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863.20/7-949 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

TOP SECRET

VIENNA, July 9, 1949.

P 3574. From USFA Vienna signed Keyes to Dept of the Army. JCS pass to State from Keyes, and repeat to Reber London MilAtt.

1. Since the question of timely establishment of Austrian security forces prior to allied withdrawal was not raised at the Paris CFM, I again wish to emphasize the importance of a decision on this matter as contained in my P 3490, 17 June<sup>1</sup> before negotiations proceed too far. Satisfactory solution of this question prior to treaty signature is, in my opinion, essential in order to avoid grave risks to Austrian independence and to US interests and strategy.

2. Any proposal to postpone ratification of an agreed treaty in order to allow time for creation of an Austrian Army is unsuitable, since:

(a) The Allied Council prohibition against Austrian military activities remains in force until ratification of the treaty is complete, and

(b) The political position of the US would be untenable in event of undue delay. Such tactics would be taken as justification of Communist charges of imperialism, et cetera.

3. I consider that it would be futile to reintroduce into the Allied Council the US, British and French proposal of 28 March 1947, permitting the Austrians to undertake military planning, in view of the previous Soviet position rejecting the proposal in principle and declaring it to be outside the competence of the Allied Council; the Soviets likewise refused to seek instruction from their government.

4. Organization of the Austrian Army in the Western zones in the event the Soviets refused authorization at Allied Council level would be inviting disastrous reprisals and jeopardize the existence of Austria for which we have struggled for many years. Recent US emphasis

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<sup>1</sup> Not found in Department of State files.

upon the validity of past Allied Council decision<sup>2</sup> would only accentuate such a breach of international commitments on our part.

5. Even after four-power agreement to permit military planning by the Austrian Government, additional time may be consumed in resolving the conflicting concepts governing formation of an army now held by the Peoples Party and the Socialists, and is further reason why the Foreign Ministers should take up this question without delay.

6. I should like to reaffirm by recommendation contained in my P 2869 dated 6 January 1949 and also appendices to JCS 1685/11 dated 9 February 1949.<sup>3</sup>

7. PolAd concurs.<sup>4</sup>

[KEYES]

<sup>2</sup> Keyes was referring to the United States support of the Allied Council proclamation, September 11, 1945, which required that all political parties in Austria be approved by the Council. For documentation relating to the policy of the United States with respect to new Austrian political parties, see pp. 1206 ff.

<sup>3</sup> Not printed.

<sup>4</sup> In another cable, July 9, Keyes reported that at a meeting with Austrian *Gendarmerie* officials, July 8, the decision was taken to set July 18 as the date for the start of the training program and the issue of equipment (telegram P 3576, 863.105/7-949).

863.20/7-1549 : Telegram

*The Secretary of State to the Legation in Austria*

TOP SECRET

WASHINGTON, July 25, 1949—3 p. m.

786.<sup>1</sup> Ref P 3602 July 15<sup>2</sup> and preceding msgs on this subject, all plans for equipping future Aust Army are based on assumption that US funds can be made available for procurement necessary supplies. Steps are now being considered in this regard and subsequent msg will be dispatched.

Agreement exists in Dept and Dept Army that in terms immed objective connected with treaty Aust Army shld be organized and equipped in such manner as to carry out effectively task of maintaining internal security. This wld require, in addition to police, a mobile mil force able to impose martial law in event of disorder and to prevent entry of foreign action groups interested in fomenting internal disorder.<sup>3</sup> Detailed logistic plans are now being considered in Dept Army.

In surveying problem of implementation, Dept considers that, aside from problem of funds and logistic difficulties, three basic steps are necessary in dipl field :

a. Firm tripartite agreement should exist on all aspects of program

<sup>1</sup> Repeated to London as 2587 and Paris as 2697.

<sup>2</sup> Not printed ; it reported the outline of the Socialist Party plan for future Austrian Army (863.20/7-1549). Regarding the Austrian Government's plan for the army, see telegram P 3666, July 30, p. 1250.

<sup>3</sup> At this point in the source text the Acting Chief of the Division of Austrian Affairs, Williamson, had deleted the following sentence: "Preliminary plans indicate that two divisions wld suffice to assure objective."

and Brit and Fr shld ack[nnowledge] joint responsibility with US in implementation of program since they have agreed in principle that maintenance of security is a major issue involved in conclusion of treaty. This question will be brought to attention of Brit and Fr govts with request that all steps in this regard be fully coordinated and with reminder that joint responsibility involves physical contribution by each West power to extent possible.

b. Austs shld realize that maintenance internal security is their basic responsibility in which West states will assist in all feasible ways. Consequently agreement must be reached quickly in Aus on fundamental question of org of army in order that Govt may assume its responsibilities immed on withdrawal of occupation forces. Question of org of Army must not be subject of Aust partisan politics as this question affects both parties equally. Resolution of problem involves forthright action on part of Aust party leaders and a firm govt decision concerning type, character and purpose of future army. It will be necessary for Aust to subordinate party interests on this question to larger interest of their own natl security. In order to stress urgency of this situation, we are despatching instrs to London and Paris to request appropriate instrs to Brit and Fr High Commissions to join Gen Keyes in tripartite representations to Aust govt to effect that agreement be reached now on plan to be submitted on org of army.<sup>4</sup> We do not consider that any possible available funds can be allocated until Aust Govt has submitted satisfactory plan agreed by both parties. Delay in this regard would involve corresponding delay in implementation of treaty.

c. Four-power approval to begin implementation of mil clauses prior to coming into force of treaty. Brit and Fr recommendations have been requested on this question. We do not consider that approach to Sovs shld be made at least until mil clauses in treaty are finally agreed. At that time decision on action to be taken and channels to be used will be taken on tripartite level after surveying situation.

ACHESON

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<sup>4</sup> This was done in telegram 2586 (Audel 98), July 25, to London (repeated to Paris as 2696), not printed (863.20/7-2549).

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863.20/8-149

*Paper Prepared by the Foreign Assistance Correlation Committee*<sup>1</sup>

SECRET

[WASHINGTON, July 26, 1949.]

#### AUSTRIA AND THE MILITARY ASSISTANCE PROGRAM

At the recent Paris conference of the Council of Foreign Ministers, substantial agreement was reached in principle on the basic issues of

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<sup>1</sup> The Foreign Assistance Correlation Committee, composed of representatives from the Department of State, the National Military Establishment and the Economic Cooperation Administration, had come into existence at the end of 1948 as the result of an agreement among the three participants. For documentation relating to its activity and genesis, see vol. I. The source text bears the series indicator MAP D-G/42 Draft No. 1 and the handwritten interpolation "Approved by FACC on August 1, 1949."



the Austrian treaty. The actual negotiation of the treaty was referred to the Deputies now meeting in London with the direction that the completed draft be submitted to the respective governments by September 1. It is possible that the treaty will be completed and signed in the near future. The rapid development in the Austrian treaty negotiations was made possible only by agreement by the Ministers after the Paris conference began that the subject of the treaty would be on the conference agenda.

The agreed portion of the treaty gives Austria the right to organize and equip an army of 53,000 men, including *gendarmerie*. This army is not in existence at this time. The *gendarmerie* does not possess sufficient equipment or arms to fulfill its police duties in Austria. The maintenance of internal security in Austria is at present carried out by the occupation forces of the Four Powers. They will continue to fulfill this duty until the treaty comes into force and for a 90-day period thereafter. At the conclusion of 90 days after the treaty comes into force, the occupation forces of the Four Powers will be simultaneously withdrawn.

Complete agreement exists between the Department of State and the National Military Establishment that a basic factor involved in concluding the Austrian treaty is the maintenance of internal security. This problem is particularly acute in view of the fact that the 90-day period provided for the maintenance of Four Power occupation forces after the conclusion of the treaty will not provide sufficient time for the Austrian Government to organize an army or to procure the necessary equipment.

Both the Austrian Government and people are staunch supporters of the cause of the Western states. The Communist vote in the last election was approximately 5% of the total vote. It is not likely in the forthcoming elections to be held on October 9<sup>2</sup> that the Communists will increase their strength. Both parties in the present government coalition have cooperated since the beginning of military occupation and have effectively opposed Communist infiltration into the government and have, with the assistance of the Western powers, opposed unwarranted demands by the Soviet authorities.

In the opinion of the Department of State and the National Military Establishment, which is shared by the National Security Council and the Joint Chiefs of Staff, the urgent requirement for keeping Austria in the Western orbit after the conclusion of the treaty is to provide the equipment necessary for the government to oppose successfully any violent action which may be contemplated or attempted

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<sup>2</sup> For documentation relating to the Austrian National Elections on October 9, see pp. 1206 ff.

by the Communist minority or by Soviet agents after the withdrawal of the occupation forces. The crucial time involved will be from the withdrawal of the occupation forces until such time that the Austrian Government can by its own means equip any army to the extent prescribed by the treaty. The Department of State and the National Military Establishment consider that this question of internal security is of such importance that the Western occupation forces should remain in Austria until there is some assurance that the Austrian security forces can function effectively.

Such a decision, however, would involve a delay in the ratification and implementation of the Austrian treaty and would seriously prejudice our political interests in Austria. It would also permit the Soviet authorities to maintain their troops in Austria as well. It is necessary, therefore, that sufficient funds be provided in order that the basic equipment which will be required may be procured and made available to the Austrian Government in such time as would not delay our withdrawal under the terms of the treaty.

The National Military Establishment has recommended that an Austrian army of approximately two divisions with appropriate equipment would be sufficient to fulfill the duty of maintaining internal security. It is estimated that the equipment to be made available for this army would cost approximately \$88,000,000.

The Department of State is considering various means whereby Four Power approval may be obtained to permit Austria to begin organizing and equipping its armed forces prior to the coming into force of the treaty and the 90-day period therein prescribed. The seeking of such approval would not be feasible until the Deputies of the Ministers have concluded their negotiations and a final draft treaty has been submitted for approval. Until such time that a diplomatic approach is made to the Soviet Union on this question, it would not be desirable for the Austrian program to be debated publicly in connection with the Military Assistance Program as a whole.

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740.00119 Council/7-2849 : Telegram

*The United States Deputy for Austria at the Council of Foreign Ministers (Reber) to the Secretary of State*

TOP SECRET

LONDON, July 28, 1949—7 p. m.

2988. Delaus 194. From Reber. As Audel 98<sup>1</sup> implied Department desired coordination of representations based on Deptel 2587,<sup>2</sup> I saw

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<sup>1</sup> Not printed, but see footnote 4 to telegram 786, July 25, p. 1246.

<sup>2</sup> Same as telegram 786, p. 1246.

Mallet and Berthelot today and explained Department's proposal for three basic steps necessary implementation of program for equipping future Austrian army. Both expressed agreement in principle and agreed to urge upon their respective governments acceptance of Department's proposals. They will endeavor to have necessary instructions sent to British and French high commissioners without delay so that they may promptly join General Keyes in tripartite representations on organization of Austrian army.<sup>3</sup> While reserving final comment on point *c*, both expressed similar opinions that it would be preferable to postpone any approach to Soviets until military clauses in treaty are agreed. They will be prepared at that time to consult concerning appropriate action to be taken and channels to be used in effort to name [*gain?*] four power approval.

Sent Department 2988, repeated Vienna 183, Paris 584.

[REBER]

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<sup>3</sup> In telegram 2761 (Audel 118), August 4, to London (repeated to Paris as 2862 and Vienna as 860), not printed, the Department of State advised that no further approach was necessary in view of the receipt of a bipartite plan for the Austrian Army. (740.00119 Council/8-249)

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Department of Defense Files

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

TOP SECRET

PRIORITY

VIENNA, July 30, 1949.

P 3666. From ComGenUSFA Vienna sgd Keyes cite PAGCT to Department of Army for CSGPO. Rerad WAR 92017.<sup>1</sup>

1. A general plan of organization of the Austrian Army was received from the Austrian Government on 29th July 49 condensation of this information is as follows:

A. The Austrian Army legislation will receive high priority in an effort to achieve concrete results.

B. The Austrian Government is aware of the dangers to Austrian security which will exist and considers it an obligation to create an effective Federal Army which will insure the stability of Austria. Basic principles have been agreed upon between the Socialist and Peoples Parties and constitutes the Government's concept of the basic principles on which to formulate the Army. Basic principles as follows:

- (1) Enrollment to be based on compulsory military service.
- (2) Initially recruiting will be from trained individuals of the years 1926, 1928 and 1927; and without restriction from the untrained class of 1928.

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<sup>1</sup> Not found in Department of State files.

(3) Period of service for previously trained conscripts will be 6 months; for untrained a maximum of 1 year.

(4) Age limit for Officers including rank of Major will be 45 and for Senior Officers, 60.

(5) Officers will be selected on the basis of regulations established by the Austrian law providing for the Army.

(6) Officers who were not accepted by the German Army in 1938 and who were considered unworthy for military service by the Nazis will be subject to selection under the new law.

(7) Negotiations with Allied authorities will be started immediately in order to secure arms and equipment (meaning the US).

(8) Based on the consideration of the Federal-State structure of Austria and in consideration of operational, training and organizational requirements, 6 combined garrisons and recruiting centers will be formed initially and stationed in:

- a. Tyrol-Vorarlberg-Salzburg, Hq Innsbruck.
- b. Upper Austria, Hq Linz.
- c. Carinthia, Hq Klagenfurt.
- d. Styria, Hq Graz.
- e. Lower Austria, Hq St Poelten.
- f. Vienna and Burgenland, Hq Vienna.

(9) The equipment desired, first of all, is light and medium armament, vehicles and Signal equipment.

(10) Until formation of the new Government based on the coming elections<sup>2</sup> the Federal Chancellor personally will carry out the preparatory agenda.

(11) To assist the Chief Command of the Federal Army, a *Land Defense Council* will be created as a consultative body according to representation in the newly elected Parliament.

(12) The preliminary strength in the first draft is to be 20,000 to 30,000 men and it will develop later to the strength laid down in the State Treaty.

2. The following information was obtained verbally from Chancellor Figl at a conference between him and my representative on 28th July in addition to the items mentioned above. Chancellor Figl stated:

A. The initial Army strength of 20 to 30,000 will be built-up to Treaty strength in 12 years.

B. The Austrian Govt will seek authority from the Occupying Powers to start organization as of Treaty signing date.

C. The Government aims to ready the Army for field service as of withdrawal date.

D. With ref to Par 1-Sub Para B (8) above, the 6 garrisons indicated will be the *nuclei* for Brigades of combined arms to be eventually organized in each of the specified locations, and generally of Constabulary type.

<sup>2</sup> For documentation relating to the Austrian national elections, October 9, 1949, see pp. 1206 ff.

3. It is contemplated to include the above information in the briefing of the Joint Chiefs in addition to detailed equipment lists which we have been promised prior to the Joint Chiefs arrival here.<sup>3</sup>

4. Reference last Para WAR 92017. Specific comments later. This message submitted as interim information.

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<sup>3</sup> The Joint Chiefs were in Vienna on August 7 and 8.

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*Editorial Note*

On November 17 the National Security Council submitted to President Truman NSC 38/4 on the future courses of United States action with respect to Austria. This paper *inter alia* analyzed the problem of Austrian internal security in terms of the formation of an Austrian Army. The conclusions of the paper were then approved by President Truman and its implementation was to be coordinated by the Secretary of State. For the text of NSC 38/4, see page 1190.

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863.20/11-2849 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

SECRET

VIENNA, November 28, 1949—5 p. m.

1625. Deptel 1481, November 23.<sup>1</sup> Suggestion that it would be preferable not to approach Soviets re Austrian army originated, we understand, with British military authorities here. Cheetham of British Legation,<sup>2</sup> at instance his military, saw Gruber. General Keyes and we not aware approach to Gruber was intended. As Department knows, security problem has been considered for some time by three Western High Commissioners who agreed, at least General Keyes thought so, that they would act in concert.

In any event, Gruber now tells us he is definitely of opinion that it would be mistake to raise matter with Soviets, either before or after signature of treaty.<sup>3</sup> He feels it would be difficult for Austrians to proceed with anything more than elementary planning should Soviets refuse their consent to Austrian action prior to effective date of treaty, but is even more concerned re situation which would exist if Soviets agreed and insisted that preparations be carried out under supervision

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<sup>1</sup> Not printed.

<sup>2</sup> Nicolas John Alexander Cheetham, Counsellor of Legation.

<sup>3</sup> For documentation relating to the effect of the question of the Austrian Army on the negotiations for an Austrian Treaty, see pp. 1206 ff.

of Allied Council. In that case, Soviets could interfere endlessly with planning, and at same time create difficulties re costs of program and source of equipment.

Gruber's idea is that Soviet signature of treaty should be assumed to be approval for preparation of implementation all treaty provisions by Austrian Government, which should thereupon proceed quietly with army plans. Presumably following British thinking, he argues that in interim before ratification preparations could be carried to point where 20,000 infantry could be called up for service on day treaty came into force, and that, with US assistance, training and equipment this group could be completed within 90 days before withdrawal of occupation forces. He considers force of 20,000 sufficient for initial needs internal security and border patrol, and that remaining forces permitted under treaty could be built up rapidly in following months under Western guidance. He adds that if Soviets should plan attack, Austrian army of 20,000 or 50,000 would make little difference in their calculations, and that basic defense would lie in Soviet realization that Austria would resist aggression, regardless of resources.

Leaving aside Gruber's estimates of military factors and considering only political question of approach to Soviets, we would be willing to assume Austrian Government ought to prepare, in interim between signature and ratification, for implementation of treaty provisions. However, Soviets would be in strong position if they assert in AC, which they will, that control agreement is effective until treaty is ratified and any action in this direction should have quadripartite approval.

Final decision this question must of course depend upon whether, plans having been completed in interim period after treaty signature, force of sufficient strength for Austria's initial needs can be assembled, trained and equipped in 90 days following ratification. In this connection, we must assume that even if Soviets should consent to preparations before ratification, they would not give Austria and Western Powers free hand, and that as much might be accomplished without hindrance in 90-day period as could be achieved with Soviet "cooperation" prior to ratification.

Prior to ratification three Western Commanding Generals might in concert coordinate with Ministry of Interior in creating a *gendarmerie* sufficiently mobile to take care of all possible internal disturbances.

General Keyes has now had opportunity for discussions with Gallo-way and Béthouart, and will report his views to JCS.

ERHARDT

863.20/12-149 : Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, December 1, 1949—7 p. m.

1532.<sup>1</sup> Legtel 1625 Nov 28.<sup>2</sup> In obtaining recent US decisions on procedure to meet Aust security problem Dept assumed agreement existed in Vienna and West High Commissioners wld act in concert. Brit reaction Deptel 1481 Nov 23<sup>3</sup> and report Gruber's views have been noted as presenting basic problems with regard implementation US policy. This problem will be considered after receipt Keyes' views following his discussions with Béthouart and Galloway.

Pending receipt these views and formulation US position, we wld appreciate ur views, after consultation with Keyes, on procedure which wld not involve possible difficulties inherent in direct approach to Sovs on organization army at time signature of Treaty and at same time achieve objective of providing for effective Aust army. Ur views specifically requested on proposal that Aus at time it signs Treaty address separate communication to each of the four powers expressing Aus gratification upon conclusion of Treaty and at the same time making known its intention to take immediately such steps as may be appropriate to prepare for implementation of all Treaty provisions. Such action wld be justified in terms of imminent withdrawal occupation forces and Aus desire to assume its responsibilities under Treaty.

Communication of this character wld serve to put each of four powers on notice re Aust's intentions and cld be referred to by Aust at later date if question arose concerning its actions re preparation for army. The proposed communication wld, of course, make no specific reference to plans for creation Aust army and, in contrast to direct request to Sov and possible Sov refusal to agree, wld have advantage of requiring no agreement or other action on the part of Sovs or other powers.

ACHESON

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<sup>1</sup> Repeated to New York for the United States Deputy for Austria at the Council of Foreign Ministers as Audel 218, Paris as 4641, and London as 4312.

<sup>2</sup> *Supra*.

<sup>3</sup> Not printed.

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Department of Defense Files

*The Department of the Army to the United States High Commissioner for Austria (Keyes)*

TOP SECRET

ROUTINE

WASHINGTON, December 2, 1949.

WAR 97100. ComGen USFA from CSGPO. Anticipate JCS will soon consider feasible steps leading toward but stopping short of

creation Austrian army in event Soviets refuse agree formation such army prior coming into force of treaty.

2. Accomplishment by US personnel of the following preparatory measures believed minimum essential if Austrian army of approximately twenty-eight thousand is to be mobilized, organized and equipped, and capable initiating training by termination of ninety day withdrawal period:

a. Drafting appropriate military legislation to permit its immediate enactment by the Austrian Government.

b. Preparation of German-text army regulations, field manuals, technical manuals, tables of organization and equipment, and plans, schedules, and directives concerning mobilization, organization and training.

c. Organization of a skeleton defense ministry and army staff.

d. Selection and designation of key Austrian personnel, and their covert indoctrination within the limits of security.

e. Selection and preparation of reception and training centers, to include pre-stocking equipment under US control required for mobilization.

f. Establishment of a skeleton mobilization and recruiting organization.

g. Use of US personnel to staff initially the newly organized Austrian Defense Ministry, army headquarters and subordinate headquarters on a skeleton basis appears essential. Full use, however, should be made of such French and British assistance as is made available.

3. Desire your view concerning feasibility foregoing measures taking into consideration means available to you, extent to which they might be covertly taken, estimate of risk Soviet retaliation they entail. Also extent to which French and UK cooperation and personnel or other assistance should be sought, and probable reaction of Austrian government.

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863.20/12-949 : Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

TOP SECRET

VIENNA, December 9, 1949—5 p. m.

1692. Legtel 1660 December 5.<sup>1</sup> On basis discussion with General Keyes I believe we should refrain from taking initiative with Soviets re Austrian Army, and that it would be inadvisable for Austrians to address letter on treaty implementation as suggested Deptel 1532.<sup>2</sup>

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<sup>1</sup> Not printed; it reported that General Keyes was in Salzburg and would not return until December 7. Erhardt would discuss the question of the Austrian Army with him at that time and report to Washington. (863.20/12-549)

<sup>2</sup> *Ante*, p. 1254.



I believe further that in order to implement pertinent provisions of NSC 38/4 (WARX 96716)<sup>3</sup>, General Keyes should be authorized immediately following treaty signature to take such steps as he may find feasible, in absence Soviet consent, towards establishment effective armed forces are organized prior to West withdrawal, basic dif-

Basic reasons for recommendations above are as follows:

1. As Department is aware, agreement in principle on army organization between Socialists and Peoples Party last July was not easily reached. I concur therefore with General Keyes' view that unless armed forces are organized prior to West withdrawal, basic differences between two parties might lead to lengthy hazardous delay.

2. In order ensure minimum requirements for effective force at time West withdrawal, preparatory work at least must be completed prior to ratification.

3. To stimulate Soviet interest in question prior to ratification might, however, increase Soviet suspicions or result in disagreements leading to delay or refusal of Soviet ratification. Under such pressure Austrian Government might well be inclined attempt placate Soviets in bilateral negotiations to detriment Austrian security.

We would of course review question in light circumstances prevailing following treaty signature, but in this connection we should keep in mind that Soviets may conceivably take initiative themselves by raising question in AC with contention four occupying powers must supervise army organization. In that eventuality, we might wish to take position in ensuing AC debate that treaty authorizes Austrian Government to form army and matter should not be under quadripartite supervision.

Pass to USUN New York.

Sent Department 1692, repeated Paris 101, London 258, Moscow 12.

ERHARDT

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<sup>3</sup> NSC 38/4 is printed on p. 1190: WARX 96716, not printed, transmitted paragraphs 6-11 of NSC 38/4 to Vienna.

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Department of Defense Files

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

TOP SECRET      PRIORITY

VIENNA, December 23, 1949.

P 4389. For CSGPO. Reurads WAR 97195 and WAR 97634.<sup>1</sup> Have had several discussions with British and French on initial size of Austrian Army and am now finalizing joint agreements on details. An itemized list of proposals intended to serve as a guide in the coordinated implementation of the program will be submitted to the

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<sup>1</sup> Neither printed.

French and British today for their concurrence. When this is finalized you will be fully informed and any disagreed points will be submitted for governmental action.

When above agreement with British and French is finalized it will be used as a basic instrument to get the practical and essential Austrian action necessary to insure governmental effort to create an Austrian Army in being prior to withdrawal of occupation forces. Have continued to impress on Austrian authorities the need for planning and cooperation and have been assured by chancellor that matter is now being given a high priority.

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863.20/12-2949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, December 29, 1949—4 p. m.

4623.<sup>1</sup> It is view this Govt that immediate action is required to prepare for Aust internal security in post-Treaty period. This action will include programming and shipment equipment required for Aust armed forces. Accordingly, London and Paris requested approach FonOff again with view obtaining ultimate firm UK and Fr agreement (Deptel 2587 to London; 2697 to Paris; 786 to Vienna<sup>2</sup>) to assume their share mutual responsibility for internal security Aust after effective date Treaty.

For ur own info, it is believed preferable that particular categories of arms and equipment for Aust army be furnished from single source in order avoid difficulties in maintenance, supply, and training. Tangible Brit and Fr assistance is desired, however, and it is believed that such assistance cld be rendered initially by transfer to Aust army suitable types supplies and equipment from Brit and Fr zones Aust.

Prior to asking Brit and Fr specifically to assume this joint responsibility, we wld like them to instruct their reps undertake conversations with US reps Wash with view reaching basic understandings as to who may be in position furnish particular categories equipment which understandings may subsequently be coordinated Vienna and made effective in Aust.

London requested also inform Brit of US concern status Brit planning Aust air force. On basis previous statements, we assume Brit prepared provide necessary air force equipment on grant basis to Aust and also supply on grant basis necessary ground and other supporting equipment for operation Aust air force. Emb shld suggest desirability

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<sup>1</sup> Repeated to Paris as 4973 and Vienna as 1790.

<sup>2</sup> *Ante*, p. 1246.

early indication. Brit views and proposed action this subject and that US be informed from time to time of progress made. In particular, it is considered essential USAF in Aust be kept currently informed on Brit planning for Aust air force on same basis Brit reps Vienna are kept informed US planning for Aust army.<sup>3</sup>

ACHESON

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\* In telegram 5481, December 30, from Paris, not printed, Bruce reported the Foreign Ministry to be in full accord with the principle of joint responsibility. Bonnet would be instructed to enter conversations along this line in Washington. With regard to the transfer of equipment, the Foreign Ministry pointed out that the small number of French troops in Austria offered very limited possibilities. (863.20/12-3049) Embassy London also reported assurances that the British Foreign Office would assume its share of the mutual responsibility for Austrian security and was sending appropriate instructions to its Embassy in Washington. The Foreign Office also stated that the British would provide the necessary air force equipment and related support material. (Telegram 5183, December 31, from London, 863.20/12-3149).

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**C. PROBLEMS OF OCCUPATION: UNITED STATES CONCERN OVER  
OCCUPATION COSTS; EFFORTS TO TRANSFER GREATER AUTHORITY  
TO THE AUSTRIAN GOVERNMENT; THE COURSE OF FUTURE UNITED  
STATES POLICY WITH RESPECT TO AUSTRIA**

761.63/1-1049

*The Minister in Austria (Erhardt) to the Acting Secretary of State*

SECRET

VIENNA, January 10, 1949.

No. 13

SIR: I have the honor to submit the following estimate of the principal considerations which might affect the determination of Soviet policy toward Austria during the coming year. This despatch proceeds on the assumption that there are three major alternative policies which the Soviets might pursue during this period: (1) partition the country and set up a separate Communist Government in Eastern Austria; (2) maintain the status quo of four-power occupation; (3) conclude a treaty<sup>1</sup> and evacuate Austria. There are set forth below the pros and cons of each of these policies as they might appear from the Soviet point of view.

No attempt is made to consider long-range Soviet policy toward Austria. There can be little question that the ultimate objective of that policy must be the absorption of Austria into the Eastern sphere

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<sup>1</sup> For documentation relating to the United States participation in the negotiations for an Austrian Treaty during 1949, see pp. 1066 ff.

and its reintegration into a Danubian basin wholly under Soviet domination.

## I. PARTITION

### PRO—PARTITION

1. Soviet control of an extremely important Central European strategic center, including the Vienna transportation network and the Austrian Danube, would be consolidated.

2. Allied troops in Vienna would be isolated and perhaps ultimately forced to withdraw.

3. If the Western Powers failed to react effectively, a further diplomatic defeat with far-reaching repercussions throughout Europe would have been inflicted upon them.

4. Soviet political control of Eastern Austria would be assured, a Communist regime would be installed and the area saved from Marshallization.

5. The economy of Eastern Austria would be completely at Soviet disposal.

### CON—PARTITION

1. An *Anschluss* of Western Austria to Western Germany would be a probable result.

2. In view of the firm attitude now being displayed by the U.S. toward Soviet encroachments in Europe, as demonstrated by our stand in Berlin,<sup>2</sup> a Soviet *putsch* in Austria might well create a risk of war more serious than the gains to be anticipated would justify.

3. The strategic advantage arising from partition would not be great since the Soviet Army is already in Vienna. Even if it should withdraw as a result of a treaty, either it or a satellite army could, in case of war, easily return in a matter of hours.

4. Hope of removing Allied forces from Western Austria, by means short of war, would be destroyed.

5. It would be politically difficult (though not impossible) either to maintain Eastern Austria as a separate state or attach it to any of its neighbors. The first would be politically and economically artificial to an embarrassing degree; the second would certainly be unwelcome to Czechoslovakia, which would wish neither to take in a new German minority nor to see Hungary enlarged to such a degree.

6. The problem of providing food and other essentials for the population of Vienna would create serious difficulties and the industry of Eastern Austria would suffer markedly from being cut off from Western Austrian supplies.

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<sup>2</sup> For documentation relating to the diplomacy of the Berlin crisis, see pp. 643 ff.

## II. STATUS QUO

## PRO—STATUS QUO

1. An important trump in the game with the West would be kept in hand for bargaining use at the most effective moment.
2. The Soviets could maintain their strategic position at the Vienna crossroads without creating risk of war.
3. The Soviets could directly assist the Communists in Eastern Austria in the forthcoming elections<sup>3</sup> if it should seem desirable.
4. The Austrian Government would remain at a spot, Vienna, where it can continue to be subjected to not wholly ineffective Soviet pressure.
5. Control of all USIA industries would remain in Soviet hands and Austria could continue to be used as a center and channel for Soviet international black market operations.

## CON—STATUS QUO

1. Allied forces would remain in Western Austria and Vienna, and as long as they remain there is danger of *Anschluss* with Western Germany.
2. The Soviets would continue to suffer embarrassment and loss of prestige internationally and among their own troops in Austria from being confronted by stubborn and effective resistance from the Government of a country of which they are in occupation.
3. Soviet troops in Austria would continue to be exposed to corrupting Western influence.
4. Unpopularity and ineffectiveness of the Austrian Communists is increased by the presence of Soviet troops (as long as those troops do not interfere decisively in Austrian affairs).
5. There is evidence that many of the USIA industries are proving a liability rather than an asset and that, while the USIA complex as a whole, through ruthless exploitation and exemption from Austrian laws and taxes, may still be showing a "profit," this profit is probably neither large enough nor stable enough to weigh heavily in the determination of Soviet policy toward Austria.

## III. TREATY

## PRO—TREATY

1. Western forces would be removed from Austria (and incidentally withdrawn from direct contact with Yugoslavia except at Trieste).
2. Probability of an *Anschluss* with Western Germany would be reduced.

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<sup>3</sup> For documentation regarding United States concern over the Austrian national elections, October 9, 1949, see pp. 1206 ff.

3. Soviet forces could be withdrawn from the corrupting influence of a Western country.

4. A possibility would be created of "peacefully" changing the anti-Soviet political climate of Austria as a whole, either by intensified Communist political agitation or by an eventual Communist putsch.

5. The USIA firms which are liabilities could be gotten rid of for hard money while the oil properties and the DDSG could be retained.

#### CON—TREATY

1. The strategic position at the Vienna crossroads would be at least temporarily abandoned, as would the trump in the international game.

2. Austria would certainly strengthen her ties with Western Europe and perhaps even eventually be integrated into a Western Union.

3. With acceptance of the present Carinthian frontier, a useful means of pressure on Tito would be abandoned and he would be able to demonstrate to his people that the Soviet Union was not willing to protect Yugoslavia's national interests.<sup>4</sup>

4. Legal justification for retention of Soviet troops in Hungary and Rumania would disappear.

5. It would no longer be possible to provide direct support to the Communist Party in Eastern Austria or to engineer a putsch without a dangerous degree of intervention from outside.

6. Certain possible economic advantages would be lost with the surrender of most of the USIA properties.

#### IV. CONCLUSION

It is impossible to state with any degree of certainty which of the factors listed above will weigh heaviest with the Soviets or whether other factors, wholly extraneous to Austria, may induce the Soviets either to cling stubbornly to Eastern Austria or to cast it aside with apparent casualness.

In any case it would appear that the first alternative—partition—might seem less attractive to the Soviets now than it did before the recent firm United States stand in Europe and that the arguments "con" listed above under the heading "partition" might, at least momentarily, weigh more heavily than the arguments "pro". This alternative would therefore appear to be the least likely of the three, unless and until Soviet overall policy should move into a more aggressive phase in which risk of war would be accorded less weight.

Although the pros and cons of the second alternative—maintenance of the status quo—might seem to the outside observer to be not too unevenly balanced, it would probably be wise to consider this for the

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<sup>4</sup> Documentation relating to the United States attitude toward the Yugoslav-Cominform split may be found in volume v.

present the most likely alternative, in view of the continuing fluidity of the related German problem and of the known Soviet reluctance to abandon a territory they have once occupied before making certain they will be able to retain indirect control.

The third alternative—concluding a treaty—would therefore seem to occupy middle ground between most and least likely. It would not appear that Eastern Austria is sufficiently necessary to the Soviets to induce them to consolidate their grip at any considerable cost or risk to themselves, nor would the status quo appear satisfactory as more than a temporary expedient. On the other hand, there would seem to be no really strong reason why the Soviets should abandon what they now hold, unless they anticipate greater gains from our withdrawal from Western Austria than we think are likely to emerge. Perhaps the most probable eventuality is that the Soviets will negotiate stubbornly but with a view to arriving at eventual agreement on the disputed points in the treaty, withholding their final assent, however, until world developments have moved into another phase which might either increase or decrease the importance of a temporary withdrawal from Austria. If increased, the Soviet price would doubtless be raised to an impossible point; if decreased, the withdrawal could be graciously concluded.

Respectfully yours,

JOHN G. ERHARDT

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740.00119 Control (Austria)/12-1848: Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, February 4, 1949—8 p. m.

97. Dept has reviewed problem occ costs raised Aus Leg's note Nov 30<sup>1</sup> light of considerations mentioned urdesps 538 Nov 24 and 29 Jan 13; urtel 1303 Dec 19; USFA's P 2923 Jan 18.<sup>2</sup> We agree new approach this question now essential and approve general course outlined in reftel 1303.

We have been reluctant to see further levy and collection occ costs in view (1) our position treating Aus as liberated country; (2) effect on financial stability Aus Govt; (3) large schilling balances already in possession UK, Fr and Sov elements. Recognize, however, desirability quadripartite solution, particularly since Figl and Schaerf

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<sup>1</sup> Not printed; a summary of this note was transmitted in telegram 922, from Vienna, December 8, 1948, printed in *Foreign Relations*, 1948, vol. II, p. 1444.

<sup>2</sup> Of the messages under reference here, telegram 1303 is printed *ibid.*, p. 1445; the others are not printed.

prefer quadripartite decision (P 2922<sup>3</sup> and P 2923, Jan 18). If impossible to agree on abandonment occ costs, we believe every possible effort should be made to obtain settlement on minimum sum in accordance with fol principles: (1) equal split; (2) equal obligation to pay civilian occ costs from mil occ cost funds; (3) prior use of existing schilling balances; (4) agreement on total levy in schillings without basing it on percentage Austrian budget, and (5) assessment by quarters on basis progressive reduction.

Re points 2 and 3, it might be desirable to discuss with Brit and Fr informally question of furnishing regular confidential reports by Aus Govt on unused balances. We understand Aus Govt now considers such reports would be violation banking secrecy principles. At least, unless you see objection, amounts existing balances and total Sov occ costs, including unreimbursed civilian costs, might be appropriately publicized.

Re point (4) (Dulles'<sup>4</sup> records indicate) quadripartite Finance Directorate unanimously agreed on abandonment percentage of budget principle in its meetings Dec 1946, which reflected in its subsequent reports substituting conventional 3 billion schilling figure.

Resistance to allocations, or more than minimum allocations, for 1949 should take fully into account since investment program appears in excess probable counterpart schillings and since tax income cannot be speedily increased, levy occ costs of several hundred million schillings may well occasion inflation almost corresponding amount.

If there is doubt settlement along foregoing lines serious consideration should be given to withholding US agreement, at least for some time. Meanwhile study of extent civilian occ costs should be urged prior to further allocation of military. In any event, it may be advisable view London Treaty negotiations to delay action that would bring issue to showdown.

Your comments desired whether any objection reply to Aus note in sense para 2 above.<sup>5</sup>

ACHESON

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<sup>3</sup>Not printed; in it Keyes had reported, *inter alia*, that Chancellor Figl preferred a unanimous Allied Council decision on occupation costs rather than disagreement and subsequent bilateral settlements with the British, French, and Soviet authorities. The Austrian Chancellor felt that negotiations with the British and French on 1948 occupation costs looked promising, but that the Soviet Union remained adamant in demanding full payment of the 149 million schillings due them for the year. (740.00119 Control (Austria)/1-1849)

<sup>4</sup>A reference to Mrs. Eleanor L. Dulles, who served as an economic analyst in the Office of the United States Political Adviser for Austria during 1946.

<sup>5</sup>In telegram 130, February 18, from Vienna, not printed, Erhardt reported that Legation Vienna had no objection to this procedure. He also indicated that the United States representative in the informal quadripartite discussions on occupation costs had based his position on the principles enumerated in this message. (740.00119 Control (Austria)/2-1849)



863.5018/2-1749: Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET      PRIORITY

VIENNA, February 17, 1949.

P 3040. From USFA Vienna signed Keyes action to Department of Army for JCS pass to State.

1. I am still of the opinion that the local situation confirms the recommendations expressed in my letter to Mr. Voorhees of 11 January 1949.<sup>1</sup> Strongly urge reconsideration of proposed decision to turn over responsibility for food procurement and shipment to Austrians as stated in Deptel 107, February 8.<sup>2</sup>

2. In addition to views in my letter, the following points should be considered:

(a) Turnover of procurement and shipping to Austrians would mean the surrender of US controls over ECA imports within Austria. At present, although Austrians assume possession of imported food supplies at border, their release for consumption is still controlled and determined by the High Commissioner. These releases are made only for specific foods, for consumption in specific provinces and city of Vienna, to cover specific ration periods.

(b) Only by continued control by the High Commissioner can a reserve supply of essential commodities be ensured and blocked storage maintained and inspected.

(c) It should be noted that under the Allied Council agreement of 13 December 1946, all food both indigenous and imported is pooled and distributed according to the 28-day food plan, which must be approved by the Allied Council. The quotas for indigenous production available for the food plan are made up on a yearly basis, and are submitted to the Allied Council for approval. The only workable plan by which we have been able to obtain unanimous Allied Council agreement has been the utilization of one-thirteenth of the annual indigenous harvest from each province for each ration period. Therefore, any shortage of imports due to procurement failures, shipping interruptions, or strikes in the United States or Trieste, et cetera, cannot be made up by borrowing from indigenous stocks allocated for future food plans.

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<sup>1</sup> Not printed; in it Keyes expressed his opinion that it would be unwise to transfer contracting of food supplies to the Austrian Government. According to the United States High Commissioner,

"Control of food supplies is the most powerful weapon that the High Commissioner has to force cooperation of recalcitrant occupying powers, to further the objectives of U.S. policy in Austria and to insure cooperation by the Austrian Government in implementation of ERP and other U.S. sponsored programs, to carry out quadripartite functions of the U.S. as one of the Occupying Powers and to protect the Austrian Government from intimidation and undue influence on the part of one of the Occupying Powers." (863.5018/1-2649)

<sup>2</sup> Not printed; it asked for further information regarding the timing and effect of an Austrian takeover of food supplies' procurement (863.5018/2-849).

(d) By giving up control of the release of ECA imports, the United States High Commissioner could no longer guarantee that the Austrian Government would adhere to any particular ration scale; neither could an effective check be maintained as to whether or not the Austrians were following the monthly food plans.

(e) If the Austrians take procurement and shipping responsibility, ultimate control of these supplies will pass from the United States High Commissioner to the Allied Council; thus giving the Soviets an equal influence in the use and disposition of ECA supplies. It must be kept in mind that Austria is the only ECA area over which the USSR exercise a degree of direct control.

(f) Relinquishment of US procurement and shipping controls would leave the Austrians free to manipulate the ration scale and deration certain commodities for political purposes, the likelihood of which is increased by the approach of national elections this autumn. Unanimous agreement of the Allied Council is required to approve or disapprove a ration increase, and agreement has been made possible in the past [because?] the US element held the controlling voice.

(g) During the past three years the Austrians have consistently failed to collect the established harvest quota, particularly bread grains, potatoes and cereals, and this has resulted in food shortages during June, July and August. Heretofore, the deficit has been met by emergency United States imports and the use of United States reserves. Despite present indications that a similar shortage will occur this coming summer, the Austrian Government could not be depended upon to maintain a reserve to meet such an emergency if United States controls were withdrawn.

3. Contacts with Trieste indicate that at present 70 to 75 percent of its shipping is sustained by Austrian civilian supply imports. Austrian control of shipping may result in the competition of other ports offering more favorable terms, to the serious detriment of the economy of Trieste. As long as Austrian food is a military shipment, the Communist labor unions of Trieste cannot interfere with unloading operations since cargoes could be unloaded by United States troops in an emergency. If imported supplies were Austrian shipments, no such alternative would be possible.

4. Should the Austrians be entrusted with procurement and shipment, the Soviet capabilities towards gaining control of the food supply are greatly increased, since:

(a) They would be in a position to dictate the interruption of shipments through Communist-led strikes at Trieste,

(b) Through pressure on the Austrian Government, imported reserve stocks could be diverted to storage locations in the Soviet Zone, and to USIA (Soviet administration of properties in Austria) operated factories and processing plants.

(c) 65 percent of the indigenous food supply is produced in the Soviet Zone.

(d) By distribution manipulations and intimidation, imported food reserves, now stored in the Western zones, could be dissipated if United States controls were withdrawn.

(e) Soviet control of the bulk of indigenous produce could no longer be neutralized by US control of imports. This would give the Soviets a controlling voice in quadripartite consideration of the monthly food plans, whereas at present their position is weak, and the US element is dominant. This advantageous US position has resulted in quadripartite agreement on 28 consecutive food plans since the initial food-pooling agreement of 13 December 1946.

(f) The Soviets would gain veto power over all those food supply operations now controlled by the United States.

5. It is our position that supervision and control of the food situation can be exercised to the best interests of the United States and Austria through the present system of releases based on Allied Council approved food plans, for definite commodities, covering definite periods, for definite provinces, with strict control of imported stocks. In an interview with the Chancellor on 15 February, he stated that as long as quadripartite decisions are required, he did not wish to see the United States relinquish its control of procurement and shipping. We cannot see any real political advantages in turning over to Austrians these functions, and there are dangerous economic disadvantages in giving up the High Commissioner's most powerful weapon in the struggle for Austria. I am convinced that the proposed turnover is premature, and would be advantageous only to the Soviet element.

6. Following are answers to specific questions in Deptel 107, 8 February:

(a) It is considered that the surrender of these functions is not in keeping with the High Commissioner's responsibilities under current JCS directives. Control of imported food in Austria is regarded as a principal means for insuring the proper discharge of these responsibilities.

(b) It will be necessary for Austria to establish purchasing and contracting organizations in the United States, as well as in Trieste—the latter to handle contracts for unloading, storing, warehousing, and railway transportation outside Austria.

(c) ECA control of purse strings and counterpart schillings would have little effect in obtaining Austrian cooperation regarding utilization of food, and will have no effect on the controlling occupying powers, particularly the Soviet.

(d) Serious political and economic disadvantages would arise should the Austrians prove even temporarily unable to maintain a steady flow of essential supplies. Austrian political stability is dependent on the socialist control of labor movement, and this control, in turn, to a large extent is dependent on an uninterrupted and adequate food supply. Political advantage of turnover would be further

tangible evidence of our intention to treat Austria on the same plane of authority and independence as other OEEC countries, but this is unrealistic until Four-Power control of Austria is terminated.

(e) Only backlog of supplies would be army emergency stocks in Vienna, which are not considered available to cover blocks in the pipeline or shortfalls in domestic deliveries, and are not a reserve in that sense. The Austrians would then be responsible for reserves, and past experience indicates that they cannot be depended upon to maintain them.

7. I wish to re-emphasize that because of quadripartite control, exercised over Austrian Federal Government,

(a) ECA and other matters cannot be envisaged and implemented in Austria under same formula applicable in other sovereign OEEC countries, and

(b) That the proposed decision to turn over to the Austrians responsibility for food procurement and shipment would, if implemented, result in passing the controlling voice here, in this vitally important field, from the US to the USSR.<sup>3</sup>

[KEYES]

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<sup>3</sup> In telegram 138, February 18, from Vienna, not printed, Erhardt reported that this message represented only Keyes' views. Erhardt and King, Head of the ECA Mission in Austria, were in accord with their general substance, and believed that the period after the national elections, October 9 would be the first possible time for any transfer. (740.00119 Control (Austria)/2-1849)

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740.00119 Control (Austria)/3-1249 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET

VIENNA, March 12, 1949.

P 3127. Action to Department of the Army for JCS to State PACG From USFA Signed Keyes. Discussions among the Deputy High Commissioners for the United States (Balmer), British (Winterton), French (Carolet) and Soviet (Zheltov) elements regarding occupation costs to be assessed against the Austrian Govt for 1949 began on February 11. Three subsequent sessions have been held to date on February 18, February 25 and March 4. Discussions were begun upon British initiative.

At the first meeting, it was agreed to calculate occupation costs as a percentage of the combined ordinary and extraordinary budget, which amounts to 5,531.7 million schillings, as was done in 1948, and that each element would receive an equal share. The US representative proposed that the expenses of each element should be considered and justified in order to determine the minimum occupation cost. This was

aimed primarily at the Soviet element which follows the practice of charging the Austrian Govt separately for its civilian occupation costs (housing, transportation, labor, et cetera) in addition to the sum received as the result of Allied Council agreement. The British, French and Soviet deputies state that they could not accept this proposal without receiving further instructions.

The US deputy called attention to the previous consideration by the Allied Council on September 13, 1946, of a definition of occupation cost. At that time the public finance sub-committee reached agreement on what items of expenditure constituted occupation cost. However, the question was dropped in disagreement at the Allied Council level. No further agreement could be obtained at the meeting on February 25, 1949.

It was agreed that the sum of occupation costs, expressed in a percentage of the Austrian budget, would only be determined for the entire year. The Austrian Govt would only be notified of the amount for the first half, with the amounts of the third and fourth quarters to be formally confirmed by the Allied Council at subsequent meetings prior to the quarters concerned. During discussion of the actual percentage of the Austrian budget to be assessed for the year, the Soviet and British deputies proposed 10.5 percent, the same as for 1948, the French deputy 9½ percent, and the US deputy 6½ percent, was pointed out that annual US expenses were nearly 80 million schillings less than the British. The Soviet deputy claimed that a 20 percent increase in the cost of living over last year would require a great [*greater?*] amount of schillings for his element. The British and Soviet deputies acknowledged that they were prepared to make some minor reduction in the figure of 10½ percent.

At the beginning of the fourth meeting, the US deputy commissioner proposed that the deputies instruct the finance directorate to study the financing capacity of the Austrian Government insofar as the payment of occupation costs is concerned, and to determine the effects that further payments might have upon the Austrian economy.

The British, French and Soviet deputies stated their inability to consider the US proposal pending a further study of it. The Soviet and British members expressed the view that the financial experts could not reach a basis for decision on the US proposal. The Soviet member remarked that the US element had previously rejected the Soviet proposed modification of the Austrian budget. The US deputy replied that he considered it his duty to present the information of the financial difficulties facing the Austrian Government, and that if serious consequences arose as a result of excessive occupation costs, the four elements must accept the responsibility. Upon the initiative

of the British member, in which the Soviet joined, an effort was made to induce the US member to adopt 8.5 percent as his first proposal. The US deputy stated that he was not prepared to further discuss the percentages until the other deputies had replied to the US proposals.<sup>1</sup>

[KEYES]

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<sup>1</sup> With Keyes' concurrence, Legation Vienna in telegram 244, March 11, not printed, suggested that, since the British and French elements in Austria had fixed instructions, an approach should be made to the British and French Governments for a review of occupation costs in the light of Austrian economic conditions (740.00119 Control (Austria)/3-1149).

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740.00119 Council/3-449

*Memorandum by the Second Secretary of the Legation in Austria  
(Kimpel)*

TOP SECRET

[VIENNA,] March 14, 1949.

U.S. ACTION IN CASE OF FAILURE OF TREATY NEGOTIATIONS

If the treaty negotiations are again broken off, Austria will be in the same position it has been in for four years. But it cannot be assumed that this position will continue. The Soviets have, and have had all along, the power of splitting Austria in two and taking over complete control of eastern Austria, except possibly for the western sectors of Vienna. The U.S. would be unable to prevent a repetition of the Berlin situation in Austria by any means short of war or at least threat of war. It would be unjustifiable to assume that because we have successfully resisted Soviet aggression in Austria up to now we could continue to do so. The Soviets have not yet adopted a concerted policy of splitting the country; they may do so at any time. Their methods might be to restrict or cut off shipments of goods from the Soviet zone; to order local officials in their zone to disobey the central government; to terrorize Austrian officials by arrests; to support a Communist *putsch*; and to cut off allied ground communication with the western zones.

The first, second and fifth of these possibilities depend completely on Soviet control of a separate zone in eastern Austria. The other two, which are the least dangerous and least sure, as well as the easiest to resist by effective measures of the Western powers, are greatly aided by Soviet control of their zone. If the Soviets did not have a separate zone in which they have complete control, or the possibility of complete control, the danger of a splitting of Austria would be slight. Therefore in order to prevent a situation which would be a serious blow to U.S. policy and prestige it is necessary to end the division of Austria into zones of occupation. If this could be accomplished no sacrifices on

our part which did not endanger the security of Austria as a whole would be too great.

The following suggestions of proposals to be made by the government of the U.S. to the governments of the other three occupying powers in case of a failure of the present treaty negotiations are made with the above remarks in mind. The suggested proposals would, even if not accepted in any part by the Soviets, materially serve U.S. propaganda purposes. They would be very popular with the Austrian population, since they involve a lessening of allied control and of the burden of occupation costs. They would demonstrate to the world the sincerity of our effort to restore Austria to full sovereignty and the falsity of the Communist claim that we are interested in maintaining our occupation troops in Austria. Thus we have nothing to lose and everything to gain if the proposals are rejected. If the chief proposal, to abolish zones of occupation, is accepted we have lessened if not removed the ever-present danger of a split in the country between East and West. If any part of the proposals are accepted, we will have aided Austria's economy by lessening the heavy burden of occupation costs, and thus promoted the ends of the ERP, and will have furthered our policy of decreasing the controls exercised by the Soviets over the Austrian government.

The only argument likely to be urged against the suggestions is that they involve a decrease in our occupation forces and thus a danger to security in Austria. However our forces in Vienna are not and can never be a serious defense against direct Soviet action; the advantage of having troops in Vienna is not that such troops could resist Soviet force, but that as long as such troops are present—even in small numbers—Soviet force against Vienna is directed against the U.S., and involves a threat of war. It is not believed advisable to withdraw *all* Western troops as long as the Soviets are in control of the USIA industries and thus have extraterritoriality in Austria. But the number of troops needed is comparatively small, merely enough to assure that a direct attack on the U.S. would be necessary in order to take Vienna, not enough to successfully resist such an attack, which we cannot do in any case. As for our troops in our zone, the danger of a Communist *putsch* in the western provinces is minute; the need to maintain order there is slight and could be left to the Austrian police; as long as any troops at all are in Austria direct attack on western Austria means direct attack on the U.S.; the troops presently stationed in western Austria are entirely inadequate for resistance in case of war; our troops will remain in Bavaria, that is all along the frontier, and capable in case of war of moving quickly into the Tyrol and Salzburg to guard the passes to Italy, which is all of Austria we could hope to guard anyway.

As to the timing of the proposals, it would be desirable to have the Secretary of State make them as soon as possible after the end of treaty negotiations, within a few weeks at most. If any chance of success appeared it would be desirable to negotiate and to compromise, trying to obtain a part even if the whole is impossible. Real concessions would be justifiable if the chief point, an abolition of the zones, were possible. If this is rejected the other proposals are not of sufficient importance to justify important concessions, but should still be attempted, since they would materially aid the Austrian population and a Soviet refusal to accept any of them, after we had demonstrated a willingness to compromise, would end any pretence that the Soviets are interested in Austrian welfare.

*Suggested Proposals by the U.S. to the Governments of the Other Occupying Powers:*

1. That the zones of occupation in Austria be abolished. This would mean that the allies maintain only quadripartite control over the central government, and no special unilateral control in any part of the country. The U.S. would have the same rights in Burgenland as in Upper Austria, the Soviets the same rights in Salzburg as in Lower Austria. There would be no restrictions of any kind on travel and shipment of goods from one part of Austria to another. There would be no military government, even advisory, at provincial or local levels. This is the most important proposal suggested, and would decrease the danger of direct Soviet action to a minimum. A compromise which would still be very desirable would be the setting up of quadripartite control or observation bodies in the various provinces, even, if necessary, in the *bezirke*. This would eliminate any Soviet claim that Austria is not ready yet for complete removal of local supervision, but should not be suggested by us until the Soviets have rejected the original proposal.

2. Limitation of occupation forces to a definite number. It would follow from the first proposal that troop concentrations in the provinces are no longer possible. Our proposal should originally be to withdraw all troops except a specified number (say 1,000 for each power) to be stationed in Vienna. Vienna is the danger spot, and the only place where U.S. troops serve a useful purpose. The troops left in Austria could be called Allied Commission and supporting units. Compromise on this point is possible. Provisions might be necessary for small units in the provinces to safeguard supply lines; size of such units should be specified. If point one is accepted it would be justifiable to concede to the Soviets the right to keep a limited number of guards at certain well-defined points to guard USIA installations. Complete implementation of this suggestion depends on Soviet acceptance of



point one, since without an abolition of the zones we could never be sure that the Soviets were carrying out their part of the bargain. However, even in case of rejection of point one a limitation of occupation troops and costs should be proposed again (we have already proposed this in the AC, but the Soviets have rejected it).

3. At the same time that all unilateral control is removed we should propose material reductions in quadripartite control. Such reduction can be insisted on even if points one and two are rejected. Our original proposal could be to abolish all of the directorates of the Allied Commission as well as their direct control over specific Austrian functions, and to limit the Allied Council's role to general supervision of the Austrian government, quadripartite agreement being necessary for any instructions contrary to the wishes of the Austrian government. The Austrians would no longer have to submit all laws for AC consideration; detailed control of communications facilities would be abolished; we should even propose repeal of all restrictions imposed since 1945 on the activities permitted the Austrian government. It is unlikely we could obtain as much as this, but there are innumerable compromise positions, the least of which would be an instruction from the foreign ministers to the High Commissioners to restudy all restrictions imposed on Austria with a view to eliminating those no longer necessary. Even this last step would be desirable.

4. That all German assets in Austria be made subject to Austrian law. Soviet control of the USIA industries is a constant threat to Austrian independence and an interference with Austrian sovereignty. It is doubtful that the Soviets would agree to this proposal, but in any case it would be a popular suggestion in Austria and concessions on this point might provide a bargaining point in negotiating the other proposals. An alternative to this suggestion, which if possible of realization would be preferable, would be to implement the clauses of the draft treaty dealing with German assets even if the treaty itself is not approved. This depends of course on agreements being reached on the German assets clauses. If this could be done and the Soviet managed industries returned to Austrian control, the interests of the U.S. would be materially furthered, since next to the actual presence of Soviet troops in eastern Austria the USIA industries constitute the main potential hold of the Soviets over the Austrian government, a point for concentration of Communist guards and a threat to Austrian independence.

*Conclusion:* In case of a failure of treaty negotiations, the government of the U.S. should propose to the governments of the other occupying powers the abolition of zones of occupation in Austria, the limitation of occupying forces to a specified number of Allied Com-

mission personnel and supporting units to be stationed in Vienna, a radical decrease of the amount of quadripartite control exercised by the Allied Council over the Austrian government, and subjecting of all German assets in Austria to Austrian law.

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840.50 Recovery/3-2149 : Telegram

*The Secretary of State to the Legation in Austria*

SECRET

March 21, 1949—10 a. m.

251. Legtel 734 [198?] Feb. 18<sup>1</sup> and P 3040 Feb 17,<sup>2</sup> Dept concurs in suggestion final decision be deferred pending thorough exploration and coordination views Army, ECA, and Leg. Dept regards fol considerations discussed informally with ECA as important:

(1) General principle that since Aust must in time take over food procurement, advantageous for them to begin acquire experience while it can be done with safeguards in both field and Washington allowing suspension operation if serious difficulties. A primary Aust motive to save on hard currency expenditures for shipping. US policy to assist Aust toward maximum exercise sovereign rights, subject only to necessary security measures.

(2) Agree important avoid use food for polit purposes in election campaign.<sup>3</sup> Consequently initial changes might be limited to Washington end rather than field. Considered desirable to plan transfer procurement and shipment responsibilities to begin on or about July first, with possibility postpone date if conditions this spring would make transfer untimely. Present understanding that US Agri Dept likely continue grain procurement in which case responsibility transferred this item limited to shipment. Supplies procured after July first would begin arrive Aust about end Aug and be available for use ration period beginning Oct 12.

(3) Deptel 107 Feb 8,<sup>1</sup> phrase "our strong view" based on pressing representations made by Aust officials here for early relinquishment Army food procurement. Discussions with Leopold Apr 1948 and Sagemester Dec 1948 made strong case for assumption procurement and shipment responsibilities by Aust govt.

(4) Careful consideration has been given points one to seven P 3040 Feb 17. Reference to ECA controls not clear to us, since main controls believed to lie in program determination and counterpart schillings

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<sup>1</sup> Not printed, but see footnote 3 to telegram P 3040, February 17, p. 1264.

<sup>2</sup> *Ante*, p. 1264.

<sup>3</sup> For documentation relating to the United States interest in the Austrian national elections, October 9, 1949, see pp. 1206 ff.

rather than in connection shipment and distribution supplies. Possible ECA may wish retain function planning food import program as for 48-49. Re 2(a) through (f), especially 2(b), question of reserve supply might be covered by special arrangement near future. 2(g) raises substantive point which would be covered by timing of turnover.

(a) Para 3 may point to need consideration which are most favorable ports and extent Trieste should be given monopoly. Under any conditions Trieste appears likely to receive bulk of business, but if savings can be effected on certain items through other ports question should be examined.

(b) Para 4 stresses importance avoiding any increase Sov capabilities. Our view is that increased food availabilities make it less powerful polit weapon and situation after next harvest may be further eased. There is accordingly less cause for belief that Sovs might create new or increased difficulties in equitable distribution food from their zone. However if special danger envisaged, measures might be taken to increase reserves.

Paras 4(e) and (f) not clear, since Allied Comm would still consider food plan and ECA programs would still determine exports to Austria. Concur in first sentence para 5 but believe that turnover contemplated would not prevent continuation Allied Council supervision.

Dept aware Aust food procurement and shipment might not be as efficient as Army's and that occasional shortfalls might develop in ration. Advantages Aust acquiring experience plus retention decisive influence in our hands through bilateral agreement and control over funds and availabilities believed outweigh disadvantages and risks.

ACHESON

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740.00119 Control (Austria)/3-3049: Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, April 22, 1949—5 p. m.

376. Re Legtel 336 March 30, rptd Paris 16 for Harriman <sup>1</sup> Repto 254 rptd Washington Repto 3643 <sup>2</sup> and occupation costs. Dept plans immediate approach UK and French urging that (a) further imposition occupation costs on Austria hampers reconstruction increases financial difficulties and counter to basic objectives; (b) stating that US does not wish to agree quadripartite demands until matter ex-

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<sup>1</sup> Not printed.

<sup>2</sup> Not printed; in it Harriman stated that he considered the proposal for Austrian occupation costs to be included as part of an intra-European payments scheme to be improper, and would in no way alleviate the fiscal burden of occupation costs in Austria. (863.50/4-1249)

plored governmental level; (c) asking that they consider favorably pay as you go arrangement aimed to relieve Austria of burden and isolate Soviet in any further demands.<sup>3</sup> Meanwhile careful study 336 Vienna March 30 leads to view that it affords no real relief in terms of goods and services or financial strain, and that substitution of franc and sterling purchasing power for existing drawing rights gives mere appearance of pay as you go for UK and France. Although this plan might have propaganda advantage, Aust imports would remain unchanged and occupying forces demands for goods and services not be diminished. Thus result might in fact be adverse public reaction and Soviet attack.

Since real objective to reduce diversion products from Aust uses and to lessen inflationary pressure through spending by Military hope to persuade UK and Fr on new policy. ECA concurs.

ACHESON

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<sup>3</sup> For the details of this approach see the note to the British and French Embassies, *infra*.

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740.00119 Control (Austria)/4-2249

*The Department of State to the French Embassy*<sup>1</sup>

CONFIDENTIAL

The Government of the United States hopes that in the current discussion of the question of occupation costs by the Allied Commission for Austria, the French Government may consider this problem with a view to affording relief to the Austrian people.

The Government of the United States has endeavored since 1945 to limit the amount of occupation costs imposed on the Austrian Government. An agreement was signed with the Austrian Government on June 21, 1947,<sup>2</sup> in an effort to relieve the Austrian Government of a portion of this burden and thus to contribute to the financial stability of Austria. At the same time, the United States Government refrained from taking any unilateral action which would weaken the position of the Four High Commissioners in respect to occupation costs. In addition, the United States High Commissioner continued to work closely

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<sup>1</sup> A similar note was sent to the British Embassy.

<sup>2</sup> Regarding the United States renunciation of its share of occupation costs, June 21, 1947, see *Foreign Relations*, 1947, vol. II, p. 1184.

with the French and British Representatives to safeguard Austrian interests and to oppose the excessive and inequitable demands of the Soviet authorities.

In keeping with these objectives the United States Government wishes to express its concern as to the probable effect that any further levy for occupation costs may have on the attainment of its objectives with respect to Austria. A demand at this time for Austrian schillings to finance occupation costs will threaten the beneficial results achieved by monetary reform<sup>3</sup> and will form a new basis for Communist efforts to combat the European Recovery Program in Austria. The request for occupation funds for 1949 may lead to the printing of new schillings in spite of the proposed imposition of a special tax and disturb the present delicate price-wage balance.

It is recognized also that the imposition of a special tax will focus on any of the occupying powers demanding schillings a measure of political resentment which will add to the problems of the occupation.

With these considerations in mind, the Government of the United States considers that agreement should be reached by the three Western powers to renounce or reduce to a small fraction of the 1948 figure any further levy of schillings for occupation costs in 1949. The lifting of this burden from the Austrian people would be an important factor in aiding economic recovery and would elicit the sympathetic response of the Austrian people.

With reference to the current consideration being given by the Allied Commission for Austria to the schilling requirements for occupation costs, no action will be taken by the United States High Commissioner pending an expression of views by the British and French Governments, to which identical notes have been addressed.

In view of the urgency of the question, an early expression of views would be appreciated. The Government of the United States hopes that it will be possible subsequently for the three Governments to draw up parallel instructions to their respective High Commissioners in Austria which will govern their future position on this question.<sup>4</sup>

WASHINGTON, April 22, 1949.

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<sup>3</sup> For documentation relating to the Austrian currency reform in December, 1947, see *ibid.*, pp. 1208 ff.

<sup>4</sup> In an *aide-mémoire* dated May 26, not printed, the French Embassy informed the Department of State that France could not reduce its occupation costs in Austria, still less renounce them entirely. French policy, which aimed at the maintenance of Austrian territorial integrity, called for troops of occupation, and the costs of these troops should not be demanded of the French Government. (740.00119 Control (Austria)/5-2649)

740.00119 Control (Austria)/4-2249: Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET

VIENNA, April 22, 1949.

P 3275. From USFA signed Keyes for JCS to State from PACG.

1. Subject is Allied occupation costs for 1949.

2. Two additional meetings by the four Deputy High Commissioners to determine occupation costs for 1949 have been held on 11 March and 8 April; and one meeting of the four High Commissioners on 13 April. The discussions centered around the US proposals to (1) examine the utilization of monies received from the Austrian Government to cover occupation costs in order to determine a common basis for their computation, and (2) study the financing capacity of the Austrian Government in order to determine the effects that further payments might have upon the Austrian economy.

3. At the fifth meeting 11 March the Soviet Representative Zheltov stated his desire to restrict the discussion to consideration of specific percentages of Austrian federal budget. The British and French members Winterton and Carolet stated their intention to take the US estimates into account when computing their requirements but preferred to limit the discussion to percentage figures. The British and Soviet deputies stated their willingness to reduce their proposed percentages to 10 percent of the 1949 budget if the US would adopt a figure of 8 percent. The US Deputy Balmer stated that he was not in a position to raise his original figure of 6.5 percent without further instructions.

4. At the sixth meeting with Brigadier Edney representing the British element the US deputy again raised his proposals and cited the US study of the matter as resulting in figures for salaries paid to Austrian employees; rent and utilities; supplies and engineering facilities; transportation; communications; civilian censorship; and claims against the US. In the absence of similar estimates from the other elements he could find no basis for raising his figure of 6.5 percent which approximated the amount expended as civilian occupation costs by the US elements. After further inconclusive discussion the following report was submitted to the High Commissioners:

"(1) The occupation costs for 1949 will be taken from the annual Austrian budget which was fixed for this year in the amount of 7.531 million schillings.

(2) The allocation of funds to the four elements will be done on the principle of 'equal split.'

(3) It was decided that the percentage for occupation costs would be calculated on the basis of the total sum of the budget and will remain secret.

(4) The Austrian Government in view of the secret nature of the above-mentioned decision will be informed about the payment of the occupation costs for the first two quarters of 1949 now and later for each quarter separately.

(5) As to the percentage of the occupation costs for 1949 the position of the elements is as follows: the British and Soviet elements propose 10.5 percent; the French element 9.5 percent; and the US element 6.5 percent."

5. 13 April the US High Commissioner again took up the dual proposals of the US element, and stated that if one or more elements include as legitimate occupation costs certain items not so regarded by other elements, these divergencies would form a basis for their discussion. After defining occupation costs consideration could be given to the ability of the Austrian Government to pay this sum. The Soviet High Commissioner basing his position on three years' experience considered it inappropriate that the various elements should examine each other's requirements. In regard to the second proposal that of determining the ability of the Austrian Government to pay he pointed out that the financial circumstances of the Austrian Government in the past were more difficult than at the present time and that no such question had previously been raised. He stated his desire to proceed with the study of percentage figures. The British High Commissioner stated his readiness to discuss the definition of occupation costs but suggested that the question of the ability of the Austrian Government to pay should be considered afterwards. The French Representative Carolet was in agreement with the British position. The Soviet High Commissioner saw no reason and no basis for this procedure. He charged that the US was trying to establish the purposes for which the various elements were spending their occupation cost allocations and that this constituted interference. Although the US, British and French High Commissioners agreed to instruct the deputies to prepare itemized lists of specific occupation costs for comparison in determining an agreed basis the Soviet High Commissioner insisted upon discussing only the specific percentage figures. The US High Commissioner made it clear that he could not raise his proposal of 6.5 percent of the Austrian budget without some justification on the part of other members. No agreement was reached.

[KEYES]

740.00119 Control (Austria)/5-549: Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

SECRET      PRIORITY

VIENNA, May 5, 1949.

P 3312. From USFA sgd Keyes for JCS State and ECA from PACG.

1. We have had under consideration for several weeks the matter of revision of the control agreement for Austria. This is a recurring project on a statement in article 14 of the control agreement which provides for consultation by the four powers six months after the approval agreement of 46<sup>1</sup> with a view to its revision. The fact that no such formal consultation has taken place as well as the fact that at an Allied Council meeting last year a proposal by the French element suggesting a revision was warded off by the Soviet element by a statement that it was without authority to make such revision, is sufficient evidence that a formal proposal for revision would probably never be accepted locally. Our present review of this matter was initiated with a view to its propaganda value for possible use at the termination of the current treaty discussions in London.<sup>2</sup> The Socialist Party has made this subject a campaign issue and by so doing has practically nullified the propaganda advantage from our point of view. Minister Gruber of the People's Party told Mr. Reber he did not feel this of great importance, however, we believe support of this position by the People's Party will undoubtedly follow.

Were the four powers concerned cooperative and moved by the same desires a substantial revision could be made and with benefit to all concerned; however with the established opposing points of view there is no more hope of bettering the present agreement than there is of getting an acceptable agreement on the state treaty. While certain provisions in the present agreement are objectionable some of them are rarely involved and on the whole the agreement restrains the Soviet element and affords protection to the Austrians. Any revision acceptable to the Soviet element will entail important concessions on the part of the western elements, within the end, the retention or even strengthening of those articles now objectionable to the western elements and the Austrians. As indicated by Mr. Gruber to

<sup>1</sup> For the text of the New Control Agreement for Austria, signed at Vienna June 28, 1946, see *A Decade of American Foreign Policy, Basic Documents, 1941-1949*, p. 614; for documentation relating to the negotiation of the agreement, see *Foreign Relations*, 1946, vol. v, pp. 283 ff.

<sup>2</sup> For documentation relating to the first series of meetings of the Deputies for Austria of the Council of Foreign Ministers, London, February 9-May 10, see pp. 1066 ff.



the chargé d'affaires of the Legation he fears that conclusion of a new control agreement would be taken by the Austrian public to be an indefinite prolongation of occupation.

Should it become advisable or appropriate to attempt revision on government level it should be effected here within the framework of the Allied Council. There is precedence [*precedent?*] for this as the present control agreement was negotiated here. Each time that matters are taken out of Council it not only weakens the council as a whole but invites the Austrian Government to seek action out of channels and usually results in an uncoordinated solution.

2. It is not felt that the suspension of the treaty talks will change local conditions materially. The population is well informed on the talks and are prepared for a suspension or even a complete breakoff of the talks. Neither is it expected that the Soviets will change their attitude or policies materially as a result of suspension of the treaty talks.

3. Do believe however, if no settlement to the Austrian problem is reached at either the London Deputies meeting or the CFM there should be some specific recommendation submitted by the western powers to relieve the burden on Austria. We are now working on recommendations on this subject.

PolAd concurs.

[KEYES]

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740.00119 Council/5-1749 : Telegram

*The Chargé in Austria (Dowling) to the Secretary of State*

SECRET

VIENNA, May 17, 1949—5 p. m.

563. Delaus 99 April 25, Legtel 473, April 30, and Deptel 420 May 4.<sup>1</sup> In advancing any proposal for interim action should no favorable decision Austrian treaty be taken by CFM, we have had in mind that blame rests upon Soviet Union for:

a. Continuing heavy occupation burden on Austria by maintaining military forces far in excess of occupation requirements.

b. Failing to turn over authority to Austrian Government, as contemplated under control agreement.

Soviets have, by veto in Allied Council, prevented implementation of Articles 3-d and 4-a which provide for the return to Austria of maximum authority and control over affairs of state. Soviets have

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<sup>1</sup> None printed; for a summary of Delaus 99, see footnote 6 to telegram 417, April 16, p. 1087. The other two messages dealt with the suspension of the Austrian Treaty negotiations and Gruber's suggestion for relaxation of Western controls in Austria if the Soviet Union refused to agree to a treaty. (740.00119 Council/4-3049 and 5-449)

interpreted Article 8 to authorize them to extend authority of commander in his zone to cover transportation, communication and other phases of Austrian economy not contemplated in control agreement. In brief, they have given only lip service to the liberalizing provisions of the control agreement, and no consideration at all to relaxing any unnecessary controls thereunder.

On this basis Legation and USFA have agreed on following specific recommendations for Department's consideration :

1. That all occupation powers, in recognition of Austria's status as liberated country, should forthwith reduce their occupation forces to minimum compatible with occupation requirements, and should thereafter pay their own costs of occupation in Austria.

2. That Austrian Government should be authorized to proceed without delay to organize, train and equip federal armed forces, within limitation of Article 17 of draft treaty, as a pre-requisite for the eventual withdrawal of all occupation forces.<sup>2</sup>

3. That the four powers direct their representatives in the Allied Council for Austria to proceed immediately with relaxation of all possible restrictions in order to return to Austrian Government maximum authority and control over affairs of state, in accordance with the control agreement of 28 June 1946.

In formulation of recommendations, USFA was naturally guided by consideration that proposal should not carry with it danger of premature withdrawal of occupation forces, or weakening of powers of High Commissioners, to prejudice of strategic plans of western powers.

Without Department's guidance on this point, Legation is not now inclined recommend that US propose complete withdrawal all occupation forces within fixed period, and in any case not later than one year from date, although this would be more responsive to legitimate aspirations of Austrian people. In any event, both USFA and Legation recognize that final nature of US proposal must be determined to considerable measure in light of developments at forthcoming CFM meeting.

Repeated Paris 30 for Jessup.

DOWLING

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<sup>2</sup> For documentation relating to the formation and equipment of Austrian security forces, see pp. 1236 ff.

740.00119 Control (Austria) /5-1949 : Telegram

*The United States High Commissioner for Austria (Keyes) to the  
Department of the Army*

TOP SECRET      PRIORITY

VIENNA, May 19, 1949.

P 3382. Action Dept of Army for JCS pass to State from PACG USFA sgd Keyes. Subject is prolongation of Austrian occupation.

In respect to current deliberations regarding the status of Austria both in Allied and Austrian quarters I believe that we should clearly recognize for policy purposes that the continuation of the occupation of Austria is based upon the existence of East-West ideological differences, and no longer directly related to the military issues determinant in World War II. Consequently, the initial objectives for which the United States occupied Austria have become secondary and the struggle against Communism and against the Soviet aggressive economic and political penetration of Western Europe is now the primary purpose of our presence here. Upon this fact alone should rest the decision and justification of continued military occupation of the country. Knowledge of this policy will assure unity of purpose throughout all branches of our government.

This decision having been taken it should be recognized that benefits to be derived from military occupation will be measured in terms of Western political and strategic gains. Therefore, it is logical and appropriate for the Western powers to assume the financial burden and to pay their costs of the occupation thus compensating Austria for the physical inconvenience, the political interference, the indignity of being occupied and loss of prestige and sovereignty. In this way each will be contributing to the common cause and share in the final benefits.

Although unacknowledged, Austria's acceptance of the burden of occupation can be considered as her share in the defeat of Communism. It is important, therefore, that the United States Government convince the British and French Governments of this realistic approach in order that the three powers join together in paying their way in Austria, and isolating the Soviet element as the one responsible for the financial difficulties facing the Austrian Government and economy.

Acceptance of this policy will permit united action throughout the departments of our own government as well as between the three Western powers.

[KEYES]

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740.00119 Council/6-1049: Telegram

*The Acting Secretary of State to the United States Delegation at the  
Council of Foreign Ministers*

TOP SECRET      US URGENT

WASHINGTON, June 10, 1949—8 p. m.

Secdel 1671. We have recently reviewed Aust problem in light of probable course of CFM discussions<sup>1</sup> and resumption Deputies' nego-

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<sup>1</sup> For documentation relating to the proceedings of the Sixth Session of the Council of Foreign Ministers in Paris, May 23-June 20, 1949, see pp. 913 ff.

tations,<sup>2</sup> and believe plans shld be formulated immediately with Brit and Fr at Paris with regard to positive steps that can be taken now. Problem is to offset developing political situation in Aust which is compound of disappointment over lack of achievement of Treaty discussions, exasperation with burdens and restrictions of military occupation, and opportunity presented by approaching elections<sup>3</sup> to fan resentment against occupation powers for failure to resolve their differences at expense Aust people. Opportunistic elements already making determined effort to turn opposition which Aust people have felt against Sov policies by shifting blame for continuation occupation to Western powers.

Under circumstances, believed that strength Western position will be progressively undermined if we remain content merely with status quo for indefinite future pending successful conclusion of Treaty. Equally undesirable to endeavor bolster Aust sentiment by unilateral concessions our part. In view need to provide adequate safeguards for maintenance internal security and protection southern frontier as well as need to settle German assets question on Treaty basis, we consider that drastic break shld not be made in present four-power arrangements. On other hand a progressive solution liberalizing four-power occupation policy, such as substantial reduction occupation forces, progressive relinquishment Allied Council authority, and shift to civilian High Commissioner wld meet Aust criticism until agreement is reached on remaining basic issues in Treaty.

Consequently we favor solution along foregoing lines. Detailed memorandum being dispatched air pouch. Recommendations approved include:

(a) Discussions immediately with Brit and Fr to formulate program to be followed on either tripartite or quadripartite basis. Problem of occupation costs shld be reopened with Brit and Fr on high level and effort made convince them of necessity assuming such costs in Aust.

(b) If agreement that action shld be initiated in Paris, tripartite program might be presented Sov FonMin in Paris, urging him co-operate in creating conditions in Aust which will approximate post-treaty period and proposing definite steps. Proposals might include appointment civilian High Commissioners; abolition present controls over Aust govt except for functions specifically reserved to AC by Art 5 of Control Agreement; reduction mili forces to minimum figure required for merely police functions. Actual number of troops wld be determined by agreement. Our maximum position shld be to obtain equal number of approximately 8,000 in each zone. Failing this we

<sup>2</sup> The Deputies for Austria at the Council of Foreign Ministers resumed their deliberations on July 1 in London. For documentation on their discussions, see pp. 1097 ff.

<sup>3</sup> For documentation relating to the formation of new political parties in Austria and the national elections of October 9, 1949, see pp. 1206 ff.

shld seek approximate limitation Sov forces to 15,000 with 5,000 in each of Western zones. While steps are now being taken to train police, we shld seek to obtain agreement for training *gendarmarie* and possibly seek formation of army as agreed in Treaty to assume gradually security functions now exercised by occupying powers.

(c) In view desirability divorcing action this type from actual treaty negotiations, recommend that action shld be initiated informally in Paris and distinct from Treaty negotiations. Discussion of specific proposals should be conducted by High Commissioners, Vienna or through regular diplomatic channels.

(d) If Sov refuse agreement recommend that steps along line proposed above be taken by three Western Powers to extent possible without prejudicing our existing rights under Control Agreement or involving reduction troop strength on unilateral basis.

Action proposed would not invite split of Aust as it would leave intact Control Agreement as basic law covering Four Power relations. Negotiation of a new Control Agreement would involve same difficulties encountered in Treaty discussions. Secondly, we do not consider that action proposed wld affect our security interests as it would provide for safeguards against internal disorder and maintain the Allied Council as check against Sov efforts to extend their authority beyond Eastern zone. Finally, such action would not be interpreted as a substitute for the Treaty since it wld not attempt local settlement of disagreed Treaty issues. If proposals were accepted by Sovs it would result in distinct material advantages for Aust. If rejected by Sovs Western position would be strengthened and subsequent steps by Western powers wld ease burden of occupation in Western zones. In view of the probable timing of discussion of Aust it seemed desirable to transmit our thinking along above lines.

Discussions at present being held with Dept Army. Mili aspects are under consideration by JCS and will be subject of further communication.<sup>4</sup>

WEBB

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<sup>4</sup> For the views of the Joint Chiefs of Staff concerning the military aspects of the solution outlined in this telegram, see the letter from the Secretary of Defense to the Secretary of State, June 15, p. 1285.

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Department of Defense Files

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

TOP SECRET      PRIORITY

VIENNA, June 14, 1949.

P 3477. ComgenUSFA sgd Keyes cite PACG Dept of Army for Bolte and Maddocks.<sup>1</sup> I would like to again call attention to my con-

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<sup>1</sup> Major Generals Charles L. Bolte, Director of Plans and Operations, and Ray T. Maddocks, General Staff, Department of the Army.

cept of the Austrian situation as given in P 3382<sup>2</sup> and telecon of 13th June.<sup>3</sup> I believe the crux of the problem is contained in our cable P 3382. Before answers to all the detailed questions can be given it is first necessary to answer the basic question; namely, is military occupation of Austria strategically and/or politically, (a) essential or (b) desirable, and if so, to what extent? This decision must be taken at the top policy level, i.e., the National Security Council.

If the answer to this question is in the affirmative the answers to the detailed questions are simple, and readily found. Again, if the answer is affirmative, then since Austria as well as the rest of Europe and the United States must necessarily share in the benefits to be derived therefrom, there is no obligation or need to make excuses for or further justify an occupation which is the mildest in history. In this respect Austria herself can testify to that fact since she has been occupied throughout the past two or three thousand years by the Germanic tribes, the Romans, the Russians, the Turks, the Mongols, the French, the Germans and now, the British and the Americans.

And so we should abandon or reject this present attitude of basing both our policy and the execution of that policy on the Austrian reactions from the point of view of their internal politics or injured pride. Having strongly rejected a policy of appeasement toward the Russians we are now tending to adopt a policy of appeasement toward the Austrians at the expense of our national aims in the struggle for world peace when no appeasement is called for.

[KEYES]

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<sup>2</sup> *Ante*, p. 1281.

<sup>3</sup> Not found in the Department of State files.

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740.00119 Control (Austria)/6-1549

*The Secretary of Defense (Johnson) to the Secretary of State*<sup>1</sup>

TOP SECRET

WASHINGTON, 15 June 1949.

MY DEAR MR. SECRETARY: The views of the Joint Chiefs of Staff concerning proposals dispatched to Secretary Acheson by the Department of State on 10 June 1949<sup>2</sup> are transmitted herewith. It is my understanding that the message to Secretary Acheson was intended to convey the thoughts of the Department of State and that the views of the National Military Establishment would be the subject of a further

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<sup>1</sup> This letter was delivered to the Department of State and a summary of its contents transmitted to the United States Delegation at the Council of Foreign Ministers in Delsec 1693, June 16, not printed (740.00119 Council/6-1649).

<sup>2</sup> Under reference here is Secdel 1671, p. 1282.

communication to him. I therefore request that the following views of the Joint Chiefs of Staff be urgently transmitted to him:

"It appears that there are military implications in the following proposals in the message:

*a.* Substitution of civilians in place of officers as High Commissioners for Austria;

*b.* Reduction of Allied Council authority to those functions 'specifically reserved to Allied Council by Article 5 of Control Agreement';

*c.* Reduction of occupation forces to the minimum figure required for police functions; and

*d.* Proposal to obtain agreement for training *gendarmérie* and possibly for the formation now of the Austrian army to assume gradually security functions presently exercised by the occupying powers.

With reference to *a.* above, the Joint Chiefs of Staff perceive no military objection to the appointment of civilian High Commissioners on a quadripartite basis. They would recommend, however, that civilian High Commissioners not be appointed on a tripartite basis because of the disadvantage, from a military point of view, in which the commissioners would find themselves in dealing (in Austria, where a quadripartite Control Commission still functions) with a Soviet High Commissioner of military rank who could claim his rights as commander of occupation troops.

The Joint Chiefs of Staff perceive no military objection to the terms of the proposal summarized in subparagraph *b.* above regarding the reduction of Allied Council authority over the Austrian Government.

The Joint Chiefs of Staff consider that authority to create an Austrian Army must be an integral part of any agreement for the reduction of the occupation forces of the Western Powers. They strongly recommend that the forces of all Occupation Powers be in equal strength and that the minimum figure for the strength in each zone be approximately 8,000. As military advisers, the Joint Chiefs of Staff cannot agree to the forces of the Soviets equaling the total forces of the Western Powers. The only concession they could accept from the military point of view, in this regard is that the strength of the forces of the Four Occupying Powers be related to the Austrian population in each zone, subject to an agreed over-all strength of all occupation forces.

In connection with the above, the Joint Chiefs of Staff suggest that if no agreement can be reached with the Soviets along the foregoing lines regarding the over-all strength of the forces of the Four Occupying Powers, the ceiling of these forces might be based upon Article 17, an agreed article of the Draft Treaty. This Article provides for a total of 53,000. If 11,000, the number of the *gendarmérie* now in being, is subtracted from 53,000, the remainder would be 42,000 occupation troops for Austria. This number might be divided equally among the Four Powers or according to the Austrian population in the four zones.

The Joint Chiefs of Staff are fully in accord with the proposal *d.* that we should seek to obtain agreement for the training of the Austrian *gendarmérie* and for the formation now of the Austrian Army of the strength agreed to in the Four Powers treaty discussions, to assume gradually the security functions presently exercised by occupying troops. In this connection, they re-affirm their previous position that provision should be embodied in the proposed Four Power agreement for a step-by-step reduction of occupation forces only in consonance with the ability of the Austrian Government to organize, train, and equip its forces for internal security and to assume its responsibility in accordance with the phasing. They now further recommend that present plans for equipping and training the *gendarmérie* regiment be implemented at the earliest practicable date regardless of Soviet agreement on a treaty for Austria."

In view of the great importance of the entire problem of handling the Austrian situation in accordance with our national security interests, I intend to refer the matter for the consideration of the National Security Council and will appreciate your cooperation in presenting the matter and making suitable recommendations to the President.

Sincerely yours,

LOUIS JOHNSON

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### *Editorial Note*

On June 16 at the 42nd meeting of the National Security Council Secretary of Defense Johnson circulated a report on the future course of United States action with respect to Austria. This report, NSC 38/1, consisted of a memorandum by Johnson asking the Department of State to present its views on the future course of action with respect to Austria, a copy of Secdel 1671, page 1282, another memorandum by Johnson reviewing the views of the National Military Establishment on the military implications of concluding an Austrian Treaty, and a copy of Johnson's letter to the Secretary of State, June 15, *supra*. No action was taken by the Council on NSC 38/1 at this meeting, but at the next session, July 7, it was referred to the National Security Council Staff for use in the preparation of a study on the courses of action available to the United States with respect to Austria. The Staff study became NSC 38/3 dated November 8 and was revised in light of certain suggestions by the Joint Chiefs of Staff and submitted and approved by President Truman on November 18 as NSC 38/4, dated November 17, page 1190. The text of NSC 38/3 is indicated in the footnotes to NSC 38/4.



763.00/11-549 : Telegram

*The Secretary of State to the Legation in Austria*

TOP SECRET

WASHINGTON, November 5, 1949—6 p. m.

1384. Re P 3971 Nov 2.<sup>1</sup> USFA and Leg's comments on Fr memos of conversations with Austrians on subject Aust neutrality awaited with interest in view of possible early conclusion of Treaty. Through conversations over past two years with various Aust officials Dept acquainted with this formulation neutrality policy and the respective motives Socialist and People's Party leaders. Views expressed to Fr obvious effort to exploit Fr fears concerning future security in order to obtain some indication military intentions as to Aust within Fr and Brit sphere of defense. In this respect Dept of impression Brit have rather incautiously made plain their intention to avoid any military commitment in this area. We need not stress political seriousness such writing-off of country before the event, if it shld become common knowledge or viewed as certainty by Aust Govt.

In any similar probing of US officials to ascertain our position on defense central Eur only feasible and best answer is that facts concerning US policy in Eur and West European defense arrangements speak for themselves.

If possible obtain any info on Fr and Brit response as well as Aust view in conversations this character, pls report in detail.

ACHESON

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<sup>1</sup> Not printed; it referred to interviews by General Béthouart and Edouard Bonnefous, president of the Foreign Affairs Commission of the French National Assembly, with various Austrian leaders, who had expressed the view that in the circumstances neutrality was the only policy open to them (836.00/11-249).

863.00/11-1049 : Telegram

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

SECRET PRIORITY

VIENNA, November 10, 1949.

P 4300. From PAGC signed Keyes for JCS and State.

Subject is follow-up comments on our P 3971, dated 8 [2] November, 49,<sup>1</sup> regarding French memorandum on Austrian neutrality.

2. The Austrian Government in official pronouncements has been fairly discreet during the past four years regarding post occupational foreign policy commitments. This, of course, is understandable to a certain extent since any expressions of bias one way or the other would

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<sup>1</sup> Not printed, but see footnote 1 to telegram 1384, *supra*.

not only be ineffectual but certain to provoke retaliatory measures and increase the difficulties of occupation. I feel confident that we can continue to rely upon Austria's pro-Western orientation without the necessity of exacting formal pledges while still occupied.

3. From a review of past indications, the recent declarations by President Renner and other governmental officials do not represent a change of policy on this question. The most significant past statements regarding foreign policy attitudes follow:

a) Foreign Minister Gruber, in the *Foreign Affairs Quarterly* January 47: "Unconditional Support of the UN Will be the Basic Principle of Austrian Policy. Austria regards this universal system as the sole guarantee of her existence as a state. Strength for the new order in this part of Europe will not come from alliances between Austria and neighboring states."

b) Again in same publication April 48: "The economic collaboration of Austria with one particular area alone would be bound to lead her quickly to complete dependence on that area. If such a state of affairs lasted for any length of time, a series of evils might ensue which only another war could remedy."

c) In a speech by Gruber 30 June 48: "No foreign policy can represent itself as being stronger than the actual internal forces of a country can justify. This is particularly true of our position today. That position is characterized by the fact that it is not we who are conducting our foreign policy with the great powers, but rather they who are conducting internal policies in Austria. Austria cannot afford a policy by which it might prejudice its own interests in order to be of assistance to one big power whether it be in the East or the West. Therefore, we proclaim the principle of non-interference as a fundamental principle of our foreign policy."

4. While practical politics require public endorsement of neutrality, the actual conduct of Austria's foreign policy has been decidedly pro-Western. Even occasional short statements by Austrian Governmental leaders acknowledge Austria's sympathies and ties with the objectives of the Western nations although these may be somewhat conditioned by the necessity for continuing economic assistance. The difference between Swiss and Austrian neutrality lies in its practice and practicability. Austrian neutrality is only a peacetime necessity directed towards averting world conflict, without any real hope of its preservation once hostilities begin. This principle has been popularized since 1945 by characterizing Austria as a bridge between East and West. Austrian statesmen no doubt regard the first result of another war as complete destruction of their country.

5. Quite aside from Austria's geographical vulnerability, her economists regard the resumption of East-West trade as necessary for future prosperity. Eastern Europe is the traditional market for Austrian industrial production and the source of food and raw mate-

rials. Consequently, Austrian economists and influential industrialists are reluctant to see trade relations prejudiced by Austrian military association with powers hostile to its eastern neighbors.

6. [Here follow comments on the military defensibility of various areas of Austria and on possible efforts to seek support by the Western Powers.]

7. President Renner's statement emphasizes the dominant psychological characteristic of Central European countries namely, fear. In the face of an overwhelming hostile power, the reaction tends toward compromise rather than resistance unless backed by effective guarantees of assistance. Although Austria's will to resist remains an untested factor, it will depend to a great extent upon the degree of assurances given by the Western Powers to come to Austria's aid. Communism has proven to be intensely disliked by the Austrian population, but also intensely feared. Although alignment with the objectives of the Western countries will undoubtedly continue to influence and even dominate Austrian foreign and economic activities during the post occupational period, concrete resistance against the East will unquestionably depend upon the ability of the organized Western democracies to prove that they are strong, and that they are ready to act in European defense.

Erhardt has seen, concurs in substance and has shown me Department number 1384 of November 5.<sup>2</sup>

[KEYES]

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<sup>2</sup> *Ante*, p. 1288.

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740.00119 Control (Austria)/11-2549 : Telegram

*The United States High Commissioner for Austria (Keyes) to the Department of the Army*

SECRET      PRIORITY      VIENNA, November 25, 1949—6:47 p. m.

P 4342. To State for JCS. [*For JCS and State?*] Cite PACG, signed Keyes. Reference our P 3275, dated 22 April 49.<sup>1</sup>

1. Subject is Allied Council meeting of 25 November and discussion of Allied occupation costs 1949.

2. The executive committee meeting 18 November dealt with only one item on the agenda, that of Austrian laws. Since these were agreed, the Allied Council meeting of 25 November had no other business than the introduction of the new Yugoslav Minister to Austria.

3. At the instigation of the Soviet element the French chairman called a closed meeting of the High Commissioners to reopen discus-

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<sup>1</sup> *Ante*, p. 1277.

sion on the 49 occupation costs to be assessed against the Austrian Government. The United States, French, and British agreed to the conference, but indicated no other interest than to comply with the Soviet request. An attempt was made by the Soviet High Commissioner to obtain agreement in principle that the Austrian Government should be called upon to pay the 49 costs. The United States and British High Commissioners refused to make any definite declaration. The French representative agreed with the Soviet member more as a maneuver than from any conviction or interest. The United States position, initially that of last April as outlined in cable reference above, was modified by a feeling that conditions had changed. Events such as imminence of a treaty conclusion<sup>2</sup> raised serious doubts as to the advisability or necessity to call upon the Austrian Government for funds. In any event, our April figure of 6.1 [6.5] percent of the Austrian budget not only could not be raised but would probably have to be lowered. After short discussion, it was agreed to have the entire matter restudied by the deputies. The United States High Commissioner made it clear that his previous conditions had not been withdrawn, i.e., (a) that an agreed list of justified occupation costs be formulated; and (b) the ability of the Austrian Government to pay be established.

[KEYES]

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<sup>2</sup> For documentation relating to the negotiation for an Austrian Treaty, see pp. 1066 ff.

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740.00119 Control (Austria)/12-549: Telegram

*The Secretary of State to the Legation in Austria*

SECRET

WASHINGTON, December 5, 1949—7 p. m.

1554. Dept supports continuing efforts HICOM to reduce levels of civ and mil occupation costs. Also desirable as far as possible to break link with budget which tends to increase with changes in prices and exchange rates.

Re P 4342<sup>1</sup> to 1949 occupation costs to be assess[ed] not clear since allocation past year had apparently been made and to some extent spent.

Pls clarify nature Soviet request and whether any ref occupation costs in 1950 was made or implied. Also whether any ref was made to the Austro-Soviet talks on elimination of Aust claims for past civ occupation cost in re treaty Art 48 bis.

How many schillings actually requested of Aust 1949 to date.

ACHESON

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<sup>1</sup> *Supra*.

740.00119 Control (Austria)/12-949: Telegram

*The Minister in Austria (Erhardt) to the Secretary of State*

SECRET

VIENNA, December 9, 1949—2 p. m.

1690. Re Deptel 1554, December 5.<sup>1</sup> Unofficial reports of the informal meetings of HiComs on November 25 and of the deputies on December 2 indicate no discussion of question occupation costs in 1950.

Soviet request limited to repetition position that 10.5 percent of Austria's budget 1949 is amount of military occupation costs which Austrian Government should be called upon to pay.

No reference was made to the Austro-Soviet talks on elimination of Austrian claims for past civilian occupation costs in re treaty article 48 bis.

No schillings for military occupation costs have been requested of Austrian Government by any of the four elements.

Latest information Ministry of Finance is that amounts advanced for so-called civilian occupation costs 1949 in behalf of four elements up to November 30 (November estimated) with amounts reimbursed to Austria shown in brackets, are as follows, in thousands schillings: US 184,600 (101,000); USSR 56,000 (none); UK 160,000 (13,750); France 76,500 (4,494); total 477,100 (119,244). (Note: Béthouart has informed General Keyes that French element will reimburse in full.)

Total unreimbursed sums advanced on behalf Soviet element for civilian occupation costs 1946 to date amount to 272,378,000 schillings.

ERHARDT

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<sup>1</sup> *Supra.*

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